Financial Statements

Pacaembu Construtora S.A.

December 31, 2019, 2018 and 2017
with Independent Auditor's Report

Management Report

The management of Pacaembu Construtora S.A. presents the most significant information on the past three fiscal years in this report.

Business description

Pacaembu Construtora S.A. operates in the urban planning and home construction business for the low-income segment.

We specialize in the development and large-scale construction of standard and non-semi-detached houses in horizontal and open developments with complete infrastructure. We develop quality houses in planned neighborhoods, most of them in municipalities located in the countryside of the state of São Paulo.

Operations

We are one of the most relevant players in the Brazilian real estate market according to several specialized publications, such as *Isto É Dinheiro* and *Exame* magazines, in their ranking "*As Melhores e Maiores*" – General Classification of The Best Companies in the Construction Industry. We have 26 years of experience in the development and construction of residential developments focused on the low-income segment, currently with an outlook of 7,485 units with a PSV(2) of approximately R$ 829 million under construction. Over these years, we have launched 130 real estate development projects located in more than 40 cities in the state of São Paulo, providing approximately 55,000 units.

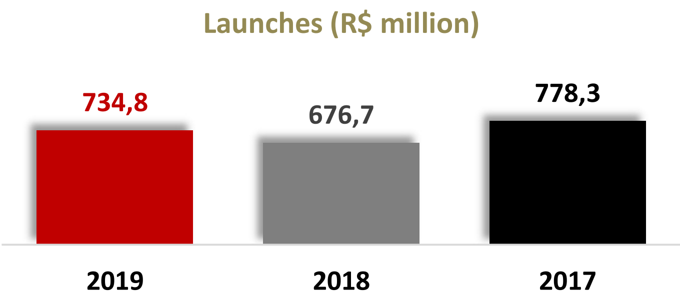
We concentrate our efforts on the Federal Government's housing program "*Minha Casa, Minha Vida*" focusing on ranges 1.5 and 2, because we see a great growth opportunity and low risk of default due to the structure of the program and the real estate loan granting model. We also offer quality real estate properties at a price that is suitable for our target audience, which allows us to reach high sales figures and a fast construction cycle, for instance the construction works of Vida Nova Votuporanga 3 and Vida Nova Lins 2 for which, from the beginning of the job to the issue of the occupancy permit (*Habite-se*), only 9 and 7 months (respectively) were required.

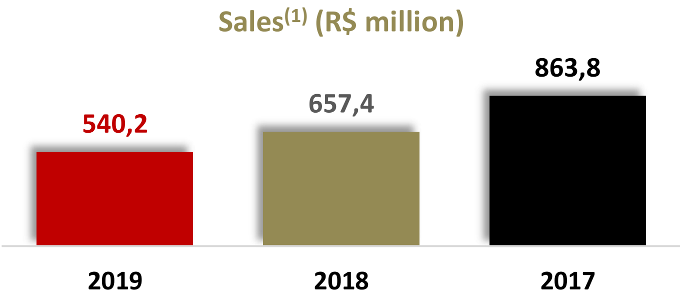
We believe in the potential of the low-income market. According to a study conducted by the Brazilian Association of Real Estate Developers (ABRAINC) in partnership with the Getulio Vargas Foundation (FGV) in 2017, the total national housing deficit was 7.7 million units, with 40.6% of this deficit referring to properties for families with income below 1 minimum wage, and 56.8% for families with income between 1 to 5 minimum wages, which corresponds to 4.3 million families without access to housing.

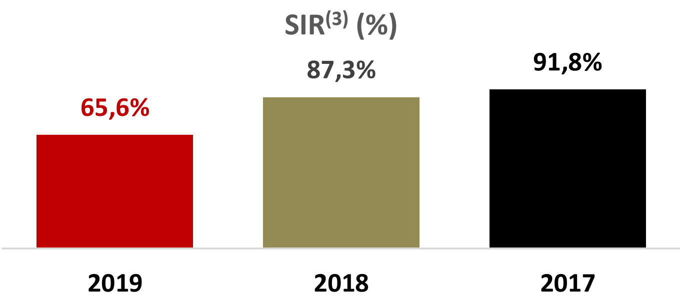
In addition to the housing deficit, in a base scenario, the study estimated that, by 2027, 6.1 million new homes will be necessary for families with income between 1 and 5 minimum wages, which would correspond to 600,000 new homes per annum, without including the existing deficit.

Launches and sales [(1)]

In the past three years, we launched 21,465 units with PSV[(2)] of R$2.2 billion and sold 20,728 units with PSV[(2)] of R$2.0 billion, making the average SOOs [(3)] for the past three years reach more than 81%.







(1) It does not include data of real estate developments for which Pacaembu S.A. recognizes equity pickup.

(2) The Potential Sales Value ("PSV") corresponds to the value obtained or to be potentially obtained through the sale of all launched units of a given real estate development, including through exchange, based on the constant price of the financing table at the time of launch. The investor must be aware that the PSV may not be realized or may differ significantly from the sales value, since the total number of units actually sold may be less than the number of units launched and/or the sales value of each unit may be lower than or higher than the average

launch price. PSV is an indicator widely used in the real estate industry, but does not have a standardized definition or calculation method and, therefore, our definition of PSV may not be directly compatible with the definitions used by other companies. The PSV should therefore not be considered an estimate or projection of revenues to be calculated in a given period, either current or future.

(3) The sales-to-inventory ratio ("SOOs") is calculated based on the percentage of sold units in relation to the total units available for sale.

Contract termination

In our business model, sales are only closed after our client enters into a contract with a financial institution, which ensures that there will be no contract termination. Thus, 100% of the reported sales are, therefore, already closed and transferred to Caixa Econômica Federal.

Summary table with the main indicators for the past 3 years

The table below shows some financial indicators that we believe that should be disclosed and that corroborate the favorable performance over the past years.

Financial Information *(In R$ thousand, unless in %)*	2019	2018	2017	Dif. %	
				19/18	18/17
Net operating revenue	566,009	784,514	560,801	-27.9%	39.9%
Gross profit	214,827	222,333	165,661	-3.4%	34.2%
% Gross margin	38.0%	28.3%	29.5%	9.6 p.p	-1.2 p.p
Net income	111,579	110,485	95,772	1.0%	15.4%
% Net margin	19.7%	14.1%	17.1%	5.6 p.p	-3.0 p.p
EBITDA(1)	123,475	134,661	88,720	-8.3%	51.8%
% EBITDA margin(2)	21.8%	17.2%	15.8%	4.7 p.p	1.3 p.p
Cash and cash equivalents and restricted cash	193,830	268,788	213,045	-27.9%	26.2%
Net cash(3)	184,214	248,691	212,829	-25.9%	16.9%
Equity	274,646	198,016	211,893	38.7%	-6.5%
% Net cash / Equity	68.2%	125.6%	100.4%	n.a.	n.a.
Distribution of profits + IOE (accrual basis)	26,500	26,588	31,638	-0.3%	-16.0%
ROAE(7)	47.2%	53.9%	53.2%	-12.4%	1.2%

(1) EBITDA is a non-accounting measurement prepared by the Company in accordance with CVM Rule No. 527 of October 4, 2012, as amended ("CVM Rule 527"). EBITDA consists of net income plus net finance income, income and social contribution taxes, and depreciation and amortization costs and expenses. EBITDA is not an accounting measure recognized by the accounting practices adopted in Brazil (BRGAAP) or by the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB); it does not represent cash flow for the periods presented and should not be considered as a substitute or as an alternative to net income, as an indicator of the financial performance, as a substitute for cash flow as a liquidity measure or as the basis for the distribution of dividends. On January 1, 2019, the new standard that regulates the accounting treatment of Leases (IFRS 16/CPC 06 (R2), issued by IASB and CPC respectively, came into effect. For the implementation of that standard, the Company adopted the modified retrospective method. Consequently, the financial information for the years ended December 31, 2018 and 2017 was not adjusted to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, certain financial information are not comparable to those presented for the year ended December 31, 2019, which reflect the effects of the adoption of that standard. Thus, for the fiscal year ended December 31, 2019, EBITDA and EBITDA Margin were impacted by the adoption of IFRS 16/CPC 06 (R2).

(2) Ebitda Margin is the EBITDA divided by net operating revenue.

(3) Net Cash is the sum of loans and financing (current and noncurrent) and lease liabilities (current and noncurrent) deducted from cash and cash equivalents and restricted cash. Net Cash is not a financial performance, liquidity or debt ratio recognized by the accounting practices adopted in Brazil or by the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and does not have a standard meaning. Other companies may calculate Net Cash using a method other than the one used by the Company.

(4) It refers to the balance of loans and financing and lease liabilities (current).

(5) It refers to the balance of loans and financing and lease liabilities (noncurrent).

(6) ROE (Return on Equity) refers to net income divided by the Company Equity. ROE is not an accounting measure recognized by the accounting practices adopted in Brazil or by the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and does not have a standard meaning. Other companies may calculate ROE using a method other than the one used by the Company.

(7) ROAE (Return on Average Equity) refers to net income divided by the Company's Average Equity. ROAE is not an accounting measure recognized by the accounting practices adopted in Brazil or by the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and does not have a standard meaning. Other companies may calculate ROAE using a method other than the one used by the Company.

EBITDA AND EBITDA MARGIN

(In thousands of reais)	2019	2018	2017
Net income	**111,579**	**110,485**	**95,772**
(+) Income and social contribution taxes	20,608	33,697	2,501
(-) Net finance income (costs)	(11,721)	(10,041)	(10,083)
(+) Depreciation and amortization	3,009	520	530
EBITDA (1)	**123,475**	**134,661**	**88,720**
Net operating revenue	566,009	784,514	560,801
EBITDA Margin (2)	**21.82%**	**17.16%**	**15.82%**

(1) On January 1, 2019, the new standard that regulates the accounting treatment of Leases (IFRS 16/CPC 06 (R2), issued by IASB and CPC respectively, came into effect. For the implementation of that standard, the Company adopted the modified retrospective method. Consequently, the financial information for the years ended December 31, 2018 and 2017 was not adjusted to reflect the adoption of IFRS 16/CPC 06 (R2) and, therefore, certain financial information are not comparable to those presented for the year ended December 31, 2019, which reflect the effects of the adoption of that standard. Thus, for the fiscal year ended

December 31, 2019, EBITDA and EBITDA Margin were impacted by the adoption of IFRS 16/CPC 06 (R2).

(2) EBITDA Margin is the EBITDA divided by net operating revenue.

Return on average equity (ROAE)

	12/31/2019	12/31/2018	12/31/2017
Net income	**111,579**	**110,485**	**95,772**
Average Equity	236,331	204,955	179,869
Equity 1	274,646	198,016	211,893
Equity 2	198,016	211,893	147,845
ROAE	**47.21%**	**53.91%**	**53.25%**

ROAE (Return on Average Equity) refers to net income divided by the Company's Average Equity. ROAE is not an accounting measure recognized by the accounting practices adopted in Brazil or by the International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and does not have a standard meaning.

Net operating revenue

Net operating revenue for 2019 totaled R$566.0 million, a decrease by 27.9% compared with 2018, when it totaled R$784.5 million. The decrease in net operating revenue was due to the postings of certain real estate developments of the Company in the last months of the year, thus ensuring a stock of units and revenue for the following year.

When we compare 2018 with the prior year, there was an increase of 39.9%. Growth was due to an increase in the volume of construction work.

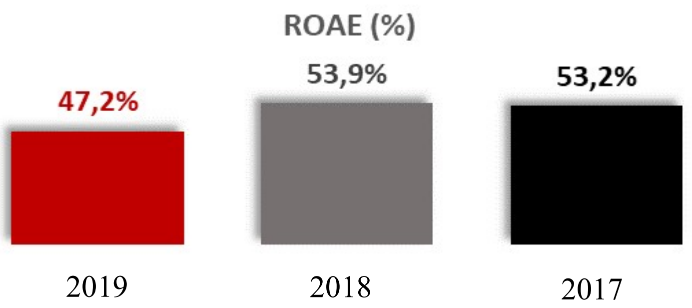
Gross profit

Although the net operating revenue for 2019 decreased by 27.9% compared to 2018, gross profit remained close to the prior year, from R$222.3 million to R$214.8 million, i.e. a decrease by 3.4%. The Executive Board clarifies that, even with the decrease in net operating revenue, gross profit maintained the same level due to an extraordinary and non-recurring event in 2019, namely the sale of commercial lots, mainly from of the Ribeirão Preto project, in a volume higher than the Company's historical average, while the sales volume of housing units in 2019 was lower than the Company's historical average. Since the ratio between the net revenue obtained and the costs of services is financially more advantageous in commercial lots than in housing units, such an extraordinary non-recurring event has caused the Company's gross margin to increase from 28.3% in 2018 to 38.0% in 2019, i.e. by approximately 10 p.p.

Net income
Net income for 2019 was 1% higher than the one for 2018, due to the atypical sale of commercial lots and equity pickup from Veronese Empreendimento Ltda., in view of the launch of the Capão Redondo project in partnership with Vibra Residencial.
In 2018, net income grew 15% compared to 2017, reflecting the developments in revenue for the period.

Profit distribution
In the last two years, we distributed dividends and interest on equity of approximately 24% of the net income for the period.

Return on Average Equity (ROAE)
Pacaembu has shown an excellent level of profitability, presenting Returns on Equity (ROE) higher than 51% in the past two years.



Net Cash
In the last three years, the Company's total cash (represented by the cash balance and cash equivalents and restricted cash) has been always higher than its gross indebtedness (represented by total loans and financing and lease liabilities), thus the Company maintained net cash throughout this period.

Cost of real estate development
The Company's investments focus on the development and construction of real estate developments in the low-income segment. Additionally, by virtue of the market timing and the opportunities that may arise, the Company is attentive to the possibilities of significant investments or divestments in the coming years. In the year ended December 31, 2019, the Company invested approximately R$351.2 million in the low-income housing segment and in lots, of which we highlight: (i) R$74.2 million in the Vida Nova Fraternidade 2 project; (ii) R$43.7 million in the Vida Nova Barretos 5 project; (iii) R$40.0 million in the Vida Nova Pacaembu phase 2 Prudente project; (iv) R$35.3 million in the Vida Nova Itapetininga project; (v) R$22.9 million in the Vida Nova Olimpia 2 project; (vi) R$22.0 million in the Vida Nova Ribeirão A project; (vii) R$19.3 million in the Vida Nova Tatuí 2 project; (viii) R$16.4 million in the Vida Nova Bauru project, and (ix) R$15.1 million in the Vida Nova Votuporanga 4 project.

Employees

Our headcount at the end of 2019 reached 484. Our turnover is low, which shows the high level of satisfaction of our employees.

In addition, the Company has the “Great Place to Work” certification, which surveys, identifies and recognizes organizations with good work environments and is applied in more than 50 countries worldwide.

Sustainability

In recognition of our effort and care, in recent years we have maintained the *Selo Verde* (Green Seal), an Environmental Certificate granted by *Jornal do Meio Ambiente do Estado de São Paulo*, which attests to the sustainable quality and the good practices relating to the Environment. This recognition tell us that we are on the right track for building a more sustainable society.

Relationship with independent auditors

In October 2017, we engaged Ernst & Young Auditores Independentes S.S. (EY) as the independent auditors of Pacaembu. In accordance with CVM Rule No. 381/03, we hereby inform that EY independent auditors did not provide services other than those related to external auditing in 2019, 2018 and 2017. The engagement of independent auditors is based on the principles that safeguard the auditor’s independence, namely: (a) the auditor shall not audit his own work; (b) shall not perform management duties; and (c) shall not provide any services that could be considered prohibited by the current rules. The information in the performance report that is not clearly identified as a copy of the information contained in the individual and consolidated financial statements has not been audited or reviewed by the independent auditors.

In the year ended December 31, 2019, EY was paid for the following services: (i) audit of the financial statements for the year ended December 31, 2019: R$387,000.00; (ii) reissue of the financial statements for the years ended December 31, 2017 and 2018: R$370,000.00; and (iii) review of the documents for the offer of the Real Estate Receivables Certificate and issue of comfort letter: R$198,250.00.

Acknowledgement

We express our gratitude to our customers and partners, who through their support and trust have allowed us to develop a vibrant company committed to a disciplined, sustainable and, above all, ethical growth. Special thanks to our team of dedicated and engaged professionals for sharing our beliefs and for contributing decisively to the achievement of our challenging goals.

Pacaembu Construtora S.A.

Individual and consolidated financial statements

December 31, 2019, 2018 and 2017

Contents

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 the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Independent auditor's report on individual and consolidated financial statements

The Shareholders, Board of Directors and Officers
Pacaembu Construtora S.A.
São Paulo - SP

Opinion on the individual and consolidated financial statements prepared in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil registered with the Brazilian Securities and Exchange Commission (CVM)

We have audited the individual and consolidated financial statements of Pacaembu Construtora S.A. (the "Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2019 and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the individual and consolidated financial position of Pacaembu Construtora S.A. as at December 31, 2019, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's 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 a matter

Recognition of revenues from contracts involving purchase and sale of unfinished real estate units applicable to real estate development entities in Brazil

As mentioned in Note 2.1, the individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil registered with the Brazilian Securities and Exchange Commission (CVM). Accordingly, the determination of the accounting policy adopted by the entity for recognition of revenue from contracts involving purchase and sale of unfinished real estate units, as regards the aspects relating to transfer of control, is in line with CVM Circular Letter CVM/SNC/SEP No. 02/2018 on the application of NBC TG 47 (IFRS 15). Our opinion is not qualified in respect of this matter.

Restatement of individual and consolidated financial statements

On April 15, 2019 and April 10, 2018, we issued unmodified audit reports on the Company's individual and consolidated financial statements for the years ended December 31, 2018 and 2017, respectively, which are now being restated. As described in Note 2.3.21, these financial statements have been amended and are being restated to adequately reflect the correction of identified errors, include the statements of value added, and improve certain disclosures required for real estate entities registered with the Brazilian Securities and Exchange Commission (CVM). Our opinion is still unmodified, since these financial statements and the corresponding prior-year figures have been adjusted retrospectively.

The examination of the financial statements for the year ended December 31, 2016 (opening balance as at January 1, 2017), originally prepared before the adjustments described in Note 2.3.21, was conducted under the responsibility of another independent auditor who issued an unmodified audit report dated March 24, 2017. As part of our examination of the financial statement for 2019, we have also examined the adjustments described in Note 2.3.21, which change the corresponding figures of the financial statements for 2016 (opening balance as at January 1, 2017). In our opinion, such adjustments are appropriate and correct. We have not been engaged to audit, review or apply any other procedures on the Company's financial statements for 2016; accordingly, we do not express an opinion or any other form of assurance on the financial statements for 2016 as a whole.

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 for 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, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the 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 matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recognition of revenue from real estate development

The Company and its subsidiaries have recorded a net operating revenue for the year ended December 31, 2019 amounting to R$462,131 thousand and R$566,009 thousand, in individual and consolidated, respectively. As mentioned in Note 19, the Company recognizes revenue from real estate development during construction, based on the percentage of costs incurred, including those related to land, projects and construction, in relation to the project's total budgeted costs. As part of the revenue recognition process, management reviews its estimates of total costs to be incurred for each project periodically.
Monitoring this matter was considered significant for our audit due to the materiality of the amounts involved, in addition to the uncertainties inherent in determining the estimates for the project's profitability, in view of the controls required to monitor the projection of costs to be incurred until the end of the construction work, of the assessment on whether or not recognizing revenue, considering the transfer of control and compliance with performance obligations, as well as changes and updating of budgets. A change in the budget of construction works and in margins that is not identified on a timely basis could have a significant impact on the Company's individual and consolidated financial statements.

How our audit addressed this matter:

Our audit procedures included, among others: (a) understanding the main internal controls implemented by management to recognize revenue from the development of units under construction; (b) comparing budgets between years and obtaining clarifications on unusual changes. For finished projects, we compared the total effective cost with previous budgets; (c) involving our specialized engineers to assist us in assessing the methodology, indices and assumptions used to prepare the estimates and calculate the restatement of construction cost budgets by project, and also to visit a sample of construction sites to assist us in verifying the reasonableness of the construction progress vis-à-vis the percentage of costs incurred in relation to the total budget; (d) inspecting a sample of supporting documents for costs incurred during the year; (e) on sampling basis, inspecting sales registration, receipts for financial settlement and recalculating the balance receivable according to the current contractual index; (f) recalculation tests on revenue recognized for the year, based on the percentages of completion calculated, and comparing them with those determined by management; and (g) reviewing the adequacy of disclosures in the financial statements.

With these procedures, we identified audit adjustments indicating the need to supplement revenue from real estate development, and these adjustments were recorded by management despite their immateriality to the financial statements as a whole.

Based on the results of the audit procedures performed on the recognition of revenue from real estate development, which are consistent with management's assessment, we consider the criteria and assumptions adopted by management, as well as the respective disclosures in the notes, acceptable in the context of the financial statements as a whole.

Realization of the inventory balance

At December 31, 2019, inventory balances amounted to R$47,397 thousand and R$89,227 thousand in individual and consolidated, respectively. As described in Note 5, inventories (land, buildings under construction and project development costs) are recorded at their acquisition or construction cost, which does not exceed their net realizable value. When the cost exceeds the expected cash flow through sales, or the cost of an unused land is higher than its realizable value, a provision at net realizable value is recognized in the year in which the carrying amount was determined to be non-realizable. The net realizable value of inventories is reviewed by management annually, taking into account feasibility studies for projects already launched or planned projects, market quotation, proposal of unrelated parties for purchase of land, internal projections of future sales and costs to be incurred, among other assumptions. The materiality of the inventory balance and the complexity and judgment involved in determining these estimates caused us to identify this matter as a key audit matter.

How our audit addressed this matter:

Our audit procedures included, among others: (a) understanding the main internal controls implemented by management for analyses of project margins and of the realizable value of inventories; (b) for the realizable value supported by internal studies, we initially checked the accuracy of arithmetic calculations, compared the amounts of subsequent sales of finished units and/or units under construction, in order to corroborate the sales amounts considered in the study. As regards the cost of construction to be incurred considered in the study, and on a sampling basis, we involved our specialized engineers using the same audit approach for revenue recognition; (c) for land, we used market quotations for assets with similar characteristics in order to corroborate the net realizable value; (d) comparing the study on net realizable value with the balances of inventories; and (e) reviewing the adequacy of disclosures in the financial statements.

Based on the results of our audit procedures performed on the analysis of net realizable value of inventories, which are consistent with management's assessment, we consider the criteria and assumptions adopted by management, as well as the respective disclosures in the notes, acceptable in the context of the financial statements as a whole.

Other matters

Statements of value added

The individual and consolidated statements of value added (SVA) for year ended December 31, 2019, prepared under the responsibility of Company management, 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 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 accounting pronouncement, 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

Management is responsible for such other information, which comprise 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 management and those charged with governance for the individual and consolidated financial statements

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

In preparing the individual and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting 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 the 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 from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International 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 an audit 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 the risk of not detecting 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 management.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Concluded on the appropriateness of management'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 and its subsidiaries' 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 and its subsidiaries to cease to continue as a going concern.

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

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and 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 those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters 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.

São Paulo, February 19, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6

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Accountant CRC-1SP189791/O-0

A free translation from Portuguese into English of Individual and Consolidated Financial Statements prepared in Brazilian currency in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB)

Pacaembu Construtora S.A.

Statements of financial position
December 31, 2019, 2018 and 2017 and January 1, 2017
(In thousands of reais)

		Individual				Consolidated			
	Note	12/31/2019	12/31/2018 restated	12/31/2017 restated	01/01/2017 restated	12/31/2019	12/31/2018 restated	12/31/2017 restated	01/01/2017 restated
Assets									
Current assets									
Cash and cash equivalents	3.1	**141,064**	195,494	175,581	132,069	**188,025**	214,674	176,570	137,805
Restricted cash	3.2	**3,914**	53,933	36,377	11,459	**5,805**	54,114	36,475	12,681
Accounts receivable	4	**15,249**	10,433	29,523	2,811	**39,453**	11,597	29,523	2,811
Inventories	5	**40,635**	25,018	23,238	28,374	**82,465**	37,333	27,441	35,391
Advances for acquisition of land	-	**11,611**	13,140	8,555	3,360	**12,896**	13,140	8,555	3,360
Other assets	6	**15,170**	8,503	12,169	4,941	**18,863**	8,512	12,177	5,789
Taxes recoverable	-	**3,230**	5,013	2,141	3,685	**3,411**	5,111	2,214	3,991
Transactions with related parties	7	**-**	7,500	4,130	27,506	**-**	7,500	4,130	27,506
Total current assets		**230,873**	319,034	291,714	214,205	**350,918**	351,981	297,085	229,334
Noncurrent assets									
Accounts receivable	4	**-**	12	-	-	**31,510**	1,758	-	-
Inventories	5	**6,762**	4,120	2,136	11,545	**6,762**	4,120	7,104	11,545
Judicial deposits	13	**4,342**	2,718	2,116	1,565	**4,342**	3,553	2,951	1,565
Deferred taxes		**-**	-	8,584	-	**-**	-	8,584	-
Other assets	6	**877**	1,145	2,640	-	**877**	1,145	2,846	130
Advances for acquisition of land	-	**10,752**	3,070	3,050	1,500	**10,752**	3,070	3,050	1,500
Investments	8	**155,212**	32,182	34,667	28,408	**6,464**	728	-	-
Property and equipment	9a	**7,480**	10,611	2,644	2,259	**7,480**	10,611	2,644	2,259
Total noncurrent assets		**185,425**	53,858	55,837	45,277	**68,187**	24,985	27,179	16,999

Total assets	**416,298**	372,892	347,551	259,482	**419,105**	376,966	324,264	246,333

	Note	Individual 12/31/2019	Individual 12/31/2018 restated	Individual 12/31/2017 restated	Individual 01/01/2017 restated	Consolidated 12/31/2019	Consolidated 12/31/2018 restated	Consolidated 12/31/2017 restated	Consolidated 01/01/2017 restated
Liabilities and equity									
Current liabilities									
Loans and financing	10	**4,584**	14,831	216	410	**4,584**	14,831	216	410
Trade accounts payable	11	**27,142**	36,460	33,850	27,642	**32,075**	36,993	34,076	27,642
Labor obligations	12	**10,290**	12,574	12,501	10,769	**10,339**	12,577	12,501	10,769
Tax obligations	13	**7,181**	8,438	7,859	2,316	**8,456**	11,937	9,137	2,526
Current taxes with deferred payment	14	**49**	21	953	59	**274**	158	953	59
Advances from customers	15	**20,203**	52,901	32,069	27,204	**21,891**	52,901	32,069	27,204
Warranty provision	16a	**2,835**	2,836	1,915	-	**2,835**	2,836	1,915	-
Interest on equity	18d	**10,478**	556	556	6,485	**10,478**	556	556	6,485
Dividends payable	18d	**16,022**	17,138	-	-	**16,022**	17,219	-	-
Lease	9b	**2,268**	-	-	-	**2,268**	-	-	-
Other liabilities	-	**2,260**	1,400	2,000	5,209	**3,661**	1,400	2,000	5,209
Total current liabilities		**103,312**	147,155	91,919	80,094	**112,883**	151,408	93,423	80,304
Noncurrent liabilities									
Loans and financing	10	**1,835**	5,266	-	216	**1,835**	5,266	-	216
Trade accounts payable	11	**4,139**	6,109	4,704	1,851	**4,139**	6,109	4,704	1,851
Current taxes with deferred payment	14	**651**	373	98	47	**4,111**	436	98	48
Warranty provision	16a	**8,390**	8,344	5,931	7,793	**8,511**	8,344	5,931	7,793
Provision for contingencies	16b	**9,234**	7,278	8,043	6,852	**9,343**	7,387	8,215	7,019
Valuation allowance	8	**1,560**	-	-	-	**-**	-	-	-
Transactions with related parties	7	**11,601**	362	25,230	15,100	**2,708**	-	-	-
Lease	9b	**929**	-	-	-	**929**			
Other liabilities		**1**	-	-	-	**-**	-	-	1,257
Total noncurrent liabilities		**38,340**	27,732	44,006	31,859	**31,576**	27,542	18,948	18,184
Equity									
Capital	18a	**128,895**	72,500	39,543	39,408	**128,895**	72,500	39,543	39,408
Statutory reserve	18	**117.719**	70,511	172,083	107,986	**117,719**	70,511	172,083	107,986
Profits at the disposal of the shareholder's meeting	18	**17,373**	-	-	-	**17,373**	-	-	-
Legal reserve	18	**11,176**	5,597	-	-	**11,176**	5,597	-	-
Additional dividends proposed		**-**	49,397	-	-	**-**	49,397	-	-
Share issue costs		**(517)**	-	-	-	**(517)**	-	-	-
Future capital contribution		-	-	-	135	**-**	-	-	135
Total equity attributable to controlling interests		**274,646**	198,005	211,626	147,529	**274,646**	198,005	211,626	147,529
Noncontrolling interests		**-**	-	-	-	**-**	11	267	316
Total equity		**274,646**	198,005	211,626	147,529	**274,646**	198,016	211,893	147,845
Total liabilities and equity		**416,298**	372,892	347,551	259,482	**419,105**	376,966	324,264	246,333

See accompanying notes.

Pacaembu Construtora S.A.

Statements of profit or loss
Years ended December 31, 2019, 2018 and 2017
(In thousands of reais)

		Individual			Consolidated		
	Note	**12/31/2019**	**12/31/2018 restated**	**12/31/2017 restated**	**12/31/2019**	**12/31/2018 restated**	**12/31/2017 restated**
Net operating revenue	19	**462,131**	752,866	556,201	**566,009**	784,514	560,801
Cost of properties sold	20	**(320,670)**	(552,890)	(392,372)	**(351,182)**	(562,181)	(395,140)
Gross profit		**141,461**	199,976	163,829	**214,827**	222,333	165,661
Expenses and income							
General and administrative expenses	20	**(60,650)**	(52,978)	(52,190)	**(60,953)**	(53,008)	(52,269)
Selling expenses	20	**(22,714)**	(33,750)	(22,438)	**(31,488)**	(34,559)	(22,438)
Tax expenses	20	**(1,076)**	(1,433)	(1,506)	**(1,100)**	(1,479)	(1,523)
Other income (expenses)	21	**(7,901)**	(31)	(2,202)	**(3,558)**	854	(1,241)
Equity pickup	8	**70,453**	21,552	2,604	**2,738**	-	-
		(21,888)	(66,640)	(75,732)	**(94,361)**	(88,192)	(77,471)
Operating income before finance income (costs) and taxes		**119,573**	133,336	88,097	**120,466**	134,141	88,190
Finance income (costs)							
Finance costs	22	**(2,150)**	(2,636)	(2,573)	**(2,850)**	(2,642)	(2,580)
Finance income	22	**11,050**	12,513	12,511	**14,571**	12,683	12,663
		8,900	9,877	9,938	**11,721**	10,041	10,083
Operating income before income and social contribution taxes		**128,473**	143,213	98,035	**132,187**	144,182	98,273
Current income and social contribution taxes	14	**(16,398)**	(24,121)	(10,884)	**(20,112)**	(25,113)	(11,085)
Deferred income and social contribution taxes	14	**(496)**	(8,584)	8,584	**(496)**	(8,584)	8,584
Net income for the year		**111,579**	110,508	95,735	**111,579**	110,485	95,772
Income attributable to controlling interests		**111,579**	**110,508**	**95,735**	**111,579**	110,508	95,735
Income / (loss) attributable to noncontrolling interests		**-**	**-**	-	-	(23)	37
Weighted number of shares	25	**86,714,591**	61,574,611	39,522,862			
Basic and diluted earnings per share – R$	25	**1.286738**	1.794701	2.413084			

See accompanying notes.

Pacaembu Construtora S.A.

Statements of comprehensive income
Years ended December 31, 2019, 2018 and 2017
(In thousands of reais)

	Individual			Consolidated		
	12/31/2019	**12/31/2018 restated**	**12/31/2017 restated**	**12/31/2019**	**12/31/2018 restated**	**12/31/2017 restated**
Net income for the year	**111,579**	110,508	95,735	**111,579**	110,485	95,772
Other comprehensive income	**-**	-	-	**-**	-	-
Total comprehensive income for the year	**111,579**	110,508	95,735	**111,579**	110,485	95,772
Income attributable to controlling interests	**111,579**	110,508	95,735	**111,579**	110,508	95,735
Income / (loss) attributable to noncontrolling interests	**-**	-	-	**-**	(23)	37

See accompanying notes.

Pacaembu Construtora S.A.

Statements of changes in equity
Years ended December 31, 2019, 2018 and 2017
(In thousands of reais)

			Income reserve									
	Note	Subscribed capital	Statutory reserve	Legal reserve	Additional dividends proposed	Profits at the disposal of the shareholder's meeting	Share issue costs	Retained earnings	Future capital contribution	Total equity attributable to controlling interests	Noncontrolling interests	Total consolidated equity
Balances at January 1, 2017 (restated)		39,408	107,986	-	-	-	-	-	135	147,529	316	147,845
Capital increase	18	135	-	-	-	-	-	-	(135)	-	-	-
Net income for the year		-	-	-	-	-	-	95,735	-	95,735	37	95,772
Allocations:												
Distribution of profits	18	-	-	-	-	-	-	(21,033)	-	(21,033)	(221)	(21,254)
Interest on equity	18	-	-	-	-		-	(10,605)	-	(10,605)	-	(10,605)
Recognition of statutory reserve		-	64,097	-	-	-	-	(64,097)		-	-	-
Payment of capital – noncontrolling interests		-	-	-	-	-	-	-	-	-	135	135
Balances at December 31, 2017 (restated)		39,543	172,083	-	-	-	-	-	-	211,626	267	211,893
Capital increase	18	32,957	-	-	-	-	-	-	-	32,957	-	32,957
Net income for the year		-	-	-	-	-	-	110,508	-	110,508	(23)	110,485
Distribution of profits	18	-	(128,830)	-	-	-	-	-	-	(128,830)	(238)	(129,068)
Changes in noncontrolling interests		-	-	-	-	-	-	-	-	-	5	5
Allocations:												
Recognition of legal reserve	18	-	-	5,597	-	-	-	(5,597)	-	-	-	-
Mandatory minimum dividends proposed		-	-	-	-	-	-	(17,139)	-	(17,139)	-	(17,139)
Interest on equity	18	-	(1,668)	-	-	-	-	(9,449)	-	(11,117)	-	(11,117)
Additional dividends proposed	18	-	-	-	49,397	-	-	(49,397)	-	-	-	-
Recognition of statutory reserve	18	-	28,926	-	-	-	-	(28,926)	-	-	-	-
Balances at December 31, 2018 (restated)		72,500	70,511	5,597	49,397	-	-	-	-	198,005	11	198,016
Capital increase	18	**56,395**	**-**	**-**	**(48,797)**	-	**-**	**-**	**-**	**7,598**	**-**	**7,598**
Net income for the year	18	**-**	**-**	**-**	**-**	-	**-**	**111,579**	**-**	**111,579**	**-**	**111,579**
Share issue costs		**-**	**-**	**-**	**-**	-	**(517)**	**-**	**-**	**(517)**	**-**	**(517)**
Distribution of profits	18	**-**	**(13,070)**	**-**	**(600)**	-	**-**	**-**	**-**	**(13,670)**	**-**	**(13,670)**
Changes in noncontrolling interests		**-**	**-**	**-**	**-**	-	**-**	**-**	**-**	**-**	**(11)**	**(11)**
Allocations:												
Recognition of legal reserve	18	**-**	**-**	**5,579**	**-**	-	**-**	**(5,579)**	**-**	**-**	**-**	**-**
Interest on equity	18	**-**	**(1,849)**	**-**	**-**	-	**-**	**(10,478)**	**-**	**(12,327)**	**-**	**(12,327)**
Mandatory minimum dividends	18	**-**	**-**	**-**	**-**	-	**-**	**(16,022)**	**-**	**(16,022)**	**-**	**(16,022)**
Recognition of statutory reserve	18	**-**	**62,127**	**-**	**-**	-	**-**	**(62,127)**	**-**	**-**	**-**	**-**
Profits at the disposal of the shareholder's meeting	18	**-**	**-**	**-**	**-**	**17,373**	**-**	**(17,373)**	**-**	**-**	**-**	**-**
Balances at December 31, 2019		**128,895**	**117,719**	**11,176**	**-**	**17,373**	**(517)**	**-**	**-**	**274,646**	**-**	**274,646**

See accompanying notes.

Pacaembu Construtora S.A.

Statements of cash flows
Years ended December 31, 2019, 2018 and 2017
(In thousands of reais)

	Individual			Consolidated		
	12/31/2019	12/31/2018 restated	12/31/2017 restated	12/31/2019	12/31/2018 restated	12/31/2017 restated
Operating activities						
Operating income before income and social contribution taxes	**128,473**	143,213	98,035	**132,187**	144,182	98,273
Adjustments to reconcile net income (loss) to cash from operating activities						
Warranty provision	**1,739**	5,489	3,531	**1,739**	5,489	3,531
Depreciation and amortization	**3,009**	520	530	**3,009**	520	530
Provision for (reversal of) impairment of assets	**(749)**	381	(84)	**(749)**	381	(84)
Provision for (reversal of) contingencies	**1,956**	(765)	1,234	**1,956**	(828)	1,234
Allocation of appreciation of inventories	**3,351**	815	961	**3,351**	815	961
Equity pickup	**(70,453)**	(21,552)	(2,604)	**(2,738)**	-	-
Sales of property and equipment	**391**	(146)	-	**391**	(146)	-
Sales of investment	**963**	-	310	**-**	-	-
Provision for interest on loans and financing	**1,071**	777	194	**1,071**	777	194
Deferred taxes	**305**	(657)	945	**3,791**	(457)	944
Present value adjustment	**122**			**122**		
Adjustments of cash consumed or used	**70,178**	128,075	103,052	**144,130**	150,733	105,583
Decrease/(increase) in assets:						
Restricted cash	**50,019**	(17,556)	(24,918)	**48,309**	(17,639)	(23,794)
Accounts receivable	**(4,804)**	19,078	(26,712)	**(57,608)**	16,168	(26,712)
Inventories	**(18,259)**	(3,764)	14,545	**(51,125)**	(32,863)	11,430
Other assets	**(6,399)**	5,161	(9,868)	**(10,083)**	5,366	(9,104)
Taxes recoverable	**1,783**	(2,872)	1,544	**1,700**	(2,897)	1,777
Judicial deposits	**(1,624)**	(602)	(551)	**(789)**	(602)	(1,386)
Advances for acquisition of land	**(6,153)**	(4,605)	(6,745)	**(7,438)**	(4,605)	(6,745)
(Decrease)/increase in liabilities:						
Trade accounts payable	**(11,288)**	4,015	9,061	**(6,888)**	4,322	9,287
Labor obligations	**(2,284)**	73	1,732	**(2,238)**	76	1,732
Tax obligations	**(2,932)**	(3,238)	(3,182)	**(8,951)**	(20,232)	(2,315)
Advances from customers	**(32,698)**	20,832	4,865	**(31,010)**	20,832	4,865
Current taxes with deferred payment	**-**	-	-	**-**	-	-
Other liabilities	**861**	(600)	(3,209)	**2,261**	(600)	(4,466)
Payment of warranty provision	**(1,694)**	(2,155)	(3,478)	**(1,573)**	(2,155)	(3,478)
Payment of provision for contingencies	**-**	-	(43)	**-**	-	(38)
Interest on loans and financing paid	**(1,076)**	(770)	(157)	**(1,076)**	(770)	(157)
Income and social contribution taxes paid	**(17,064)**	(21,972)	(3,749)	**(17,064)**	(3,749)	(3,749)
Net cash from operating activities	**16,566**	119,100	52,187	**557**	111,385	52,730
Cash flow from investing activities						
Acquisition of investments	**(2,907)**	(15,826)	-	**(2,907)**	-	-
Acquisition of property and equipment items	**(1,430)**	(867)	(831)	**(1,430)**	(867)	(831)
Capital contribution in subsidiaries and associates	**(10,479)**	-	-	**-**	(22)	(24,839)
Future capital contribution in investees	**(70,124)**	4,441	(29,765)	**(264)**	(706)	-
Dividends received	**28,180**	9,387	-	**173**	-	-
Transactions with related parties	**-**	(3,370)	23,376	**-**	(3,370)	23,376
Net cash used in investing activities	**(56,760)**	(6,235)	(7,220)	**(4,428)**	(4,965)	(2,294)
Cash flow from financing activities with third parties						
Loans and financing raised	**1,829**	19,993	-	**1,829**	19,993	-
Loan raising costs	**(678)**	-	-	**(678)**	-	-
Amortization of loans and financing	**(14,824)**	(7,974)	(447)	**(14,824)**	(7,974)	(447)
Share issue costs	**(517)**	-	-	**(517)**	-	-
Payment of dividends	**(12,800)**	(80,103)	(10,738)	**(12,800)**	(80,340)	(10,959)
Payment of interest on equity	**-**	-	(400)	**-**	-	(400)
Transactions with related parties	**15,239**	(24,868)	10,130	**6,708**	-	-
Capital contribution by noncontrolling interests	**-**	-	-	**(11)**	5	135
Payment of lease (interest and principal)	**(2,485)**	-	-	**(2,485)**	-	-
Net cash used in financing activities	**(14,236)**	(92,952)	(1,455)	**(22,778)**	(68,316)	(11,671)

Net changes in cash and cash equivalents	**(54,430)**	19,913	43,512	**(26,649)**	38,104	38,765
Cash and cash equivalents						
At beginning of year	**195,494**	175,581	132,069	**214,674**	176,570	137,805
At end of year	**141,064**	195,494	175,581	**188,025**	214,674	176,570
Net increase/(decrease) in cash and cash equivalents	**(54,430)**	19,913	43,512	**(26,649)**	38,104	38,756

See accompanying notes.

Pacaembu Construtora S.A.

Statements of value added
Years ended December 31, 2019, 2018 and 2017
(In thousands of reais)

	Individual			Consolidated		
	12/31/2019	**12/31/2018**	**12/31/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**
Revenues						
Revenue from real estate development	**480,715**	776,998	569,397	**588,528**	809,934	574,214
Other revenues	**3**	1,748	-	**3**	1,748	-
	480,718	778,746	569,397	**588,531**	811,682	574,214
Bought-in inputs						
Cost of properties sold	**(320,670)**	(552,890)	(392,372)	**(351,182)**	(562,181)	(395,140)
Materials, electric power, third-party services and others	**(59,319)**	(89,487)	(58,228)	**(72,001)**	(91,550)	(58,534)
	(379,989)	(642,377)	(450,600)	**(423,183)**	(653,731)	(453,674)
Gross value added	**100,729**	136,369	118,797	**165,348**	157,951	120,540
Withholdings						
Depreciation and amortization	**(6,360)**	(1,335)	(1,491)	**(3,009)**	(520)	(530)
	(6,360)	(1,335)	(1,491)	**(3,009)**	(520)	(530)
Net value produced by the Company	**94,369**	135,034	117,306	**162,339**	157,431	120,010
Value added received in transfer						
Equity pickup	**70,453**	21,552	2,604	**2,738**	-	-
Finance income	**11,050**	12,513	12,511	**14,571**	12,683	12,663
Total value added received in transfer	**81,503**	34,065	15,115	**17,309**	12,683	12,663
Total value added to be distributed	**175,872**	169,099	132,421	**179,648**	170,114	132,673
Distribution of value added	**175,872**	169,099	132,421	**179,648**	170,114	132,673
Personnel and charges	**45,645**	32,813	24,222	**45,650**	32,813	24,222
Payroll and related charges	**41,421**	29,033	24,075	**41,426**	29,033	24,075
Management fees	**4,224**	3,780	147	**4,224**	3,780	147
	18,648	25,778	12,824	**22,419**	26,816	12,679
Taxes, charges and contributions	**17,970**	25,554	12,753	**21,708**	26,592	12,608
Debt remuneration – interest	**678**	224	71	**711**	224	71
Equity remuneration	**111,579**	110,508	95,375	**111,579**	110,485	95,772
Net income for the year	**111,579**	110,508	95,375	**111,579**	110,508	95,735
Net income (loss) attributed to noncontrolling interests	**-**	-	-	**-**	(23)	37

See accompanying notes.

1. Operations

Pacaembu Construtora S.A. (the “Company”), with head office in the city of Bauru, State of São Paulo, and its subsidiaries and associates, is engaged in the civil construction and engineering business, as well as in purchase and sale of real properties, administration, advisory and management of construction work and housing estates. On May 1, 2018, the Company’s legal nature changed from limited liability company to joint-stock non public Company. It was formerly known as Pacaembu Empreendimentos e Construções Ltda.

The Company is a developer engaged in the development of large low-income real estate projects within the scope of the Federal Government’s housing program *Minha Casa, Minha Vida* primarily in the countryside of the State of São Paulo.

2. Presentation of financial statements and significant accounting practices

2.1. Basis of presentation of the financial statements

The financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value through profit or loss.

The individual financial statements are being disclosed together with the consolidated financial statements and are presented side by side in a single set of financial statements. In this set of financial statements, the Company presented the last two comparative years for the year ended December 31, 2019 to allow comparability of its financial information in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (“IFRS”) applicable to real estate development entities in Brazil registered with the Brazilian Securities and Exchange Commission (“CVM”).

Additionally, the Company considered Guidance OCPC 07, issued by the Brazilian Financial Accounting Standards Board (“CPC”) in November 2014, in preparing its financial statements. Consequently, any significant information that is inherent in the financial statements is evidenced, and it corresponds to that used by the Company in its management.

2. Presentation of financial statements and significant accounting practices (Continued)

2.1. Basis of presentation of financial statements (Continued)

The preparation of financial statements requires the use of certain significant accounting estimates, as well as use of judgment by management in the Company's accounting policies application process. Those more complex areas that require higher degree of judgment, and those where the assumptions and estimates are significant for the individual and consolidated financial statements are disclosed in Note 2.3.2.

The Company's Executive Board authorized the completion of the individual and consolidated financial statements on February 19, 2020, considering events up to that date, which have had an effect on these financial statements.

2.1.1. Individual and consolidated financial statements

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil registered with the Brazilian Securities and Exchange Commission (CVM). The aspects relating to revenue recognition for this industry, as well as certain matters relating to the meaning and application of the concept of continuous transfer of risks, rewards and control upon the sale of real estate units by real estate development companies in Brazil, the basis for revenue recognition, follow CVM's Circular Letter CVM/SNC/SEP No. 02/18 on the application of Pronouncement CPC 47 - Revenue from Contracts with Customers (IFRS 15), as detailed in Note 2.3.1. The subsidiaries included in the consolidation process are detailed in Note 8.

In the Company's case, these practices differ from the IFRSs applicable to real estate development entities in Brazil that are subject to the CVM rules, in relation to separate financial statements, solely with regard to capitalization of interest incurred by the parent company, in relation to the funds invested in subsidiaries for the construction works. For the purposes of the IFRSs applicable to separate financial statements, interest capitalization is only permitted for qualifying assets, and the investments in subsidiaries presented in the separate financial statements are not qualifying assets.

2. Presentation of financial statements and significant accounting practices (Continued)

2.1. Basis of presentation of financial statements (Continued)

2.1.2. Going concern

The accounting standards require that, in preparing the financial statements, management shall assess the entity's ability to continue as a going concern in the foreseeable future. Considering the balance of the Company’s net working capital, its compliance with the covenants provided for in loan and financing agreements, in addition to the expectation of sufficient cash to settle liabilities in the next 12 months, management concluded that there is no material uncertainty that could cast significant doubt about the Company’s ability to continue as a going concern and, therefore, concluded that the use of the going-concern assumption for the preparation of its financial statements is adequate.

2.1.3. Functional and presentation currency

The financial statements are presented in Brazilian Real (R$), which is the Company’s functional currency. All financial information presented in thousands of Reais was rounded to the nearest amount, unless otherwise stated.

2.1.4. Presentation of information by segment and nature

The Company has only one operating segment (real estate development and sale), in accordance with NBC TG 22 (R2) that approves pronouncement CPC 22 (R2) Segment information. For that reason, the Company does not present segment information. The Company does not have customers representing more than 10% of the total consolidated revenue. Consequently, it is not highly dependent on specific customers; however, the transfers of sales by a financial institution to the Company under the *Minha Casa Minha Vida* Program (PMCMV) are all made by Caixa Econômica Federal.

2. Presentation of financial statements and significant accounting practices (Continued)

2.2. Basis of consolidation

The accounting policies described in detail below were consistently applied to all periods presented in these individual and consolidated financial statements. The consolidated financial statements include the operations of the Company and the subsidiaries described in Note 8. All transactions, balances, revenues and expenses between the subsidiaries and the Company are fully eliminated in the financial statements, with emphasis to noncontrolling interest.

i) Subsidiaries

The subsidiaries' financial statements are prepared in accordance with accounting policies that are consistent with those of the Parent Company. They are included in the consolidated financial statements from the date on which the Company obtains control and continue to be consolidated until the date such control ceases to exist. Under this method, components of assets, liabilities and profit or loss are fully combined, and the equity value of noncontrolling interest is determined by applying their percentage of interest on the subsidiaries' equity.

ii) Joint ventures

A joint venture is a contractual arrangement through which the Company and other parties engage in an economic activity subject to joint control, a situation in which decisions on strategic financial and operational policies relating to the joint venture's activities require approval from all parties sharing control. The Company presents the interest it holds in joint ventures in its consolidated financial statements using the equity method. Interest in subsidiaries and joint ventures are accounted for using the equity method in the individual financial statements.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices

2.3.1. Calculation and allocation of profit or loss from real estate development and sale of units

Profit or loss is recorded under the accrual basis of accounting. Revenues and costs are presented according to the specific purpose of each company.

i) *Sale of units (Real estate development)*

The Company, its subsidiaries and investees have adopted CPC 47 - Revenue from Contracts with Customers (IFRS 15) as of January 1, 2018, including the guidelines contained in the Circular Letter CVM/SNC/SEP No. 02/2018, of December 12, 2018, which establishes accounting procedures for the recognition, measurement and disclosure of certain types of transactions relating to purchase and sale contracts of real estate units that have not been finished, intended for Brazilian publicly-held companies of the real estate development industry.

The Circular Letter states that the application of CPC 47 – Revenue from Contracts with Customers (IFRS 15) to the sales of unfished real estate units conducted by real estate development entities registered with CVM present key issues, such as: (a) focus on the contract (account unit); (b) continuous monitoring of contracts; (c) an internal control structure with a quality standard considered at least acceptable for the purposes for which it is intended; (d) timely adjustments; and (e) quality of information (predictive and confirmatory value of financial statements). Revenue is recognized only if the Company identifies that there is no longer a risk of uncertainty of cash inflow after identifying the contract with the customer.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.1. Calculation and allocation of profit or loss from real estate development and sale of units (Continued)

i) *Sale of units (Real estate development)* (Continued)

In this assessment, the Company's business model refers substantially to the construction of units under *Minha Casa Minha Vida* Program (PMCMV) (Federal Law No. 11977 of 2009) with sales fully transferred by the financial institution, both for units under construction and finished units. At the time the bank financing contract is executed, the ownership is transferred to the financial institution, and the developer no longer has any risk relating to receipt and/or control of the asset. Accordingly, at that time, the performance obligation of that sale is complied with. Considering this financial flow, the credit risk of the developer is mitigated and the financial institution bears the risk of up to 80% of the units sold. In this business model, the developer does not incur the risk of contract termination since, in case of default by the customer, the financial institution may execute the mortgage and, by taking the ownership of the property, it may dispose of the property to third parties.

In addition, the Company conducts direct sales of commercial lots in the remaining areas of the projects under *Minha Casa Minha Vida* Program, whose mortgage is guaranteed by the lot itself.

The accounts receivable balance refers to the construction of projects under *Minha Casa Minha Vida* Program (PMCMV) (Federal Law No. 11977 of 2009) and to the sale of commercial units of the respective projects.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.1. Calculation and allocation of profit or loss from real estate development and sale of units (Continued)

i) *Sale of units (Real estate development)* (Continued)

Based on that standard, the following procedures are adopted for the recognition of revenue from sale of units under construction.

- The cost incurred (including cost of land) corresponding to the units sold is fully allocated to profit or loss according to the financial evolution of the project. The percentage of the cost incurred from units sold (including land) is calculated in relation to their total budgeted cost (POC), which is applied on the fair value of the revenue from units sold, adjusted according to the conditions of sales contracts; base on that, the amount of the recognized sales revenue is determined;
- The sales revenues determined, net of installments already received, are accounted for as accounts receivable or as advances from customers, where applicable.

If circumstances arise that may change the original estimates of revenues, costs, or time for completion, the initial estimates are reviewed. Such reviews may result in increases or decreases in estimated revenues or costs and are reflected in profit or loss for the period when management became aware of the circumstances that led to the review.

In the sales of completed units, sales revenue is recognized at the time of transfer of ownership, when the most significant risks and rewards of ownership are transferred.

Monetary differences on the balance of accounts receivable until the keys are handed over, as well as the present value adjustment of the accounts receivable balance, are allocated to profit or loss from real estate development and sale as incurred, in accordance with the accrual basis of accounting on a "*pro rata temporis*" basis.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.1. <u>Calculation and allocation of profit or loss from real estate development and sale of units</u> (Continued)

ii) *Finance income and costs*

Finance income comprise interest income on short-term investments recognized in profit or loss using the effective interest method and interest and monetary restatements on units sold after the keys are handed over.

Finance costs comprise borrowing costs that are recorded in finance costs for the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

iii) *Other practices related to real estate activities*

<u>Warranty provision:</u> This provision is set up in an amount deemed necessary to cover maintenance costs in real estate projects covered by warranty. The provision is recorded as a contra account to profit or loss as service costs are incurred. Any unused balance of the provision is reversed after the warranty period. The provision is reviewed on a quarterly basis and represents an amount per unit, which was determined by the Company considering the historical data and past experience with other projects. Periodically, management analyzes the sufficiency of the provision vis-à-vis maintenance expenses and makes corrections, where necessary. The Company grants a warranty for real estate units based on the legislation in force for a period of five years. The warranty provision is recorded for all consolidated companies throughout the construction period and is included in total cost; after the project delivery, the provision realization process begins according to the historical spending curve defined by the Engineering function.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.2. Significant accounting judgments, estimates and assumptions

Accounting estimates and judgments are continuously assessed and are based on historical experience and other factors, including expectations of future events, considered reasonable for the circumstances.

Judgments

The preparation of the Company's individual and consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date.

However, uncertainty about these assumptions and estimates could result in outcomes that do not require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

- Budgeted costs: total budgeted costs, comprising costs incurred and expected costs for completion of construction, are reviewed on a monthly basis, according to the construction progress, and adjustments based on this review are reflected in the Company's profit or loss according to the accounting method used. Such information is fundamental for revenue recognition.
- Taxes: the Company and its subsidiaries are periodically reviewed by different authorities, including tax, labor, social security, environmental authorities. It is not possible to ensure that these authorities will not serve the Company and its subsidiaries a delinquency notice, or that these infringements will not result in administrative proceedings giving rise to lawsuits, nor the final outcome of such judicial or administrative proceedings.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.2. Significant accounting judgments, estimates and assumptions (Continued)

Estimates and assumptions

- Provisions for contingencies (tax, civil and labor): the Company management revises the provision for civil, labor and tax contingencies on a quarterly basis. Assessment of the likelihood of loss includes analysis of available evidence, the hierarchy of laws, available case law, the most recent court rulings and their relevance to the legal system, as well as the opinion of outside legal advisors. Provisions are reviewed and adjusted considering changes in existing circumstances, such as the applicable statutes of limitation, tax audit conclusions, or additional exposures identified based on new matters or court rulings.
- Impairment testing of assets: management reviews the net carrying amount of assets periodically, so as to assess events or changes in economic, operating or technological circumstances that may indicate deterioration or impairment of accounts receivable, investments, inventories and property and equipment. When such evidence is identified, a provision for impairment is recognized by adjusting the net carrying amount to the recoverable amount.

2.3.3. Cash and cash equivalents

The Company and its subsidiaries consider as cash equivalents short-term investments that are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value. Accordingly, an investment normally qualifies as cash equivalent when it is redeemable in the short term, for instance, within three months or less from the investment date.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.4. Accounts receivable

Accounts receivable are presented at their realizable values and recognized according to the criteria determined for calculation and allocation of profit or loss from real estate development and sale. Trade accounts receivable balances are classified in current assets when their realization or settlement is likely to occur within the next twelve months. They are otherwise stated as noncurrent.

2.3.4.1. *Allowance for expected credit losses*

The allowance for expected credit losses is recognized where there is an objective evidence of the Company's inability to collect all amounts due within the original terms of accounts receivable. Additionally, the Company evaluated its accounts receivable prospectively (considering warranties granted) in accordance with the expected loss concept described in CPC 48 – Financial Instruments (IFRS 9) and, therefore, when material, the Company recognizes the expected losses over the useful life as from the initial recognition of receivables.

2.3.5. Inventories

The Company and its subsidiaries acquire land for future developments, with payment conditions in the prevailing currency, and revenues and costs are recognized according to the criteria described in Note 2.3.1

Land for new developments is recorded at the historical acquisition cost. For properties under construction, the portion in inventory corresponds to the cost incurred with units not yet sold. The costs incurred comprises construction costs (materials, labor or contractors and other related costs). The project development costs are capitalized and reclassified to construction in progress when the project is launched. Management periodically prepares analysis and tests of the lower of cost valuation or net realizable value for all inventory items.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.5. Inventories (Continued)

Land is classified between current and noncurrent assets by management based on the expected date for launch of real estate projects. Management periodically reviews the estimates for real estate project launches.

2.3.6. Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company’s investments in a joint venture are accounted for using the equity method.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.6. Investments in joint ventures (Continued)

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not amortized nor tested for impairment separately. The statement of profit or loss reflects the Company's share of the results of operations of the joint venture. Any change in other comprehensive income of those investees is presented as part of the Company's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Company's share of profit or loss of a joint venture is shown in the statement of profit or loss outside operating profit and represents profit or loss after tax and noncontrolling interests in the subsidiaries of the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in the joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss in the statement of profit or loss. Upon loss of significant influence over the joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.7. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any noncontrolling interests in the acquiree. For each business combination, the Company elects whether to measure the noncontrolling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability shall be recognized in the statement of profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until finally settled in equity.

Goodwill is initially measured as the excess consideration transferred in relation to net assets acquired (net identifiable assets and liabilities assumed). If the consideration is lower than fair value of net assets acquired, the difference shall be recognized as a gain in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.7. Business combinations (Continued)

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3.8. Property and equipment

Property, plant and equipment items are measured at historical acquisition or construction cost, less accumulated depreciation and accumulated impairment losses. Such cost includes expenditures directly attributable to the acquisition of an asset. The rates used for depreciation of assets are the following:

	Annual depreciation rate
Computers and peripherals	20
Machinery and equipment	10
Vehicles	20
Furniture and fixtures	10
Aircraft	4 to 6.67
Improvements	10

The carrying amount of a property and equipment item is derecognized:

- Upon disposal; or
- When no future economic benefits are expected from its use of disposal.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.9. Other assets and liabilities (current and noncurrent)

An asset is recognized in the statement of financial position when its future economic benefits are likely to flow to the Company, and its cost or value can be reliably measured. A liability is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of from a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. They include, where applicable, corresponding charges and monetary or exchange differences incurred.

Provisions are recorded based on the best estimates of the risk involved. Assets and liabilities are classified as current when their realization or settlement is likely to occur within the next twelve months. They are otherwise stated as noncurrent.

2.3.10. Present value adjustment of assets and liabilities

Monetary assets and liabilities are adjusted to their present values when the transaction is initially recognized, taking into consideration the contractual cash flows, the explicit, and in certain cases implicit, interest rate of the respective assets and liabilities and the rates used in the market for similar transactions. This interest is subsequently reallocated to profit or loss using the effective interest method for contractual cash flows.

For credit sales, accounts receivable shall be measured at present value considering the term and the difference between market interest rate and the interest rate provided for in contracts for the purchase and sale of real estate units on their execution date.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.11. Income and social contribution taxes

Income and social contribution tax expenses comprise current and deferred income taxes and recognized in profit or loss.

Current tax is the expected tax payable on taxable profit for the year, at the tax rates in force or substantially in force at the reporting date and any adjustment to taxes payable in prior years.

Where applicable, deferred tax is recognized with respect to temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the corresponding amounts used for taxation purposes. Deferred tax is measured at the rates that are expected to apply to temporary differences when they are reversed, based on laws that have been enacted substantively enacted at the reporting date.

Taxable profit based on accounting records regime (*lucro real*): for the Company and certain subsidiaries that have chosen the Taxable Profit Based on Accounting Records regime, current and deferred income and social contribution taxes for the year are calculated at the rate of 15%, plus a surtax of 10% on taxable profit exceeding R$240 for income tax, and 9% on taxable profit for social contribution tax on net profit and consider offsetting of income and social contribution tax losses, limited to 30% of taxable profit for each fiscal year.

Special regime of developer's escrow account (*patrimônio de afetação*): established by Law No. 10931/2004 (RET – Special Taxation Regime) and subsequent amendments, it is applicable to real estate development projects that have chosen for this regime, as optional regime and irrevocably, while the rights and obligations of the developer in relation to the acquirers of the properties that make up the real estate project are in force. Each project under this special regime is subject to income and social contribution taxes at the rates of 0.47% to 1.92%, and to PIS (Contribution Tax on Gross Revenue for Social Integration Program), COFINS (Contribution Tax on Gross Revenue for Social Security Financing) at the rates of 0.53% to 2.08%, applicable to all receivables from the sale of real estate units, as well as to finance income and monetary differences, and is subject to taxation on a cash basis.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.11. Income and social contribution taxes (Continued)

At December 31, 2018, according to the guidance of the Company's legal advisors, all sales made up to that date were classified in accordance with this RET, regardless of the timing of sales and receipt of installments.

Taxable profit computed as a percentage of gross revenue regime (*lucro presumido*): applicable to companies whose annual revenue for the prior year was less than R$78,000. In this context, the income and social contribution tax bases are calculated at the rate of 8% and 12%, respectively, on gross revenues (32% on revenues from rental and service provision and 100% on finance income) over which the regular rates of the respective taxes and contributions apply.

2.3.12. Current taxes with deferred payment

The tax legislation allows real estate development entities to tax revenues from sale of real estate units on a cash basis. In subsidiaries and activities in which the accounting practice differs from the tax practice, a deferred federal income and social contributions tax assets or liabilities are calculated to reflect any temporary differences. Income tax, social contribution tax on net profit, PIS and COFINS with deferred payment are recognized in current and noncurrent liabilities and arise from the temporary difference resulting from the recognition of revenue under the criterion described in Note 2.3.1, and the tax criterion under which revenue is subject to taxation at the time it is received (cash basis). The Company presents such deferred taxes on a net basis (prepayment – assets) and (payment – liabilities) in the financial statements. Finally, we point out that the short- and long-term segregation of this obligation considers expected future receipts that will be included in the calculation of these taxes.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.13. Contingent assets and liabilities

The accounting practices used to record and disclose contingent assets and liabilities are the following:

- Contingent assets are recognized only when there is security interest or favorable unappealable court decisions. Contingent assets whose likelihood of success is assessed as probable are merely disclosed in the notes to financial statements;
- Provisions for contingencies are recognized when losses are assessed as probable and the amounts involved can be measured with reasonable certainty. The estimated amounts of possible settlements for cases for which there is an intention to settle before the completion of the proceedings are also added to the provisions.

2.3.14. Statement of Value Added (“SVA”)

The SVA has been prepared according to Pronouncement CPC 9 – Statement of Value Added and based on information obtained from accounting records used to prepare the financial statements.

The purpose of the statement of value added is to state the wealth created by the Company as well as its distribution within a certain period, and it is presented by the Company pursuant to the Brazilian corporation law as a part of its individual financial statements and as supplementary information to the consolidated financial statements, since the SVA is not compulsory under the IFRS.

2.3.15. Sale intermediation costs – commissions

Brokerage expenses are recorded in profit or loss under “Selling expenses” subject to the same criterion adopted for recognition of revenues from units sold. The charges relating to the sales commission payable by the buyer of the property are not included in the Company's income or expenses.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.16. Financial instruments – initial recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) *Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest" (also referred to as the SPPI test) on the principal amount outstanding. This assessment is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.16. Financial instruments – initial recognition and measurement (Continued)

i) *Financial assets* (Continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

(i) Financial assets at amortized cost,
(ii) Financial assets at fair value through OCI with recycling of cumulative gains and losses;
(iii) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition; or
(iv) Financial assets at fair value through profit or loss.

The Company has financial assets classified as financial assets at amortized cost and financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade receivables, receivables from related parties and other financial assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.16. Financial instruments – initial recognition and measurement (Continued)

i) *Financial assets* (Continued)

Subsequent measurement (Continued)

This category includes cash and cash equivalents and restricted cash, which the Company had not irrevocably elected to classify at fair value through OCI.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of: (i) the carrying amount of the asset; and (ii) the maximum amount of consideration that the entity could be required to repay (amount of the guarantee).

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.16. Financial instruments – initial recognition and measurement (Continued)

i) *Financial assets* (Continued)

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in Note 2.3.4.1.

ii) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost.

All financial liabilities are measured initially at fair value and, in the case of a financial liability not at fair value through profit or loss, plus or less transaction costs directly attributable to the issue of the financial liability.

The Company's financial liabilities include trade and other payables, loans and financing, payables to related parties and other financial liabilities described in Note 21.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortized cost.

The Company has only financial liabilities classified as financial liabilities at amortized cost.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.16. Financial instruments – initial recognition and measurement (Continued)

ii) *Financial liabilities* (Continued)

Initial recognition and measurement (Continued)

Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and financing, accounts payable, payables to related parties and other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and financing. For more information, refer to Note 9.

Derecognition

A financial liability is derecognized when the obligation under the liability is terminated, i.e. when the obligation specified in contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.16. Financial instruments – initial recognition and measurement (Continued)

iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the individual and consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2.3.17. Loans and financing

The financial resources obtained, whether loans or financing, are initially recognized upon receiving the funds, net of transaction costs, and are measured at the amortized cost, i.e. plus proportional charges and interest incurred in the year.

The financial charges incurred by the Company in financing obtained for capital contributions in subsidiaries, for the development of their projects, are classified as a supplementary portion of investment costs in the individual financial statements.

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

2.3.18. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing net income for the year attributable to the Company's controlling shareholders by the weighted average number of common shares outstanding during the year. The diluted earnings per share are calculated in the same way, but by adding by the weighted average number of common shares that would be issued on conversion of all dilutive potential common shares into common shares.

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.19. New accounting pronouncements and standards adopted in 2018

The following standards came into effect on January 01, 2018 and were adopted by management:

Pronouncement	Description	Analysis conclusion and impact
CPC 47 – Revenues from Contracts with Customers and CVM/SNC/SEP Circular Letter No. 02/2018 -	Correlation with international financial reporting standards – IFRS 15 – on recognition of revenue from contracts with customers and CVM Official Letter containing guidance on recognition of revenue and recording of provision for contract disaffirmance.	Since the method to recognize revenues (currently PoC method) did not change, this pronouncement gave rise to no quantitative impact on the financial statements.
CPC 48 - Financial Instruments	Correlation with international financial reporting standards – IFRS 9 – Financial Instruments: classification, measurement, impairment and hedge accounting.	Due to the characteristics of Company assets, management concluded that this pronouncement had no impact on the financial statements, except for classification of the instruments presented below.

CPC 47 - Revenue from Contracts with Customers (IFRS 15)

In 2016, the Brazilian FASB (CPC) issued CPC 47 Revenue from Contracts with Customers. This new accounting pronouncement addresses revenue recognition, to be adopted for the first time in the year ended December 31, 2018.

Until December 31, 2017, when CPC 30 Revenue from Contracts with Customers was revoked, the Company recognized revenue referring to real estate development contracts using the PoC method, which consists in recognizing revenue based on the percentage of work completion, using construction costs incurred during performance of the work, in accordance with the provisions of Technical Guidance OCPC 04 – Application of Technical Interpretation ICPC 02 to Real Estate Development Entities.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.19. New accounting pronouncements and standards adopted in 2018 (Continued)

CPC 47 - Revenue from Contracts with Customers (IFRS 15) (Continued)

CPC formed a work group in 2016 to analyze the impacts of adoption of IFRS 15 (and, therefore, of CPC 47) for real estate development entities. As a result of this group's discussions, a review of OCPC 04 (version R1) was subject to a public hearing in 2017. As part of this process, CPC consulted IFRS Interpretations Committee (IFRS IC) on the matter containing considerations on the common characteristics of real estate development contracts in Brazil. Referred to committee first analyzed this matter in its September 2017 meeting and, after a period in which its tentative agenda decision was available for comments, finalized the discussion in March 2018, having concluded that none of the revenue recognition criteria over time provided for in paragraph 35 of IFRS 15 had been met and, therefore, for those agreements, the entity should recognize revenue at a specific moment in time and not using the PoC method.

On December 12, 2018, the Accounting Standards Superintendence (SNC) and the Company Relations Superintendence (SEP) issued CVM/SNC/SEP Official Letter No. 02/2018, which describes the understanding manifested by CVM on CPC 47 application for Brazilian entities in the real estate development sector, registered with CVM, assuring that the high level of contract disaffirmances observed in the sector does not put in risk the recognition of revenue under PoC for the Company's main contracts – sale and purchase agreements referring to real estate units whose debt balance is settled by a private bank or by the Company, and that these amounts should be adjusted in accounting by means of "provisions for contract disaffirmances".

This Circular Letter affirms that application of PoC method for revenue recognition requires that Company management have robust internal control systems in place for perfectly complying with the essential attribute of fair presentation.

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.19. New accounting pronouncements and standards adopted in 2018 (Continued)

CPC 47 - Revenue from Contracts with Customers (IFRS 15) (Continued)

In order to align Company accounting practices, management analyzed Company contracts with its customers and internal controls referring to continuous monitoring of the contracts and Company internal controls relating to costs incurred, and decided to continue recognizing revenue using the PoC method. Concerning PoC method previously applied, referred to Circular Letter establishes that provision for disaffirmances should be realized upon determination of revenue to be recognized. The CVM Letter sets out that contracts with customers should be permanently monitored in order to allow accounting records to be timely adjusted upon occurrence of cash flow receipt risks for the entity. Management continuously monitors contracts with customers to check any occurrence of cash flow receipt risks.

CPC 48 - Financial Instruments (IFRS 9)

This pronouncement introduces new requirements for classification, measurement and write-off of financial assets and liabilities. Financial assets and liabilities classified using CPC 48 requirements are as follows:

Financial assets	Original classification CPC 38/IAS 39	New classification CPC 48/IFRS 9
Cash and cash equivalents, and restricted cash	Loans and receivables	Fair value through profit or loss
Accounts receivable (real property sold)	Loans and receivables	Amortized cost
Other accounts receivable	Loans and receivables	Amortized cost
Trade accounts payable	Other financial liabilities	Amortized cost
Accounts payable (related parties)	Other financial liabilities	Amortized cost
Other accounts payable	Other financial liabilities	Amortized cost

Financial assets and liabilities originally classified as loans and receivables, and loans and financing, respectively, are held so as to raise contractual cash flows and generate cash flows that represent solely payment of principal and interest. As such, these financial assets and liabilities were classified at amortized cost upon CPC 48 application.

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.19. New accounting pronouncements and standards adopted in 2018 (Continued)
CPC 48 - Financial Instruments (IFRS 9) (Continued)

Allowance for expected credit losses

Upon adoption of CPC 48, the Company reviewed its accounting practices in order to record allowance for expected credit losses, but took into consideration that the sales of real properties for residential purposes are fully transferred to the financial institution, in connection with Minha Casa Minha Vida Program, and that receivables for sales of commercial lots are subject to chattel mortgage, therefore not exposed to risk of loss.

2.3.20. New accounting pronouncements and standards adopted in 2019

The accounting practices adopted in Brazil (BRGAAP), as well as international financial reporting standards (IFRS), undergo a constant and continuous review process aimed at improving these accounting practices and standards, assisting the reader in reading, understanding and analyzing the entity in comparison with other companies in the market.

The Company decided not to early adopt any other standard, interpretation or amendment that have been issued, but are not yet in effect. These pronouncements came into effect on January 01, 2019 and their analysis conclusion and impact are as follows:

Pronouncement	Description
CPC 06 (R2) - Leases	Correlation with international financial reporting standards – IFRS 16 – This pronouncement refers to the definition and guidance on lease agreements provided for in IAS 17.
ICPC 22 / IFRIC 23 - Uncertainty over Income Tax Treatments	IFRIC 23 - Uncertainty over Income Tax Treatments. This interpretation addressed the treatment, accounting for and presentation of tax uncertainties.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.20. New accounting pronouncements and standards adopted in 2019 (Continued)

a) *CPC 06 (R2)/IFRS 16 - Leases (in effect as from 01/01/2019)*

IFRS 16 introduced a single model for lessees to record leases in the statement of financial position. Lessees should record a right-of-use asset that represents the lessee's right to use the leased asset and a lease liability that represents the lessee's obligation to make lease payments. Optional exemptions are available for short-term leases and leases of low-value items.

CPC 16 will replace the existing lease standards, including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Supplementary Aspects relating to Lease Operations. This pronouncement came into effect on January 01, 2019.

Management reviewed all lease agreements and concluded that they mostly refer to short-term leases, leases of low-value assets and leases in which management does not control the asset or direct its use. These leases will remain recorded on a straight-line basis as expenses in P&L for the year. As to the other leases, the Company assessed the potential impacts of first-time application of CPC 06 (R2) / IFRS 16 on the individual and consolidated financial statements at January 01, 2019.

Significant changes due to adoption of IFRS 16 (CPC 06 (R2)) in Company financial statements will be as follows:

(a) Commencement of the lease period – The Company defined commencement of the lease period as the date on which the Company exercises the right to use the real property. For this purpose, the Company established the agreement execution date since as from such date, the Company controls operational aspects of the real property such as remodeling and preparation of the physical environment.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.20. New accounting pronouncements and standards adopted in 2019 (Continued)

a) *CPC 06 (R2)/IFRS 16 - Leases (in effect as from 01/01/2019)* (Continued)

(b) Agreements valid for an indefinite term – The Company figures as lessee in certain agreements with an indefinite term. Since both lessor and lessee may cancel these agreements at any time, the Company is of the understanding that such agreements should be treated as operating leases, recording the expenses in P&L for the year over the lease period.

(c) Fixed payments in essence – These refer to payments over the lease term that the Company is or may be obligated to make. The Company defined as fixed payments in essence the amounts established as fixed by the lessor (minimum contractual lease amounts). For purposes of measuring the right-of-use asset and lease liability, the Company did not consider variable lease payments deriving from billing, services and taxes, which are recorded as expense in P&L for the year over the lease term.

(d) Additional interest rates on lessee's financing – The Company used, for all agreements with third parties, nominal interest rates required to acquire assets in conditions similar to the contracted leases at execution date. The rates adopted by the Company consider borrowing costs based on Interbank Deposit Certificates (CDI) plus a risk spread, net of inflation. These interest rates were evaluated considering the lease period and the effects of the intent to renew.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.20. New accounting pronouncements and standards adopted in 2019 (Continued)

a) *CPC 06 (R2)/IFRS 16 - Leases (in effect as from 01/01/2019)* (Continued)

(e) Depreciation of right-of-use assets – The Company's lease agreements have no covenants that allow the Company to acquire title over the assets at the end of the lease term. As such, the useful life of these assets subject to no impairment will be the contractual period (including any renewal or early termination based on Company judgment), whichever occurs first. The Company will allocate depreciation of right-of-use assets on a systematic and straight-line basis in P&L for the year based on nature of these assets (Cost of sales / Administrative expenses). We stress that the Company will reassess the useful life of the right-of-use assets whenever the strategic business plans and lessors' intentions referring to agreement continuity change.

(f) Financial charges deriving from lease agreements – Financial charges will be recorded as finance costs on an accrual basis during the lease period. Contingent payments are recorded as expenses in P&L for the year as incurred.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.20. New accounting pronouncements and standards adopted in 2019 (Continued)

a) *CPC 06 (R2)/IFRS 16 - Leases (in effect as from 01/01/2019)* (Continued)

Transition effect

The Company applied CPC 06 (R2)/IFRS 16 using the modified retrospective approach, which requires no restatement of corresponding amounts, has no impact on equity and allows adoption of practical expedients. As such, information re 2018 for comparison purposes that will be presented in 2019 will not be restated. During the transition period, for leases classified as operating leases in accordance with CPC 06(R2) / IFRS16, lease liabilities will be measured at present value of the remaining lease payments, discounted at the incremental borrowing rate of the Company at January 01, 2019. Right-of-use assets were measured for an amount equivalent to lease liabilities at first-time adoption date, plus amounts prepaid and less the incentives received from lessors. The Company elected to use the transition practical expedient and not to recognize right-of-use assets and lease liabilities for certain leases of low-value assets up to R$20, and items whose lease term is under 12 months.

The Company recognizes amortization of right-of-use assets associated with these liabilities as expense under the straight-line method over the lease term. Additionally, the Company will not consider initial direct costs of measurement of the right-of-use assets at first-time adoption date.

In measuring lease liabilities for leases previously classified as operating leases, the Company discounts lease payments with no future inflation projection using its nominal incremental borrowing rate at January 01, 2019. The rate applied ranges from 9.31% to 12.18% p.a., depending on the agreement terms.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.20. New accounting pronouncements and standards adopted in 2019 (Continued)

a) *CPC 06 (R2)/IFRS 16 - Leases (in effect as from 01/01/2019)* (Continued)

Transition effect (Continued)

As at January 01, 2019, balances recorded in assets and liabilities amount to R$2,239 and respective effects are presented in Note 9.b.

b) *ICPC 22/IFRIC 23 - Uncertainty over Income Tax Treatments Leases (in effect as from 01/01/2019)*

This interpretation, approved on December 21, 2018 and effective as from January 01, 2019, addresses accounting for income taxes in cases in which the tax treatments involve uncertainties that affect application of IAS 12 (CPC 32). This interpretation does not apply to taxes outside the scope of IAS 12 or include specifically the requirements referring to interest and fines associated with uncertain tax treatments. IFRIC 23 addresses specifically the following:

- Whether the entity considers uncertain tax treatments separately;
- The assumptions adopted by the entity relating to examination of the tax treatments by tax authorities;
- How the entity calculates taxable profit (tax loss), tax bases, unused tax losses, previously unused tax credits and tax rates; and
- How the entity considers changes in facts and circumstances.

The entity must determine if it considers each uncertain tax treatment separately or together with one or more uncertain tax treatments. The approach that best resolves the uncertainty should be adopted. This interpretation is effective for annual periods beginning on or after January 01, 2019, and certain transition exemptions are available.

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.20. New accounting pronouncements and standards adopted in 2019 (Continued)

b) *ICPC 22/IFRIC 23 - Uncertainty over Income Tax Treatments Leases (in effect as from 01/01/2019)* (Continued)

The Company expects no significant impacts deriving from this interpretation, since all procedures adopted for calculation and payment of income taxes are grounded on the legislation and previous decisions issued in the legal and administrative spheres.

2.3.21. Restatement of financial statements

Restatement per registration request

The individual and consolidated financial statements were restated, in connection with the request for registration of a listed company with the Brazilian SEC (CVM), in order to present the statement of value added and earnings/(loss) per share and to improve certain disclosures in the explanatory notes, mainly referring to related parties, sensitivity analysis of financial assets and liabilities in the note on financial instruments and market risks.

In addition, after the individual and consolidated financial statements for the years ended December 31, 2018 and 2017 were issued, management identified adjustments and reclassifications that affect the statements of financial position as at December 31, 2018 and 2017, as well as the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the years then ended and the opening statement of financial position as at January 01, 2017. Therefore, the Company is restating the financial statements including these years as provided for in CPC 23 – Accounting Policies, Changes in Accounting Estimates and Correction of Errors.

Adjustments and reclassifications deriving from changes in accounting practices and correction of errors are as follows:

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2017

		Individual			Consolidated		
		Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Assets							
Current assets							
Cash and cash equivalents		**132,069**	-	132,069	**137,805**	-	137,805
Restricted cash		**11,459**	-	11,459	**12,681**	-	12,681
Accounts receivable	(a)	**5,565**	(2,754)	2,811	**5,565**	(2,754)	2,811
Inventories	(a)/(b)	**28,677**	(303)	28,374	**37,379**	(1,988)	35,391
Advance for acquisition of land		**3,360**	-	3,360	**3,360**	-	3,360
Other assets		**4,941**	-	4,941	**5,789**	-	5,789
Taxes recoverable		**3,685**	-	3,685	**3,991**	-	3,991
Transactions with related parties	(d)	**23,506**	4,000	27,506	**23,506**	4,000	27,506
Total current assets		**213,262**	943	214,205	**230,076**	(742)	229,334
Noncurrent assets							
Accounts receivable		**-**	-	-	**-**	-	-
Inventories		**11,545**	-	11,545	**11,545**	-	11,545
Judicial deposits		**1,565**	-	1,565	**1,565**	-	1,565
Other assets		**-**	-	-	**130**	-	130
Advance for acquisition of land		**1,500**	-	1,500	**1,500**	-	1,500
Transactions with related parties	(d)	**4,000**	(4,000)	-	**4,000**	(4,000)	-
Investments	(c)	**30,084**	(1,676)	28,408	**-**	-	-
Property, plant and equipment	(b)/(e)	**2,818**	(559)	2,259	**2,818**	(559)	2,259
Total noncurrent assets		**51,512**	(6,235)	45,277	**21,558**	(4,559)	16,999
Total assets		**264,774**	(5,292)	259,482	**251,634**	(5,301)	246,333

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2017 (Continued)

		Individual			Consolidated		
		Originally presented	Correction of errors and reclassifications	Restated amounts	Originally presented	Correction of errors and reclassifications	Restated amounts
Liabilities and equity							
Current liabilities							
Loans and financing		410	-	410	410	-	410
Trade accounts payable		27,642	-	27,642	27,642	-	27,642
Labor obligations		10,769	-	10,769	10,769	-	10,769
Tax obligations		2,316	-	2,316	2,526	-	2,526
Current taxes with deferred payment		59	-	59	59	-	59
Advances from customers		27,204	-	27,204	27,204	-	27,204
Interest on equity		6,485	-	6,485	6,485	-	6,485
Other liabilities		5,209	-	5,209	5,209	-	5,209
Total current liabilities		80,094	-	80,094	80,304	-	80,304
Noncurrent liabilities							
Loans and financing		216	-	216	216	-	216
Trade accounts payable		1,851	-	1,851	1,851	-	1,851
Current taxes with deferred payment	(h)	12	35	47	12	36	48
Warranty provision		7,793	-	7,793	7,793	-	7,793
Provision for contingencies	(d)	6,005	847	6,852	6,172	847	7,019
Transactions with related parties		15,100	-	15,100	-	-	-
Other liabilities	(d)	848	(848)	-	2,104	(847)	1,257
Total noncurrent liabilities		31,825	34	31,859	18,148	36	18,184

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2017 (Continued)

	Individual			Consolidated		
	Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Equity						
Capital	39,408	-	39,408	39,408	-	39,408
Statutory reserve	113,312	(5,326)	107,986	113,312	(5,326)	107,986
Future capital contribution	135	-	135	135		135
Total equity attributable to controlling interests	152,855	(5,326)	147,529	152,855	(5,326)	147,529
Noncontrolling interests	-	-	-	327	(11)	316
Total equity	152,855	(5,326)	147,529	153,182	(5,337)	147,845
Total liabilities and equity	264,774	(5,292)	259,482	251,634	(5,301)	246,333

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2017 (Continued)

		Individual			Consolidated		
		Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Assets							
Current assets							
Cash and cash equivalents		175,581	-	175,581	176,570	-	176,570
Restricted cash		36,377	-	36,377	36,475	-	36,475
Accounts receivable	(a)/(d)	26,842	2,681	29,523	26,842	2,681	29,523
Inventories	(a)/(b)/(d)	20,869	2,369	23,238	25,277	2,164	27,441
Advances for acquisition of land		8,555	-	8,555	8,555	-	8,555
Other assets	(d)	7,146	5,023	12,169	7,155	5,022	12,177
Deferred taxes	(h)	7,755	(7,755)	-	7,755	(7,755)	-
Taxes recoverable	(h)	1,739	402	2,141	1,811	403	2,214
Transactions with related parties	(d)	4,000	130	4,130	4,000	130	4,130
Total current assets		288,864	2,850	291,714	294,440	2,645	297,085
Noncurrent assets							
Accounts receivable	(a)/(d)	3,913	(3,913)	-	3,913	(3,913)	-
Inventories	(a)/(d)	3,616	(1,480)	2,136	8,584	(1,480)	7,104
Judicial deposits		2,116	-	2,116	2,951	-	2,951
Deferred taxes	(h)	-	8,584	8,584	-	8,584	8,584
Other assets	(g)	132	2,508	2,640	133	2,713	2,846
Advances for acquisition of land		3,050	-	3,050	3,050	-	3,050
Investments		34,667	-	34,667	-	-	-
Property, plant and equipment	(b)/(e)	2,744	(100)	2,644	2,744	(100)	2,644
Total noncurrent assets		50,238	5,599	55,837	21,375	5,804	27,179
Total assets		339,102	8,449	347,551	315,815	8,449	324,264

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2017 (Continued)

		Individual			Consolidated		
		Originally presented	Correction of errors and reclassifications	Restated amounts	Originally presented	Correction of errors and reclassifications	Restated amounts
Liabilities and equity							
Current liabilities							
Loans and financing		216	-	216	216	-	216
Trade accounts payable		33,850	-	33,850	34,076	-	34,076
Labor obligations	(d)	13,081	(580)	12,501	13,081	(580)	12,501
Tax obligations	(h)	6,370	1,489	7,859	7,649	1,488	9,137
Current taxes with deferred payment		953	-	953	953	-	953
Advances from customers		32,069	-	32,069	32,069	-	32,069
Warranty provision	(d)	-	1,915	1,915	-	1,915	1,915
Interest on equity		556	-	556	556	-	556
Other liabilities		2,000	-	2,000	2,000	-	2,000
Total current liabilities		89,095	2,824	91,919	90,600	2,823	93,423
Noncurrent liabilities							
Trade accounts payable		4,704	-	4,704	4,704	-	4,704
Current taxes with deferred payment	(h)	143	(45)	98	143	(45)	98
Warranty provision	(d)	7,846	(1,915)	5,931	7,846	(1,915)	5,931
Provision for contingencies	(d) (f)	6,587	1,456	8,043	6,759	1,456	8,215
Transactions with related parties		25,230	-	25,230	-	-	-
Other liabilities	(d)	1,455	(1,455)	-	1,455	(1,455)	-
Total noncurrent liabilities		45,965	(1,959)	44,006	20,907	(1,959)	18,948

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2017 (Continued)

	Individual			Consolidated		
	Originally presented	Correction of errors and reclassifications	Restated amounts	Originally presented	Correction of errors and reclassifications	Restated amounts
Equity		-			-	
Capital	39,543	-	39,543	39,543	-	39,543
Statutory reserve	164,499	7,584	172,083	164,499	7,584	172,083
Total equity attributable to controlling interests	204,042	7,584	211,626	204,042	7,584	211,626
Noncontrolling interests	-	-	-	266	1	267
Total equity	204,042	7,584	211,626	204,308	7,585	211,893
Total liabilities and equity	339,102	8,449	347,551	315,815	8,449	324,264

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of profit or loss as at December 31, 2017

		Individual			Consolidated		
		Originally presented	Correction of errors and reclassifications	Restated amounts	Originally presented	Correction of errors and reclassifications	Restated amounts
Net operating revenue	(a)	554,695	1,506	556,201	559,295	1,506	560,801
Cost of properties sold	(a)	(393,563)	1,191	(392,372)	(396,331)	1,191	(395,140)
Gross profit		161,132	2,697	163,829	162,964	2,697	165,661
General and administrative expenses	(e)/(b)/(d)	(53,142)	952	(52,190)	(53,217)	948	(52,269)
Selling expenses	(g)	(30,099)	7,661	(22,438)	(30,099)	7,661	(22,438)
Tax expenses		(1,506)	-	(1,506)	(1,523)	-	(1,523)
Other income (expenses)	(d)	(2,285)	83	(2,202)	(3,014)	1,773	(1,241)
Equity pickup	(c)	930	1,674	2,604	-	-	-
		(86,102)	10,370	(75,732)	(87,853)	10,382	(77,471)
Operating income before finance income (costs) and taxes		75,030	13,067	88,097	75,111	13,079	88,190
Finance costs		(2,573)	-	(2,573)	(2,580)	-	(2,580)
Finance income		12,511	-	12,511	12,663	-	12,663
Finance income (costs)		9,938	-	9,938	10,083	-	10,083
Operating income before income and social contribution taxes		84,968	13,067	98,035	85,194	13,079	98,273
Current income and social contribution taxes	(h)	(9,855)	(1,029)	(10,884)	(10,056)	(1,029)	(11,085)
Deferred income and social contribution taxes	(h)	7,712	872	8,584	7,712	872	8,584
Net income for the year		82,825	12,910	95,735	82,850	12,922	95,772
Income attributable to controlling interests					82,825	12,157	95,735
Income attributable to noncontrolling interests					25	12	37

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of comprehensive income as at December 31, 2017

	Individual			Consolidated		
	Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Net income for the year	82,825	12,910	95,735	82,850	12,922	95,722
Total comprehensive income for the year	82,825	12,910	95,735	82,850	12,922	95,722
Income attributable to controlling interests				82,825	12,157	95,735
Income attributable to noncontrolling interests				25	12	37

Individual and consolidated statements of cash flow as at December 31, 2017

	Individual			Consolidated		
	Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Net cash from (used in) operating activities	76,625	(24,438)	52,187	76,225	(23,495)	52,730
Net cash from (used in) investing activities	(6,777)	(443)	(7,220)	(2,163)	(131)	(2,294)
Net cash from (used in) financing activities	(1,418)	(37)	(1,455)	(11,503)	(168)	(11,671)
Increase (decrease) in cash and cash equivalents	68,430	(24,918)	43,512	62,559	(23,794)	38,765
Cash and cash equivalents at beginning of year	143,528	(11,459)	132,069	150,486	(12,681)	137,805
Cash and cash equivalents at end of year	211,958	(36,377)	175,581	213,045	(36,475)	176,570

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2018

		Individual			Consolidated		
		Originally presented	Correction of errors and reclassifications	Restated amounts	Originally presented	Correction of errors and reclassifications	Restated amounts
Assets							
Current assets							
Cash and cash equivalents		195,494	-	195,494	214,674	-	214,674
Restricted cash		53,933	-	53,933	54,114	-	54,114
Accounts receivable	(a)	8,511	1,922	10,433	9,675	1,922	11,597
Inventories	(a)	22,254	2,764	25,018	34,570	2,763	37,333
Advances for acquisition of land		13,140	-	13,140	13,140	-	13,140
Other assets	(g)/(d)	7,586	917	8,503	7,595	917	8,512
Taxes recoverable	(h)	3,729	1,284	5,013	3,828	1,283	5,111
Transactions with related parties		7,500	-	7,500	7,500	-	7,500
Total current assets		312,147	6,887	319,034	345,096	6,885	351,981
Noncurrent assets							
Accounts receivable		12	-	12	1,758	-	1,758
Inventories		4,120	-	4,120	4,120	-	4,120
Judicial deposits		2,718	-	2,718	3,553	-	3,553
Other assets		1,145	-	1,145	1,145	-	1,145
Advances for acquisition of land		3,070	-	3,070	3,070	-	3,070
Investments		32,182	-	32,182	728	-	728
Property, plant and equipment	(b)/(e)	10,292	319	10,611	10,292	319	10,611
Total noncurrent assets		53,539	319	53,858	24,666	319	24,985
Total assets		365,686	7,206	372,892	369,762	7,204	376,966

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2018 (Continued)

		Individual			Consolidated		
		Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Liabilities and equity							
Current liabilities							
Loans and financing		14,831	-	14,831	14,831	-	14,831
Trade accounts payable		36,460	-	36,460	36,993	-	36,993
Labor obligations	(d)	12,167	407	12,574	12,167	410	12,577
Tax obligations	(h)	7,444	994	8,438	9,698	2,239	11,937
Current taxes with deferred payment	(h)	326	(305)	21	462	(304)	158
Advances from customers	(a)	51,242	1,659	52,901	51,242	1,659	52,901
Warranty provision	(d)	-	2,836	2,836	-	2,836	2,836
Interest on equity		556	-	556	556	-	556
Dividends payable	(h)	17,742	(604)	17,138	17,823	(604)	17,219
Other liabilities		1,400	-	1,400	1,400	-	1,400
Total current liabilities		142,168	4,987	147,155	145,172	6,236	151,408
Noncurrent liabilities							
Loans and financing		5,266	-	5,266	5,266	-	5,266
Trade accounts payable		6,109	-	6,109	6,109	-	6,109
Current taxes with deferred payment	(h)	-	373	373	64	372	436
Warranty provision	(d)	11,180	(2,836)	8,344	11,180	(2,836)	8,344
Provision for contingencies	(f)	6,804	474	7,278	6,913	474	7,387
Transactions with related parties		362	-	362	-	-	-
Other liabilities		-	-	-	1,256	(1,256)	-
Total noncurrent liabilities		29,721	(1,989)	27,732	30,788	(3,246)	27,542

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of financial position as at January 01, 2018 (Continued)

	Individual			Consolidated		
	Originally presented	Correction of errors and reclassifications	Restated amounts	Originally presented	Correction of errors and reclassifications	Restated amounts
Equity						
Capital	72,500	-	72,500	72,500	-	72,500
Statutory reserve	66,776	3,735	70,511	66,776	3,735	70,511
Legal reserve	5,724	(127)	5,597	5,724	(127)	5,597
Additional dividends proposed	48,797	600	49,397	48,797	600	49,397
Total equity attributable to controlling interests	193,797	4,208	198,005	193,797	4,208	198,005
Noncontrolling interests	-	-	-	5	6	11
Total equity	193,797	4,208	198,005	193,802	4,214	198,016
Total liabilities and equity	365,686	7,206	372,892	369,762	7,204	376,966

(In thousands of reais, unless otherwise stated)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of profit or loss as at December 31, 2018

		Individual			Consolidated		
		Originally presented	Correction of errors and reclassifications	Restated amounts	Originally presented	Correction of errors and reclassifications	Restated amounts
Net operating revenue	(a)	751,409	1,457	752,866	783,054	1,460	784,514
Cost of properties sold	(a)	(554,790)	1,900	(552,890)	(564,081)	1,900	(562,181)
Gross profit		196,619	3,357	199,976	218,973	3,360	222,333
Income and expenses							
General and administrative expenses	(b)/(d)/(e)/(f)	(52,791)	(187)	(52,978)	(52,822)	(186)	(53,008)
Selling expenses	(d)/(g)	(27,006)	(6,744)	(33,750)	(27,816)	(6,743)	(34,559)
Tax expenses		(1,435)	2	(1,433)	(1,308)	(171)	(1,479)
Other income (expenses)	(d)	851	(882)	(31)	1,564	(710)	854
Equity pickup	(c)	21,553	(1)	21,552	-	-	-
		(58,828)	(7,812)	(66,640)	(80,382)	(7,810)	(88,192)
Operating income before finance income (costs) and taxes		137,791	(4,455)	133,336	138,591	(4,450)	134,141
Finance income (costs)							
Finance costs		(2,636)	-	(2,636)	(2,642)	-	(2,642)
Finance income		12,513	-	12,513	12,683	-	12,683
		9,877	-	9,877	10,041	-	10,041
Operating income before income and social contribution taxes		147,668	(4,455)	143,213	148,632	(4,450)	144,182
Current income and social contribution taxes	(h)	(24,599)	478	(24,121)	(25,591)	478	(25,113)
Deferred income and social contribution taxes	(h)	(8,582)	(2)	(8,584)	(8,582)	(2)	(8,584)
Net income for the year		114,487	(3,979)	110,508	114,459	(3,974)	110,485
Income (loss) attributable to controlling interests					114,487	(3,979)	110,508
Income (loss) attributable to noncontrolling interests					(28)	5	(23)

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

(In thousands of reais, unless otherwise stated)

2.3.21. Restatement of financial statements (Continued)

Individual and consolidated statements of comprehensive income as at December 31, 2017

	Individual			Consolidated		
	Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Net income for the year	114,487	(3,979)	110,508	114,459	(3,974)	110,485
Total comprehensive income for the year	114,487	(3,979)	110,508	114,459	(3,974)	110,485
Income attributable to controlling interests				114,487	(3,979)	110,508
Income attributable to noncontrolling interests				(28)	5	(23)

Individual and consolidated statements of cash flow as at December 31, 2018

	Individual			Consolidated		
	Originally presented	**Correction of errors and reclassifications**	**Restated amounts**	**Originally presented**	**Correction of errors and reclassifications**	**Restated amounts**
Net cash from (used in) operating activities	138,561	(19,461)	119,100	156,150	(44,765	111,385
Net cash from (used in) investing activities	(23,715)	(17,480)	(6,235)	(13,008)	8,043	(4,965)
Net cash from (used in) financing activities	(77,377)	(15,575)	(92,952)	(87,399)	19,083	(68,316)
Increase (decrease) in cash and cash equivalents	37,469	(17,556)	19,913	55,743	(17,639)	38,104
Cash and cash equivalents at beginning of year	211,958	(36,377)	175,581	213,045	(36,475)	176,570
Cash and cash equivalents at end of year	249,427	(53,933)	195,494	268,788	(54,114)	214,674

2. Presentation of financial statements and significant accounting practices (Continued)

2.3. Significant accounting practices (Continued)

2.3.21. Restatement of financial statements (Continued)

The adjustments made, by nature, are as follows:

(a) Certain costs incurred were not recorded on an accrual basis and were unduly apportioned between the phases of the real estate development. As such, the calculation under the method that uses the percentage of completion of each phase was impacted, which generated differences in recognition of revenues and costs.

(b) Company management reviewed provision for impairment of assets and recorded a provision for losses on land and aircrafts, presented under inventories and PPE, respectively.

(c) Effect of equity pickup in the individual financial statements on the adjustments mentioned in item (b) above.

(d) Company management identified certain assets and liabilities to be reclassified into current and noncurrent due to their realization or requirement for settlement and between general and administrative expenses and other income (expenses) in P&L.

(e) Management reviewed the net book value calculated and estimated useful life of Company aircrafts classified in PPE and identified the need to change the useful life of these aircrafts. These aircrafts' useful life increased from 5 and 10 years to 15 and 25 years, which had an impact on depreciation expenses and respective asset amounts.

(f) Provisions for contingencies on labor charges were reviewed and adjusted by management, matched against operating expenses.

(g) Company management reviewed the criteria for recording sales commissions paid to real estate agents, and adopted the accounting practice of posting this expense to P&L for the year based on progress of the work.

(h) Effects on current and deferred taxes and dividends on the adjustments mentioned above.

(In thousands of reais, unless otherwise stated)

3. Cash and cash equivalents, and restricted cash

3.1. Cash and cash equivalents

	Individual				Consolidated			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Cash and banks	**26,381**	9,014	8,182	4,879	**32,094**	11,088	8,086	5,038
Short-term investments (i)	**114,683**	186,480	167,399	127,190	**155,931**	203,586	168,484	132,767
	141,064	195,494	175,581	132,069	**188,025**	214,674	176,570	137,805

(i) Short-term investments are represented by fixed income investment funds and bank deposit certificates, and short-term repurchase agreements, remunerated by reference to Interbank Deposit Certificates (CDI) and with immediate liquidity. Remuneration of short-term investments provide yield ranging from 88.08% to 104% of CDI and investments in savings account provide average yield of 70% of SELIC plus monthly reference rate (TR).

3.2. Restricted cash

	Individual				Consolidated			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Bank checking account (i)	**3,914**	53,933	36,377	11,459	**5,805**	54,114	36,475	12,681
	3,914	53,933	36,377	11,459	**5,805**	54,114	36,475	12,681

(i) Restricted checking accounts are represented by funds deriving from transfers of associate credits. The release and use of these funds are linked to the registration of respective contracts with the Real Estate Registry Office of each location, and are not available for Company use at respective base dates.

4. Accounts receivable (restated)

	Individual (restated)				Consolidated (restated)			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Accounts receivable for real estate units	**15,249**	10,445	29,523	2,811	**70,963**	13,355	29,523	2,811
	15,249	10,445	29,523	2,811	**70,963**	13,355	29,523	2,811
Current	**15,249**	10,433	29,523	2,811	**39,453**	11,597	29,523	2,811
Noncurrent	**-**	12	-	-	**31,510**	1,758	-	-

The Company adopted the procedures described in Note 2.3.1 for recording in accounting income amounts earned in the real estate transactions performed. Due to adoption of these procedures, accounts receivable from units sold and not yet concluded are not fully reflected in the financial statements, since the recording of these amounts is limited to the portion of revenue recognized based on progress of the work, net of the installments already received.

(In thousands of reais, unless otherwise stated)

4. Accounts receivable (restated) (Continued)

Upon adoption of CPC 48, the Company reviewed its accounting practices in order to record allowance for expected credit losses, but took into consideration that the sales of real properties for residential purposes are fully transferred to the financial institution, in connection with Minha Casa Minha Vida Program, and that receivables for sales of commercial lots are subject to chattel mortgage, therefore not exposed to risk of loss.

As at December 31, 2019, 2018 and 2017, the current and noncurrent portions of accounts receivable were as follows:

	Individual (restated)			Consolidated (restated)		
	12/31/2019	12/31/2018	12/31/2017	12/31/2019	12/31/2018	12/31/2017
2018	**-**	-	29,523	**-**		29,523
2019	**-**	-	-	**-**	11,597	-
2020	**15,249**	10,433	-	**39,453**	1,758	-
2021	**-**	12	-	**16,000**	-	-
2022	**-**	-	-	**8,729**	-	-
2023	**-**	-	-	**5,694**	-	-
2024 onwards	**-**	-	-	**1,087**	-	-
	15,249	10,445	29,523	**70,963**	13,355	29,523

5. Inventories (restated)

	Individual				Consolidated			
Description	12/31/2019	12/31/2018	12/31/2017	01/01/2017	12/31/2019	12/31/2018	12/31/2017	01/01/2017
Land and lots (i)	**-**	-	9,240	20,412	**28,824**	12,315	18,410	27,428
Properties under construction (ii)	**19,122**	13,621	9,540	7,963	**26,518**	13,621	9,540	7,963
Costs with project development (iii)	**28,275**	15,517	6,594	11,544	**33,885**	15,517	6,595	11,545
	47,397	29,138	25,374	39,919	**89,227**	41,453	34,545	46,936
Current	**40,635**	25,018	23,238	28,374	**82,465**	37,333	27,441	35,391
Noncurrent	**6,762**	4,120	2,136	11,545	**6,762**	4,120	7,104	11,545

(i) Land lots for new real estate developments and lots for sale are recorded at historical acquisition cost and include costs with legalization and other. The lots refer to commercial units concluded and available for sale.

(ii) Costs of real estate units under construction comprise materials used, own or hired workforce – third parties , expenses with land legalization, and other related charges incurred during the construction phase.

(iii) Costs with approved projects by Caixa Econômica Federal in connection with Minha Casa Minha Vida Program, which will be reclassified to properties under construction when launched.

Management periodically prepared analyses and valuation tests at cost or net realizable value, whichever is lower, on all inventory headings. We identified no adjustments relating to this matter.

(In thousands of reais, unless otherwise stated)

5. Inventories (restated) (Continued)

Charges capitalized in the individual financial statements amounted R$32 referring to loans taken out for financing real estate ventures by means of Bank Credit Notes (CCB).

As at December 31, 2019 and 2018, changes in financial charges capitalized are as follows:

	Individual and Consolidated	
Description	**12/31/2019**	**12/31/2018**
Opening balance	**537**	-
Capitalized financial charges	**827**	596
Financial charges recorded in costs of real properties	**(1,332)**	(59)
Total	**32**	537

6. Other assets

	Individual (restated)				Consolidated (restated)			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Insurance expenses to be recorded	**2,757**	3,573	3,630	1,588	**3,714**	3,573	3,630	2,553
Commissions and brokerage fees to be recorded	**1,710**	2,049	917	-	**2,341**	2,049	917	-
Advances to suppliers	**9,646**	3,037	9,661	2,855	**11,030**	3,046	9,669	2,862
Other amounts receivable	**1,934**	989	601	498	**2,655**	989	807	504
	16,047	9,648	14,809	4,941	**19,740**	9,657	15,023	5,919
Current	**15,170**	8,503	12,169	4,941	**18,863**	8,512	12,177	5,789
Noncurrent	**877**	1,145	2,640	-	**877**	1,145	2,846	130

7. Transactions with related parties (restated)

Assets

	Individual (restated)				Consolidated (restated)			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Eduardo Robson Raineri De Almeida (i)	**-**	1,575	-	-	**-**	1,575	-	-
Victor Bassan de Almeida (i)	**-**	350	-	-	**-**	350	-	-
Roberto Brianezi se Lima (ii)	**-**	-	-	1,100	**-**	-	-	1,100
Wayfro Altivo Miglioli (ii)	**-**	-	-	1,000	**-**	-	-	1,000
Fernando Bassan De Almeida (i)	**-**	175	-	-	**-**	175	-	-
Emais Pacaembu Sorocaba 132 SPE Ltda. (iii)	**-**	-	10	22,761	**-**	-	10	22,761
Urbanizadora Sorocaba 148 SPE Ltda. (iii)	**-**	-	120	745	**-**	-	120	745
Wilson de Almeida Júnior (i)	**-**	5,400	4,000	1,900	**-**	5,400	4,000	1,900
	-	7,500	4,130	27,506	**-**	7,500	4,130	27,506

(In thousands of reais, unless otherwise stated)

7. Transactions with related parties (restated)

Assets (Continued)

(i) Loan agreements entered into with controlling shareholders, not subject to interest or monetary adjustment. All these agreements were settled in 2019.

(ii) Advance of funds to owners of land for future projects, settled in 2017 subject to no financial charges.

(iii) Loan granted to related party, subject to no charges and settled in 2017.

Liabilities

These refer to checking account balances between partners and loan agreements; subject to no interest, monetary adjustment or preestablished maturity.

	Individual				Consolidated			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
União do Mandaguari Empreendimento Imobiliário Ltda (i)	**58**	-	-	-	**58**	-	-	-
Companhia POA (ii)	**8,893**	-	-	-	**-**	-	-	-
Veronese Empreendimento. Imobiliário Ltda (i)	**2,650**	-	-	-	**2,650**	-	-	-
Haus Marilia 1 - Empreendimento Imobiliário SPE Ltda (iii)	**-**	-	4,902	767	**-**	-	-	-
SPE Quinta da Colina (iii)	**-**	-	14,242	8,247	**-**	-	-	-
C.M. Aparecidinha Empreendimento Imobiliário Ltda (iii)	**-**	362	6,086	6,086	**-**	-	-	-
	11,601	362	25,230	15,100	**2,708**	-	-	-

(i) Loan to related party subject to no charges or stipulated maturity date.
(ii) Advance of profits received from subsidiaries to be settled with future profits. Amounts subject to no charges or stipulated maturity date.
(iii) Checking account of projects settled in 2017 and 2018.

No commercial transactions or expenses were recorded in 2019 or in prior years in relation to amounts payable by related parties.

Key management personnel compensation

Overall annual management compensation for the year was approved in the amount of up to R$4,000. In 2019, key management personnel compensation amounted to R$4,224 (R$3,780 and R$147 in 2018 and 2017 respectively), recorded in general administrative expenses with personnel and refer basically to management fees.

Sale of equity interests

On December 20, 2017, the Company sold 50% of its interests in investees Emais Pacaembu Sorocaba 132 SPE Ltda. and Urbanizadora Sorocaba 148 SPE Ltda. to related party E.W. Almeida Participações Ltda. for R$24,839, which was settled through distribution of profits to the partners, with no impact on the statements of cash flows and of profit or loss.

(In thousands of reais, unless otherwise stated)

7. Transactions with related parties (restated) (Continued)

Sale of aircraft

As at December 31, 2019, the Company sold aircraft Piper M500 purchased in 2018 to the shareholders for the net book value of R$ 7,470. This amount was offset against dividends owed by the Company to the shareholders in 2019.

8. Investments (restated)

a) Breakdown

	Individual (restated)				Consolidated (restated)			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Subsidiaries	**73,464**	21,715	27,746	25,452	**-**	-	-	-
Jointly-controlled entities	**5,728**	20	-	-	**5,728**	20	-	-
Appreciation of inventories (i)	**394**	4,697	1,796	2,757	**-**	-	-	-
Future capital contribution	**75,626**	5,750	5,125	199	**736**	708	-	-
Investment	**155,212**	32,182	34,667	28,408	**6,464**	728	-	-
Provision for loss on subsidiary (ii)	**(1,561)**	-	-	-	**-**	-	-	-
Net investments	**153,651**	32,182	34,667	28,408	**6,464**	728	-	-

(i) Goodwill based on appreciation of land lots acquired through subsidiaries C.M. Aparecidinha Empreendimentos Imobiliários Ltda. Residencial Quinta da Colina Empreendimento SPE Ltda. and Poá Empreendimento Imobiliário Ltda. In the consolidated financial statements, these balances are reclassified to inventories.

(ii) This is recorded under provision for valuation allowance in noncurrent liabilities.

(In thousands of reais, unless otherwise stated)

8. Investments (restated) (Continued)

b) Significant information on equity interest and breakdown of investments

	Interest			Assets			Amounts payable			Equity			Net income (loss) for the year		
	12/31/2019	12/31/2018	12/31/2017	12/31/2019	12/31/2018	12/31/2017	12/31/2019	12/31/2018	12/31/2017	12/31/2019	12/31/2018	12/31/2017	12/31/2019	12/31/2018	12/31/2017
C.M Aparecidinha - Empreendimento Imobiliário SPE Ltda	**-**	99.00%	99.00%	**-**	1,667	7,588	**-**	1,657	1,588	**-**	10	6,000	**-**	5,251	(44)
Haus Compra e Venda de Bens Imoveis Ltda	**99.94%**	99.94%	99.94%	**13,234**	5,502	6,854	**5,894**	1,479	5,020	**7,340**	4,023	1,834	**3,318**	15,942	(35)
Embrás Empreendimentos e Construções Ltda	**99.37%**	99.37%	99.37%	**126**	221	257	**109**	193	176	**17**	28	81	**(12)**	232	113
Haus Marília I - Empreendimentos Imobiliários SPE Ltda	**99.00%**	99.00%	99.00%	**361**	107	4,990	**7**	-	-	**354**	107	4,990	**247**	19	(258)
Pacaembu Loteadora - Olimpia IV Ltda (i)	**99.00%**	0.00%	0.00%	**9,710**	6,093	-	**1,123**	127	-	**8,587**	5,966	-	**2,621**	820	-
Residencial Quinta da Colina Empreendimento Imobiliário SPE Ltda	**99.00%**	99.00%	99.00%	**352**	284	15,124	**-**	-	18	**352**	284	15,106	**68**	120	2,864
Pacaembu Ribeirão Preto 'B' Compra E Venda de Imoveis Ltda (i)	**99.00%**	0.00%	0.00%	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	-
POA Empreendimento Imobiliário Ltda (ii)	**99.00%**	100.00%	0.00%	**80,399**	17,380	-	**2,859**	6,016	-	**77,540**	11,364	-	**66,054**	(752)	-
Pacaembu Piracicaba Incorporadora Ltda (iii)	**99.99%**	99.99%	0.00%	**6,270**	-	-	**6,274**	-	-	**(4)**	-	-	**(4)**	-	-
Pacaembu Sao Carlos - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**5,354**	-	-	**5,387**	-	-	**(33)**	-	-	**(33)**	-	-
Pacaembu Bauru - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**27,282**	-	-	**25,814**	-	-	**1,468**	-	-	**1,468**	-	-
Pacaembu Bauru II - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**13,607**	-	-	**7,709**	-	-	**5,898**	-	-	**(119)**	-	-
Vida Nova Araras - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**2,996**	-	-	**2,423**	-	-	**573**	-	-	**(755)**	-	-
Vida Nova Barretos III - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**11,223**	-	-	**11,109**	-	-	**114**	-	-	**(681)**	-	-
Vida Nova Botucatu - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**11,126**	-	-	**11,340**	-	-	**(214)**	-	-	**(1,095)**	-	-
Vida Nova Itapetininga III - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**6,463**	-	-	**6,709**	-	-	**(246)**	-	-	**(654)**	-	-
Vida Nova Sao Carlos - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**2,422**	-	-	**2,530**	-	-	**(108)**	-	-	**(1,262)**	-	-
Vida Nova Tatui III - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**11**	-	-	**12**	-	-	**(1)**	-	-	**(1)**	-	-
Pacaembu Presidente Prudente - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**262**	-	-	**262**	-	-	**-**	-	-	**-**	-	-
Pacaembu Sao Jose do Rio Preto - Empreendimento Imobiliário Ltda (i)	**99.00%**	0.00%	0.00%	**509**	-	-	**1,478**	-	-	**(969)**	-	-	**(969)**	-	-
União do Mandaguari Empreendimento. Imobiliário Ltda. (iv)	**5.07%**	5.07%	0.00%	**1,951**	1,081	-	**1,444**	688		**507**	393		**3,556**	(37)	-
Veronese Empreendimento Imobiliário Ltda. (v)	**50.00%**	0.00%	0.00%	**20,417**	-	-	**13,778**	-	-	**6,639**	-	-	**-**	-	-
Sol + Lar S.A.(i)	**20.00%**	20.00%	0.00%	**11**	103	-	**15**	-	-	**(4)**	103	-	**(109)**	-	-

(In thousands of reais, unless otherwise stated)

8. Investments (restated) (Continued)

b) Significant information on equity interest and breakdown of investments (Continued)

(i) Companies organized in 2019 and 2018 for development of real estate projects.

(ii) Equity interest acquired in 2018 for R$15,826, corresponding to 52,001,000 shares, equivalent to 100% of the shares issued previously belonging to Poá Fundo de Investimento em Participações – Multiestratégia. Company interest referred only to the lots, sole assets of the acquiree; therefore, rather than a business combination, this refers to an acquisition of assets.

(iii) Company organized in 2018 for development of real estate projects.

(iv) Equity interest acquired in 2018, corresponding to 2,180,100 units of interest, equivalent to 5.07% of total units of interest. No bargain purchase or goodwill was calculated for this transaction, since it is, in essence, refers to acquisition of assets.

(v) Equity interest acquired in 2019, corresponding to 4,250,000 units of interest, equivalent to 50% of total units of interest, previously belonging to Vibra Residencial Ltda. No bargain purchase or goodwill was calculated for this transaction.

c) Changes in investments in equity interest

Interest held in subsidiaries and jointly-controlled subsidiaries, valued under the equity method, were computed based on the statements of financial position of respective investees as at December 31, 2019, 2018 and 2017.

	Individual			Consolidated	
Description	**2019**	**2018**	**2017**	**2019**	**2018**
Balances at January 01	**32,182**	34,667	28,408	**728**	-
Future capital contribution, net	**70,124**	(4,441)	29,765	**264**	706
Dividends received	**(28,180)**	(34,607)	-	**(173)**	-
Capital contribution in investees	**10,479**	-	-	**-**	22
Sale of equity interest	**(963)**	-	(24,839)	**-**	-
Acquisition of equity interest	**2,907**	12,109	-	**2,907**	-
Appreciation of inventories	**-**	3,717	-	**-**	-
Equity pickup	**70,453**	21,552	2,604	**2,738**	-
Write-offs	**-**	-	(310)	**-**	-
Allocation of appreciation of inventories	**(3,351)**	(815)	(961)	**-**	-
Balances at December 31	**153,651**	32,182	34,667	**6,464**	728

(In thousands of reais, unless otherwise stated)

9. Property and equipment (restated)

a) Breakdown

Individual and Consolidated

Description	Annual depreciation rate - %	Cost	Accumulated depreciation	Property and equipment, net 12/31/2019	12/31/2018	12/31/2017
Computers	20	**2,040**	**(1,125)**	**915**	901	642
Machinery and equipment	10	**1,182**	**(280)**	**902**	966	713
Vehicles	20	**155**	**(53)**	**102**	184	79
Furniture and fixtures	10	**167**	**(75)**	**92**	110	135
Aircrafts (i) (ii)	4 to 6.67	**2,206**	**(284)**	**1,922**	9,806	2,050
Improvements (iii)	10	**996**	**(93)**	**903**	-	-
Lease use rights	-	**5,560**	**(2,309)**	**3,251**	-	-
Provision for impairment - aircrafts	-	**(607)**	**-**	**(607)**	(1,356)	(975)
		11,699	**(4,219)**	**7,480**	10,611	2,644

(i) Based on a report issued by a specialized company, the Company estimated the useful life of aircrafts from 15 to 25 years, in addition to their residual and market values for impairment testing purposes. In 2019, adjustment to the recoverable amount was reversed in the amount of R$749 (R$381 recorded in 2018 and R$84 reversed in 2017). As from acquisition, no expenses were incurred with large maintenance services, eligible for capitalization; as such, the amounts spent with ordinary maintenance activities were recorded in P&L.

(ii) Aircraft Piper M500 acquired in 2018 was sold at December 31, 2019 to Company's shareholders for the net book value of R$7,470.

(iii) Leasehold improvements in Bauru and São José do Rio Preto, where Company branches are located.

(In thousands of reais, unless otherwise stated)

9. Property and equipment (restated) (Continued)

b) Changes

Cost

Description	Computers and peripherals	Machinery and equipment	Vehicles	Furniture and fixtures	Aircrafts	Improvements	Lease use rights (b)	Impairment	Total
Balances at January 01, 2017	956	244	1,506	160	2,206	-	-	(1,059)	4,013
Additions	269	544		18	-	-	-	-	831
Reversal of provision for impairment of assets	-	-	-	-	-	-	-	84	84
Balances at December 31, 2017	1,225	788	1,506	178	2,206	-	-	(975)	4,928
Additions	489	341	21	16	7,855	-	-	-	8,722
Write-offs	-	-	(1,291)	(27)	-	-	-	-	(1,318)
Provision for impairment of assets	-	-	-	-	-	-	-	(381)	(381)
Balances at December 31, 2018	1,714	1,129	236	167	10,061	-	-	(1,356)	11,951
Additions due to leases (Note 2.3.20)	**-**	**-**	**-**	**-**	**-**	**-**	**2,239**	**-**	**2,239**
Additions	**328**	**106**	**-**	**-**	**-**	**996**	**3,321**	**-**	**4,751**
Write-offs	**(2)**	**(53)**	**(81)**	**-**	**(7,855)**	**-**	**-**	**-**	**(7,991)**
Reversal of provision for impairment of assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**749**	**749**
Balances at December 31, 2019	**2,040**	**1,182**	**155**	**167**	**2,206**	**996**	**5,560**	**(607)**	**11,699**

Pacaembu Construtora S.A.

Notes to individual and consolidated financial statements (Continued)
December 31, 2019, 2018 and 2017
(In thousands of reais, unless otherwise stated)

9. Property and equipment (restated) (Continued)

a) Changes (Continued)

Depreciation and amortization

Description	Computers and peripherals	Machinery and equipment	Vehicles	Furniture and fixtures	Aircrafts	Improvements	Lease use rights (b)	Impairment	Total
Balances at January 01, 2017	(401)	(27)	(1,213)	(24)	(89)	-	-	-	(1,754)
Additions	(182)	(49)	(214)	(18)	(67)	-	-	-	(530)
Balance at December 31, 2017	(583)	(76)	(1,427)	(42)	(156)	-	-	-	(2,284)
Additions	(230)	(87)	(89)	(15)	(99)	-	-	-	(520)
Write-offs	-	-	1,464	-	-	-	-	-	1,464
Balances at December 31, 2018	(813)	(163)	(52)	(57)	(255)	-	-	-	(1,340)
Additions	**(314)**	**(119)**	**(39)**	**(18)**	**(117)**	**(93)**	**(2,309)**	**-**	**(3,009)**
Write-offs	**2**	**2**	**38**	**-**	**88**	**-**		**-**	**130**
Balances at December 31, 2019	**(1,125)**	**(280)**	**(53)**	**(75)**	**(284)**	**(93)**	**(2,309)**	**-**	**(4,219)**
								*	
Net balance at December 31, 2017	642	713	79	135	2,050	-	**-**	**(975)**	**2,644**
Net balance at December 31, 2018	901	966	184	110	9,806	-	**-**	**(1,356)**	**10,611**
Net balance at December 31, 2019	**915**	**902**	**102**	**92**	**1,922**	**903**	**3,251**	**(607)**	**7,480**

(In thousands of reais, unless otherwise stated)

9. Property and equipment (restated) (Continued)

b) Leases

These are lease agreements referring to real properties and vehicles used in Company operation.

The Company computed these amounts at discount rates based on risk-free interest rates observed in the Brazilian market, for the terms of the agreements, adjusted to Company reality. (credit spread). The spreads were obtained by means of agreements entered into with potential investors of Company debt securities. The rates practiced, vis-à-vis the agreement terms, are as follows:

	Rate p.a.				
Description/term	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**
Real property	9.31%	10.11%	10.84%	11.68%	12.18%
Vehicles	9.46%	10.26%	10.99%	11.61%	12.06%

Changes in lease liabilities are as follows:

Description	**Amount**
Balances at January 01, 2019	2,239
Interest in the year	226
Present value adjustment recorded in the year	(391)
New agreements	3,608
Consideration amounts paid	(2,480)
Other	(5)
Balances at December 31, 2019	**3,197**

Aging list is as follows:

Agreement maturity	
Installment maturity	**Amount**
2020	2,268
2021	663
2022	164
2023	74
2024	28
Total liabilities	**3,197**

Changes in lease liabilities are as follows:

Description	**Real property**	**Vehicles**	**Total**
Balances at January 01, 2019	1,794	445	2,239
New agreements	1,194	2,127	3,321
	2,988	**2,572**	**5,560**
Amortization	(1,207)	(1,102)	(2,309)
Balances at December 31, 2019	**1,781**	**1,470**	**3,251**

9. Property and equipment (restated) (Continued)

(In thousands of reais, unless otherwise stated)

b) Leases (Continued)

For accounting purposes, the Company used cash flow and did not take into consideration the inflation impact to be discounted on the flows. Additionally, in accordance with CVM SNC/SEP Circular Letter 02/2019 – Guidance on Application of CPC 06 (R2) – Leases, the Company assessed that the impacts deriving from inflation projection on future lease payments discounted at present value using the nominal rate would produce an increase in use rights and lease liabilities of R$160. Inflation was projected based on the main index of Company agreements, IGPM, and information obtained from the Central Bank of Brazil.

10. Loans and financing (restated)

Loans and financing are as follows:

		Individual and Consolidated			
Description	**Rate**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Current					
Banco ABC do Brasil (i)	2.65% p.a. + CDI	**2,311**	15,007	-	-
Banco Safra	0.30% p.m. + CDI	**2,958**	5,090	216	626
CRI - Pacaembu Construtora S.A (ii)	0.90% p.a. + CDI	**1,150**	-	-	-
		6,419	20,097	216	626
Current		**4,584**	14,831	216	410
Noncurrent		**1,835**	5,266	-	216
Total		**6,419**	20,097	216	626

(i) Banco ABC do Brasil

The Company recorded a cash flow swap transaction including a verification index, in which the interest rate for receivables is 6.5% and the floating interest rate for payables ranges from 6.7% (if the verification index is not achieved) to 6.5% (if the verification index is achieved) to be defined based on the positive or negative range of the US dollar established by contract. The dollar verification index was achieved. As such, until maturity date of the cash flow swap, the payables rate will be of 6.5%; as such, the Company is not subject to the risk of loss, since the interest rates for receivables and payables have the same index.

10. Loans and financing (restated) (Continued)

(ii) CRI – Pacaembu Construtora

Issue of Mortgage-backed securities ("CRI") of the 139th Serie of the 1st Issue of True Securitizadora S.A. ("Securitization Company"). The Securitization Company is placing the public offer of, initially, 120,000 (one hundred and twenty thousand) CRIs, in the total initial amount of R$ 120,000, under the terms of CVM Ruling No. 400, of December 29, 2003, which was registered with CVM on October 07, 2019, under No. CVM/SRE/CRI 2019/031. This offer is currently in progress. CRIs are backed by real estate receivables deriving from 120,000 (one hundred and twenty thousand) junior unsecured debentures, not convertible into shares, in a single series, for private placement, issued by the Company, under the terms of the Indenture for the 1st Issue of junior unsecured debentures, not convertible into shares, in a single series, for private placement of Pacaembu Construtora S.A.", executed on July 31, 2019, as amended ("Indenture" and "Debentures", respectively). CRI placement period ends on April 06, 2020. As at December 31, 2019, 2,072 CRIs had already been placed with investors.

The securitization agreement of the CRIs and the indenture of the debentures have debt covenants which, in case of non-compliance, may entail early maturity of the debt represented by such securities, which are described as follows:

(a) distribution and/or payment, by the Company, of dividends, interest on equity or any other distributions of profits to Company shareholders, in case the Company is in default with any of its pecuniary obligations established in the Indenture of the debentures, except for the mandatory dividends provided for in article 202 of Brazilian Corporation Law in accordance with the Company's articles of association in effect at debenture issue date;

(b) split-up, merger, acquisition or any other form of corporate reorganization involving the Company and/or any significant subsidiary (as defined in the Indenture), which results in change in control, whereby the Company ceases to be the directly or indirectly controlled by the individuals who currently hold Company equity interest;

(c) amortization of shares issued by the Company or reimbursement of shares of Company shareholders, under the terms of article 45 of Brazilian Corporation Law representing over 10% (ten per cent) of Company equity, based on the, at such date, most recent consolidated financial statements of the Company for the last year ended; and

(d) non-compliance by the Company with the following financial indices:

(In thousands of reais, unless otherwise stated)

(I) ratio between (i) net debt (as defined in the indenture) + real properties payable (as defined in the indenture), and (ii) equity of the Issuer calculated based on the quarterly financial statements of the Company, which shall be below 0.5 (five tenths), to be computed by the Company on a semi-annual basis, using Company financial statements; and

(II) ratio between (i) accounts receivable (as defined in the indenture) + inventories (as defined in the indenture) + unearned revenues (as defined in the indenture), and (ii) net debt + unallocated costs, which shall not be less than 0 (zero) or more than 2 (two), to be computed by the Company on a semi-annual basis, using Company financial statements.

As at December 31, 2019, the Company was compliant with the specific covenants relating to early maturity.

Aging list

Aging list of financing as at December 31, 2019 is as follows:

	2020	2021	2022	Total
Banco ABC do Brasil	2,311	-	-	**2,311**
Banco Safra	2,273	685	-	**2,958**
CRI - Pacaembu Construtora S.A		-	1,150	**1,150**

Covenants relating to transactions - Banco Safra and ABC do Brasil

The loans taken out by the parent company and subsidiaries have specific early maturity covenants, all of which provide for early maturity in case the debtor is in default of the contractual obligations and does not achieve certain financial indices. As at December 31, 2019, the Company was compliant with the specific covenants relating to early maturity.

(In thousands of reais, unless otherwise stated)

10. Loans and financing (restated) (Continued)

Changes in loans and financing

As at December 31, 2019, 2018 and 2017, changes in loans and financing are as follows:

	Individual/Consolidated		
Description	**2019**	**2018**	**2017**
Balances at January 01	**20,097**	216	626
Financial changes			
(+) Release	**1,829**	27,848	-
(-) Amortization of principal	**(14,824)**	(7,974)	(447)
(+) Financial charges on loans and financing	**1,071**	777	194
(-) Interest paid	**(1,076)**	(770)	(157)
CRI raising costs	**(678)**	-	-
Balances at December 31	**6,419**	20,097	216

11. Trade accounts payable (restated)

	Individual (restated)				Consolidated (restated)			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Trade accounts to be paid (i)	**17,381**	25,366	24,984	16,555	**22,183**	25,899	25,210	16,556
Guarantees payable (ii)	**13,900**	17,203	13,570	12,938	**14,031**	17,203	13,570	12,937
	31,281	42,569	38,554	29,493	**36,214**	43,102	38,780	29,493
Current	**27,142**	36,460	33,850	27,642	**32,075**	36,993	34,076	27,642
Noncurrent	**4,139**	6,109	4,704	1,851	**4,139**	6,109	4,704	1,851

(i) Domestic accounts payable are not subject to interest and usually settled within 120 days.
(ii) Guarantees payable are not subject to interest and usually settled at an average 360 days.

12. Labor obligations (restated)

	Individual (restated)				Consolidated (restated)			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Payroll and management fees	**1,265**	1,373	1,026	855	**1,276**	1,373	1,026	855
Accrual for vacation pay	**5,212**	4,254	4,384	2,669	**5,243**	4,254	4,384	2,669
Social security tax (INSS)	**391**	686	543	402	**397**	686	543	402
Withholding income tax (IRRF)	**663**	635	463	292	**664**	635	463	292
Unemployment compensation fund (FGTS)	**283**	317	263	202	**284**	317	263	202
Rewards and bonuses	**393**	4,755	5,822	6,000	**393**	4,755	5,822	6,000
Other labor obligations	**2,083**	554	-	349	**2,082**	557	-	349
	10,290	12,574	12,501	10,769	**10,339**	12,577	12,501	10,769

13. Tax obligations (restated)

Individual (restated)	Consolidated (restated)

Description	12/31/2019	12/31/2018	12/31/2017	01/01/2017	12/31/2019	12/31/2018	12/31/2017	01/01/2017
Social contribution tax payable	**-**	704	702	-	**272**	993	712	59
Income tax payable	**3,027**	5,109	2,603	-	**3,475**	5,912	2,615	100
Withholding INSS payable	**584**	791	686	777	**659**	791	686	777
IRRF payable	**1,906**	74	983	1,191	**1,920**	74	983	1,191
COFINS payable	**874**	1,130	2,068	-	**1,203**	1,961	2,068	43
PIS payable	**189**	245	448	-	**261**	425	448	9
Other tax obligations	**601**	385	369	348	**666**	1,781	1,625	347
	7,181	8,438	7,859	2,316	**8,456**	11,937	9,137	2,526

14. Current taxes with deferred payment (restated)

Deferred income and social contribution taxes, PIS and COFINS are recorded so as to reflect the tax effects derived from temporary differences between the tax base which, in accordance with Brazilian IRS Normative Ruling No. 84/79, shall be calculated on amounts received, and the effective appropriation of real estate profit (Nota 2.3.1).

a) Breakdown of current taxes with deferred payment

	Individual (restated)				Consolidated (restated)			
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**	**01/01/2017**
Income tax	-	-	-	-	880	54	-	-
Social contribution tax	-	-	-	-	485	33	-	-
COFINS	501	270	856	6	2,086	363	856	5
PIS	108	58	185	-	616	78	185	-
ISS	49	21	-	-	274	21	-	-
Special Taxation Regime (RET)	42	45	10	100	44	45	10	102
	700	**394**	**1,051**	**106**	**4,385**	**594**	**1,051**	**107**
Current	49	21	953	59	274	158	953	59
Noncurrent	651	373	98	47	4,111	436	98	48

b) Reconciliation of the effective rate of income and social contribution taxes

Reconciliation of the income and social contribution tax amounts recorded in P&L and their respective amounts at nominal rates is as under:

(In thousands of reais, unless otherwise stated)

14. Current taxes with deferred payment (restated) (Continued)

b) Reconciliation of the effective rate of income and social contribution taxes (Continued)

	Individual (restated)			Consolidated (restated)		
	12/31/2019	12/31/2018	12/31/2017	12/31/2019	12/31/2018	12/31/2017
Income before income and social contribution taxes:	**128,473**	143,213	98,035	**132,187**	144,182	98,273
Income tax at statutory rate - 34%	**(43,681)**	(48,692)	(33,332)	**(44,989)**	(49,022)	(33,413)
Effect on differences:						
Equity pickup	**23,954**	7,328	886	**2,892**	-	-
Goodwill amortization	**(1,463)**	(278)	(327)	**(1,463)**	(278)	(327)
Permanent effects on special taxation regime (RET) of Minha Casa Minha Vida Program and taxable profit computed as a percentage of gross revenue (“lucro presumido”) of subsidiaries	**(161)**	5,303	15,812	**18,817**	12,006	16,848
Unrecorded deferred taxes on temporary differences and tax loss base	**(317)**	7,129	2,888	**(639)**	7,092	2,618
Tax incentives	**683**	711	181	**683**	711	181
Interest on equity	**4,091**	3,780	3,606	**4,091**	3,780	3,606
Deferred tax assets recorded in 2017 and reversed in 2018 on the tax loss base of prior years	**-**	(7,986)	7,986	**-**	(7,986)	7,986
Expenses in P&L (current)	**(16,398)**	(23,398)	(9,627)	**(20,112)**	(24,390)	(9,828)
Expenses in P&L (deferred)	**-**	(8,584)	8,584	**-**	(8,584)	8,584
Expenses - Minha Casa Minha Vida Program (income and social contribution tax %) in P&L	**(496)**	(723)	(1,257)	**(496)**	(723)	(1,257)
Total income and social contribution tax expenses (P&L)	**(16,894)**	(32,705)	(2,300)	**(20,608)**	(33,697)	(2,501)
Effective rate	***-13.2%***	*-22.8%*	*-2.3%*	***-15.6%***	*-25.5%*	*-1.9%*

15. Advances from customers (restated)

	Individual (restated)				Consolidated (restated)			
Description	12/31/2019	12/31/2018	12/31/2017	01/01/2017	12/31/2019	12/31/2018	12/31/2017	01/01/2017
Vida Nova Carlos	**-**	-	-	-	**1,291**	-	-	-
Vida Nova Catanduva II	**-**	-	-	7,229	**-**	-	-	7,229
Vida Nova Água Branca	**-**	-	-	3,060	**-**	-	-	3,060
Vida Nova Tatuí	**-**	-	-	3,615	**-**	-	-	3,615
Vida Nova Maracá II	**-**	-	-	10,733	**-**	-	-	10,733
Vida Nova Água Branca Ii	**-**	-	-	2,170	**-**	-	-	2,170
Vida Nova Assis	**-**	-	4,340	70	**-**	-	4,340	70
Vida Nova Votuporanga II	**-**	-	7,123	326	**-**	-	7,123	326
Vida Nova Dignidade	**-**	-	20,549	-	**-**	-	20,549	-
Vida Nova Ribeirão Preto B1	**-**	17,672	-	-	**-**	17,672	-	-
Vida Nova Ribeirão Preto B2	**-**	20,255	-	-	**-**	20,255	-	-
Vida Nova Ribeirão Preto A	**-**	-	-	-	**-**	-	-	-
Vida Nova Maracá Iii	**-**	5,279	-	-	**-**	5,279	-	-
Vida Nova Franca	**-**	5,056	-	-	**-**	5,056	-	-
Vida Nova Votuporanga Iii	**-**	1,684	-	-	**-**	1,684	-	-
Vida Nova Lins II	**-**	2,358	-	-	**-**	2,358	-	-
Vida Nova Olímpia 2	**-**	129	-	-	**-**	129	-	-
Vida Nova Fraternidade 2	**5,716**	-	-	-	**5,716**	-	-	-
Vida Nova Barretos 5	**1,887**	-	-	-	**1,887**	-	-	-
Vida Nova Pacaembu - Fase 2 - Prudente	**7,052**	-	-	-	**7,052**	-	-	-
Vida Nova Assis 2	**5,187**	-	-	-	**5,187**	-	-	-
Vida Nova Votuporanga IV	**299**	1	-	-	**299**	1	-	-
Other ventures	**62**	467	57	1	**459**	467	57	1
	20,203	**52,901**	**32,069**	**27,204**	**21,891**	**52,901**	**32,069**	**27,204**

15. Advances from customers (restated) (Continued)

(In thousands of reais, unless otherwise stated)

These refer to funds received in advance for the sale of real estate units in construction. The installments are classified in current liabilities taking into consideration the estimated term for conclusion of the ventures, until the end of 2020.

16. Provisions (restated)

a) Provisions for work guarantees

	Individual			Consolidated		
	12/31/2019	12/31/2018	12/31/2017	12/31/2019	12/31/2018	12/31/2017
Prior balance	**11,180**	7,846	7,793	**11,180**	7,846	7,793
(+) Additions	**2,852**	5,515	4,069	**2,973**	5,515	4,069
(-) Reversals	**(1,234)**	(26)	(538)	**(1,234)**	(26)	(538)
(-) Payments	**(1,573)**	(2,155)	(3,478)	**(1,573)**	(2,155)	(3,478)
Balance at December 31	**11,225**	11,180	7,846	**11,346**	11,180	7,846
Current	**2,835**	2,836	1,915	**2,835**	2,836	1,915
Noncurrent	**8,390**	8,344	5,931	**8,511**	8,344	5,931
	11,225	11,180	7,846	**11,346**	11,180	7,846

The Company and its subsidiaries grant a limited five-year guarantee against deficiencies and corrections relating to construction, in compliance with Brazilian legislation. In order to comply with this commitment, with no impact on future years, and to provide the appropriate balance between revenues and expenses, for each venture under construction, provisions are recorded on estimated bases per residence built. This estimate is based on historical average amounts, analyzed by Company engineering department and reviewed periodically.

b) Provision for contingencies

Proceedings rated as possible loss

Management, based on the information provided by its legal advisors, analysis of ongoing litigation and, based on previous experiences referring to the amounts demanded, sets up provisions in amounts deemed sufficient to cover probable losses on ongoing litigation, as follows:

(In thousands of reais, unless otherwise stated)

16. Provisions (restated) (Continued)

b) Provision for contingencies (Continued)

Proceedings rated as possible loss (Continued)

Individual

	Civil	Tax	Labor	Social security	Total
Balances at January 01, 2017	346	898	700	4,908	6,852
Provisions	50	666	1,298	1,892	3,906
Reversals	(351)	(266)	(442)	(1,613)	(2,672)
Payments	-	-	(43)	-	(43)
Balances at December 31, 2017	45	1,298	1,513	5,187	8,043
Provisions	753	789	1,175	749	3,466
Reversals	(645)	(57)	(1,693)	(1,836)	(4,231)
Balances at December 31, 2018	153	2,030	995	4,100	7,278
Provisions	**1,006**	**1,423**	**1,291**	**251**	**3,971**
Reversals	**(153)**	**-**	**(995)**	**(867)**	**(2,015)**
Balances at December 31, 2019	**1,006**	**3,453**	**1,291**	**3,484**	**9,234**

Consolidated

	Civil	Tax	Labor	Social security	Total
Balance at January 01, 2017	346	898	700	5,075	7,019
Provisions	49	666	1,298	1,892	3,905
Reversals	(178)	(51)	(658)	(1,780)	(2,667)
Payments	-	-	(42)	-	(42)
Balance at December 31, 2017	217	1,513	1,298	5,187	8,215
Provisions	863	575	1,175	749	3,362
Reversals	(818)	(58)	(1,478)	(1,836)	(4,190)
Balance at December 31, 2018	262	2,030	995	4,100	7,387
Provisions	**1,006**	**1,423**	**1,291**	**251**	**3,971**
Reversals	**(153)**	**-**	**(995)**	**(867)**	**(2,015)**
Balance at December 31, 2019	**1,115**	**3,453**	**1,291**	**3,484**	**9,343**

Provisions for and reversals of contingencies had an impact on tax expenses and other operating income and expenses in P&L for the year.

Provision for civil and social security proceedings refers to contractual adjustments and claims relating to construction works and third parties. Provision for tax proceedings mostly refer to payment of PIS and COFINS on finance income, which are deposited in court.

In addition, the Company is party to proceedings of a civil and social security nature, whose likelihood of loss is considered “possible” by Company legal advisors. As such, these proceedings, amounting to R$1,180 at December 31, 2019 (R$2,511 in 2018 and R$4,627 in 2017) were not recorded in Company financial statements.

(In thousands of reais, unless otherwise stated)

17. Unearned revenue from sale of real properties and budgeted costs of real properties sold to be recorded – information and commitments

In accordance with paragraphs 20 and 21 of ICPC 02 and with CVM/SNC/SEP Circular Letter No. 02/2018, as mentioned in Note 2.3.1, revenue from real estate transactions is recorded based on cost incurred. Accordingly, accounts receivable from units sold and not concluded yet is reflected in part in Company financial statements, since the recording of these amounts in accounting reflects revenue recognized, net of the installments already received. Revenue to be recognized deriving from real estate units sold of ventures under construction (not concluded) and respective cost commitments to be incurred in relation to such real estate units sold are not reflected in the financial statements:

	Consolidated		
Ventures in construction	**2019**	**2018**	**2017**
(i) Unearned revenue from units sold			
(a) Revenue from sales contracted	**596,624**	1,195,911	855,149
(b) Sales revenue recorded, net	**343,364**	890.886	402,667
Unearned sales revenue (a-b)	**253,260**	305.025	452,482
(ii) Budgeted cost of units sold to be recorded			
Ventures in construction:			
(a) Budgeted cost of units (w/o financial charges)	**425,735**	847,392	462,653
Costs incurred, net			
(b) Construction cost incurred	**(246,160)**	(637,380)	(249,815)
Financial charges recorded			
(c) Construction costs		-	-
Incurred – financial charges	**(20)**	-	-
Budgeted cost to record in P&L (a+b)	**179,575**	210,011	212,838
Driver CI/CO (w/o financial charges)	**57.82%**	75.22%	54.00%
(iii) Budgeted cost to record in inventories			
Real estate projects in construction:			
(a) Budgeted cost of units (w/o financial charges)	**256,123**	85,545	192,372
Costs incurred, net			
(b) Construction cost incurred	**(32,928)**	(10,298)	(40,742)
Financial charges recorded	**(20)**	-	-
Total	**(32,948)**	(10,298)	(40,742)
Budgeted cost to record in inventories w/o financial charges (a+b)	**223,195**	75,247	151,630

Unearned revenue from real properties sold is measured at the nominal amount of the agreements, plus contractual adjustments, net of unearned revenue installments, and does not comprise present value adjustment and taxes levied thereon. Budgeted costs of real properties sold to be recorded do not include financial charges, which are allocated to the properties to be sold and to P&L (cost of real properties sold), in proportion to the units sold, to the extent as these costs are incurred, and do not comprise warranty provision to be allocated to units sold based on work progress.

(In thousands of reais, unless otherwise stated)

18. Equity

a) Capital

Company capital amounts to R$128,895 (R$72,500 at December 31, 2018 and R$39,543 at December 31, 2017), represented by 128,894,845 common registered shares with no par value (72,500,000 shares at December 31, 2018 and 39,543,248 units of interest in 2017 - (currently equivalent to 39,543,248 common shares in 2017)).

As at September 30, 2019, Pacaembu shareholders decided to increase capital by R$ 56,395 upon issue of 56,394,845 shares at par value of R$ 1 (in reais).

On May 01, 2018, the partners decided to turn Pacaembu from a limited-liability company into a publicly-held Corporation, and increase capital by R$ 32,957 upon issue of 32,956,752 common registered shares with no par value.

On February 24, 2017, Pacaembu partners decided to increase capital by R$ 135 upon issue of 56,394,845 units of interest at par value of R$ 1 (in reais) (currently equivalent to 135,286 common shares).

In 2019, 2018 and 2017, shares/units of interest are held as follows:

	12/31/2019		12/31/2018		12/31/2017	
Partners	Shares	Interest	Shares	Interest	Units of interest (*)	Interest
Eduardo Robson de Almeida	**58,002,680**	**45.00%**	32,625,000	45.00%	19,771,624	50.00%
Wilson de Almeida Junior	**51,557,938**	**40.00%**	29,000,000	40.00%	19,771,624	50.00%
Victor Bassan de Almeida	**12,889,485**	**10.00%**	7,250,000	10.00%	-	-
Fernando Bassan de Almeida	**6,444,742**	**5.00%**	3,625,000	5.00%	-	-
TOTAL	**128,894,845**	**100.00%**	72,500,000	100.00%	39,543,248	100.00%

- equivalent to 39,543,248 common shares considering the effects of May 01, 2018, when the Company was changed into a publicly-held corporation.

b) Legal reserve

Legal reserve is recorded at 5% of net income computed each year, capped at 20% of capital, and may cease to be recorded when the balance of this reserve, plus the capital reserve, exceeds 30% of capital.

(In thousands of reais, unless otherwise stated)

18. Equity (Continued)

c) Statutory reserve

The Company shall maintain a statutory profits reserve named “Statutory reserve”, aimed at reinforcing Company working capital and funding the maintenance, expansion and development of new projects and other activities that comprise the purpose of the Company and/or of its subsidiaries, including by subscribing capital increases or creating new ventures. This reserve will be formed by up to 70% (seventy per cent) of net income for each year and its balance, plus the other income reserves, except unrealized income reserves and reserve for contingencies, may not exceed Company subscribed capital. Should the income reserve balance exceed capital, the General Meeting will decide on application of the excess on capital payment or increase, or payment of additional dividends to shareholders.

d) Proposed dividends

In 2019, the Company paid the partners dividends amounting to R$12,800 (R$80,340 in the year ended December 31, 2018 and R$10,959 in the year ended December 31, 2017), to wit R$0.09 cents per share in 2019 (R$1.11 and 0.27 in 2018 and 2017, respectively).

The Company’s articles of incorporation provide for payment of mandatory minimum dividend of 25% of net income for the year, adjusted pursuant to article 22 of Law No. 6404/76.

In the year ended December 31, 2019, the Company paid no interest on equity (R$400 in the year ended December 31, 2017). Interest on equity payable amounted to R$10,478 at December 31, 2019 (R$556 at December 31, 2018 and 2017), recorded in current liabilities.

	2019	2018
Net income for the year	**111,579**	110,508
Legal reserve – 5%	**(5,579)**	(5,597)
	106,000	106,351
Proposed dividends – 25%	**26,500**	26,588
Interest on equity	**(10,478)**	(9,449)
	16,022	17,139
Proposed additional dividends	**-**	49,397
Set-up of statutory reserve	**62,127**	28,926
Profits to be allocated by shareholder’s meeting	**17,373**	-

Company management will submit to decision of the General Shareholders’ Meeting (GSM) the capital increase through capitalization of a portion of the income reserve.

(In thousands of reais, unless otherwise stated)

19. Net operating revenue (restated)

	Individual (restated)			Consolidated (restated)		
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**
Revenue from real estate development operations	**480,715**	776,998	569,397	**588,528**	809,934	574,214
Taxes on revenue	**(18,584)**	(24,132)	(13,096)	**(22,519)**	(25,420)	(13,312)
Termination	**-**	-	(100)	**-**	-	(101)
	462,131	752,866	556,201	**566,009**	784,514	560,801

20. Costs and expenses by nature (restated)

	Individual (restated)			Consolidated (restated)		
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**
Expenses by function						
Cost of real estate sold	**(320,670)**	(552,890)	(392,372)	**(351,182)**	(562,181)	(395,140)
General and administrative expenses	**(60,650)**	(52,978)	(52,190)	**(60,953)**	(53,008)	(52,269)
Selling expenses	**(22,714)**	(33,750)	(22,438)	**(31,488)**	(34,559)	(22,438)
Tax expenses	**(1,076)**	(1,433)	(1,506)	**(1,100)**	(1,479)	(1,523)
	(405,110)	(641,051)	(468,506)	**(444,723)**	(651,227)	(471,370)
Construction costs	**(307,090)**	(542,737)	(386,775)	**(337,482)**	(551,211)	(389,543)
Personnel	**(41,421)**	(29,033)	(24,075)	**(41,426)**	(29,033)	(24,075)
Cost with provisions for work guarantees	**(1,618)**	(5,489)	(3,531)	**(1,739)**	(5,489)	(3,531)
Services engaged	**(4,094)**	(4,824)	(9,668)	**(4,222)**	(4,833)	(9,709)
Bonuses	**(6,208)**	(10,332)	(10,819)	**(6,208)**	(10,332)	(10,819)
Maintenance expenses	**(5,253)**	(2,494)	(2,013)	**(5,255)**	(2,494)	(2,013)
Commissions	**(6,774)**	(16,896)	(10,631)	**(7,066)**	(16,896)	(10,631)
Advertising and promotion	**(3,574)**	(3,701)	(5,006)	**(8,101)**	(3,701)	(5,006)
Expenses with delivery events	**(11,382)**	(12,745)	(5,302)	**(12,635)**	(12,939)	(5,302)
Expenses with model house	**(971)**	(407)	(1,490)	**(1,065)**	(407)	(1,490)
Amortization of lease use rights	**(2,309)**	-	-	**(2,309)**	-	-
Taxes and charges	**(1,076)**	(1,433)	(1,506)	**(1,100)**	(1,479)	(1,523)
Other costs/expenses	**(13,340)**	(10,960)	(7,690)	**(16,115)**	(12,413)	(7,728)
	(405,110)	(641,051)	(468,506)	**(444,723)**	(651,227)	(471,370)

21. Other operating income and expenses (restated)

	Individual (restated)			Consolidated (restated)		
Description	**12/31/2019**	**12/31/2018**	**12/31/2017**	**12/31/2019**	**12/31/2018**	**12/31/2017**
Sale of property and equipment	**3**	1,748	-	**3**	1,748	-
Provision for contingencies	**(533)**	1,336	(624)	**(533)**	1,398	(624)
Provision for losses on advances to suppliers	**(3,025)**	(203)	135	**(3,025)**	(203)	135
Allocation of appreciation of inventories	**(3,951)**	(815)	(961)	**-**	-	-
Other expenses, net	**(395)**	(2,097)	(752)	**(3)**	(2,089)	(752)
	(7,901)	(31)	(2,202)	**(3,558)**	854	(1,241)

22. Finance income (costs) (restated)

	Individual (restated)	Consolidated (restated)

	2019	2018	2017	2019	2018	2017
Finance income						
Short-term investment yield	**10,747**	12,275	12,285	**11,660**	12,388	12,432
Interest	**303**	238	226	**2,911**	295	231
	11,050	12,513	12,511	**14,571**	12,683	12,663
Finance costs						
Bank charges	**(1,218)**	(2,187)	(2,422)	**(1,584)**	(2,193)	(2,429)
Interest expenses	**(678)**	(217)	(71)	**(678)**	(217)	(71)
Other finance costs	**(254)**	(232)	(80)	**(588)**	(232)	(80)
	(2,150)	(2,636)	(2,573)	**(2,850)**	(2,642)	(2,580)
Total	**8,900**	9,877	9,938	**11,721**	10,041	10,083

23. Segment information

The Company has only one operational segment (real estate development), in accordance with the rules of NBC TG 22 (R2), which approves Accounting Pronouncement CPC 22 (R2) Segment Information. Company management analyzes its internal reports intended for decision making based on the consolidated financial statements, on the same basis upon which these statements are disclosed, that is, only one segment and region.

That is why no segment information is presented.

Concerning information on major customers, by function of the residential real estate activity focused on the same economic segment, the Company has no individual customers that represent more than 10% of the consolidated total revenue, and the amounts relating to Minha Casa Vida Program are entirely transferred by Caixa Econômica Federal.

24. Financial instruments

The Company is exposed to the following risks:

- Interest rate risk – variation in interest rates and indices of loans and financing;
- Credit risk – possibility of loss of cash flow from contracts with customers (accounts receivable);
- Liquidity risk – possibility that the Company will not be able to honor its commitments;
- Operational risk – due to the complexity of the activity performed by the Company;
- Capital management risk – ability to continue as a going concern in order to provide return to shareholders and rewards to other stakeholders.

Company senior management supervises the management of such risks. Senior management believes that the activities in which financial risks are governed by adequate policies and procedures and that financial risks are identified, assessed and managed in accordance with Company risk policies and predisposition to risk. The Company follows the policy of not participating in any negotiations involving derivatives for speculative purposes.

a) Interest rate risk

This risk is related to the possibility of loss due to oscillations in rates, mismatching of terms or currencies in the asset and liability portfolios. Short-term investments are indexed by reference to the CDI. Company payables basically refer to loans and financing, contracted based on CDI variation.
The Company prepared market studies and assumes any mismatching between these rates.

b) Credit risk

The Company and its subsidiaries maintain checking accounts and short-term investments at financial institutions approved by management based on objective criteria (first-tier institutions, analysis of rates charged) in order to disperse credit risk.

In order to manage losses on accounts receivable, the Company analyzes credit, liquidity and financial exposures that may compromise the financial capacity of potential committed buyers in honoring their property acquisition commitments. These analyses are based on documentation and an internal analysis model. Detailed information on credit quality of trade accounts receivable is provided in Note 5.

24. Financial instruments (Continued)

c) Liquidity risk

In Company subsidiaries, this risk is mitigated by the matching of terms and amortization flows between securities issued and backing acquired. The parent company performs market funding transactions in order to invest in new ventures, where the future flows of receivables from the sale of units will represent the backing for settlement of the loans assumed.

d) Operational risk

This risk arises from direct or indirect losses deriving from a variety of causes related to proceedings, personnel, technology and infrastructure of the Company and external factors, except credit, market and liquidity risks, as those due to legal and regulatory requirements and generally accepted corporate behavior standards. Operational risks arise from all Company operations.

The Company intends to manage operational risk in order to prevent financial losses and damages to Company reputation from occurring, seeking cost efficiency and avoiding control procedures that restrict initiative and creativity.

d) Operational risk (Continued)

The main responsibility for developing and implementing controls to address operational risks is incumbent upon senior management within each business unit. This responsibility is supported by the development of general Company policies for managing operational risks in the following areas:

- Requirements for appropriate segregation of duties, including independent authorization of operations; requirements for operation reconciliation and monitoring;
- Compliance with legal and regulatory requirements;
- Documentation of controls and procedures;
- Requirements for periodical assessment of operational risks faced and appropriateness of controls and procedures for addressing the risks identified;
- Reporting requirements for operating losses and corrective actions proposed;
- Development of contingency plans;
- Professional training and development;
- Commercial and ethical standards;
- Risk mitigation, including insurance when applicable.

(In thousands of reais, unless otherwise stated)

24. Financial instruments (Continued)

e) Sensitivity analysis

The Company conducted a sensitivity analysis of the main risks to which its financial assets and liabilities are exposed, basically represented by variations in interest rates (CDI), Extended Consumer Price Index (IPCA) and Referential Rate (TR). The Company considered the CDI projection informed by Banco Itaú for January 2020 and IPCA by Boletim Focus of February 2020 for the probable scenario. Increasing and decreasing scenarios of 25% and 50% on net assets and liabilities were calculated. In addition, the Company had R$25,928 referring to investments in savings accounts exposed to TR, which presents no risk of variation in a stress scenario, reason why we did not conduct a sensitivity test thereon. The probable scenario adopted by the Company corresponds to aforementioned projections, i.e. expectation for CDI. Sensitivity analysis is presented below.

Index	Decrease of 50%	Decrease of 25%	Probable scenario	Increase of 25%	Increase of 50%
CDI	2.20%	3.29%	4.39%	5.49%	6.59%
IPCA	1.63%	2.44%	3.25%	4.06%	4.88%

(1) Detailed information on these balances is as follows:

	Consolidated						
Net assets and liabilities	**Balance at 12/31/2019**	**Decrease of 50%**	**Decrease of 25%**	**Probable scenario**	**Increase of 25%**	**Increase of 50%**
CDI	**149,512**	3,282	4,923	6,564	8,204	9,845
IPCA	**40,060**	651	976	1,302	1,627	1,953
Total	**189,572**	3,933	5,899	7,866	9,832	11,798

Balances in the consolidated financial statements	**Balance at 12/31/2019**	**CDI**	**IPCA**	**TR**	**No index**
Cash and cash equivalents (Note 3a)	188,025	155,931	-	25,828	6,266
Restricted cash (Note 3b)	5,805			-	5,805
Accounts receivable (Note 4)	70,963	-	40,060	-	30,903
Advance for land acquisition	23,648	-	-	-	23,648
Other assets (Note 6)	19,740	-	-	-	19,740
Total assets subject to financial risks	**308,181**	**155,931**	**40,060**	**25,928**	**86,362**
Trade accounts payable (Note 11)	36,214	-	-	-	36,214
Loans and financing (Note 10)	6,419	6,419	-	-	-
Leases	3,197	-	-	-	3,197
Other liabilities	3,661	-	-	-	3,661
Total liabilities subject to financial risks	**49,491**	**6,419**	**-**	**-**	**43,072**
Total assets and liabilities subject to financial risks	**258,691**	**149,512**	**40,060**	**25,928**	**43,290**

(In thousands of reais, unless otherwise stated)

24. Financial instruments (Continued)

e) Sensitivity analysis (Continued)

Fair value measurement of financial instruments

The market values reported as at December 31, 2019, 2018 and 2017 do not reflect subsequent changes in the economy, such as interest rates, tax rates and other variables that could have an effect on their determination. Specifically relating to disclosures, the Company applies hierarchy requirements, which involves the following aspects:

- Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between willing knowledgeable parties in a transaction on an arm's length basis;
- Three-level hierarchy for measuring fair value, based on observable inputs for valuing an asset or liability at measurement date.

Referred to hierarchy is based on the following observable and non-observable inputs: Observable inputs reflect market data obtained from independent sources whereas non-observable inputs reflect market assumptions adopted by the Company.

These two types of input create the fair value hierarchy presented below.

- Level 1 – prices quoted for identical instruments in active markets;
- Level 2 - prices quoted in active markets for similar instruments, prices quoted for identical or similar instruments in non-active markets and valuation models for which inputs may not be observed; and
- Level 3 – instruments whose significant inputs may not be observed. **Breakdown of Company financial assets based on hierarchy is as follows:**

	Hierarchy level	2019	2018	2017
Assets				
Financial assets measured at fair value through profit or loss – Cash and cash equivalents, and restricted cash	2 (a)	**193,830**	**268,788**	**213,045**

(a) Fair value through quotation of similar financial instruments in non-active markets.

(In thousands of reais, unless otherwise stated)

24. Financial instruments (Continued)

f) Capital management

In managing capital, Company objective is to safeguard its capacity to continue as a going concern providing return to shareholders and benefits to other stakeholders, in addition to maintaining an optimal capital structure to reduce these costs.

To maintain or adjust capital structure, the Company may revise the policy adopted for payment of dividends, return capital to shareholders, issue new shares, or sell assets to reduce debt, for example.

Consistently with other companies in the sector, the Company monitors capital based on indebtedness, which corresponds to net debt divided by equity. Net debt, in turn, corresponds to total loans (including short and long-term loans, as disclosed in the consolidated statement of financial position), less cash and cash equivalents, financial assets measured at fair value through profit or loss and restricted accounts.

As at December 31, 2019, 2018 and 2017, in accordance with the consolidated financial statements, indebtedness is summarized as follows:

	Consolidated		
	12/31/2019	**12/31/2018**	**12/31/2017**
Loans and financing (current and noncurrent) (Note 10)	**6,419**	20,097	216
Leases (Note 9.b)	**3,197**	-	-
Cash and cash equivalents (Note 3.1)	**(188,025)**	(214,674)	(176,570)
Restricted cash (Note 3.2)	**(5,805)**	(54,114)	(36,475)
Net debt	**(184,214)**	(248,691)	(212,829)
Total equity	**274,646**	198,005	211,626
Total equity and third-party capital	**90,432**	(50,686)	(1,203)
Financial leverage ratio - %	**102.15%**	101.81%	102.63%

(In thousands of reais, unless otherwise stated)

24. Financial instruments (Continued)

g) Classification of financial instruments

Company financial instruments are classified as follows:

Individual

	2019			2018			2017		
	Amortized cost	Fair value through profit or loss	Total	Amortized cost	Fair value through profit or loss	Total	Amortized cost	Fair value through profit or loss	Total
Cash and cash equivalents	**26,381**	**114,683**	**141,064**	50,307	145,187	195,494	44,559	131,022	175,581
Restricted cash	**3,914**	**-**	**3,914**	53,933	-	53,933	36,377	-	36,377
Accounts receivable	**15,249**	**-**	**15,249**	10,445	-	10,445	29,523	-	29,523
Advances for land acquisition	**22,363**	**-**	**22,363**	16,210	-	16,210	11,605	-	11,605
Intercompany loans	**-**	**-**	**-**	7,500	-	7,500	4,130	-	4,130
Other assets	**16,047**	**-**	**16,047**	9,648	-	9,648	14,809	-	14,809
Total asset instruments	**83,954**	**114,683**	**198,637**	148,043	145,187	293,230	141,003	131,022	272,025
Loans and financing	**6,419**	**-**	**6,419**	20,097	-	20,097	216	-	216
Trade accounts payable	**31,281**	**-**	**31,281**	42,569	-	42,569	38,554	-	38,554
Intercompany loans	**11,601**	**-**	**11,601**	362	-	362	25,230	-	25,230
Leases	**3,197**	**-**	**3,197**	-	-	-	-	-	-
Other liabilities	**2,261**	**-**	**2,261**	1,400	-	1,400	2,000	-	2,000
Total liability instruments	**54,759**	**-**	**54,759**	64,428	-	64,428	66,000	-	66,000

Consolidated

	2019			2018			2017		
	Amortized cost	Fair value through profit or loss	Total	Amortized cost	Fair value through profit or loss	Total	Amortized cost	Fair value through profit or loss	Total
Cash and cash equivalents	**32,094**	**155,931**	**188,025**	52,380	162,294	214,674	44,658	131,912	176,570
Restricted cash	**5,805**	**-**	**5,805**	54,114	-	54,114	36,475	-	36,475
Accounts receivable	**70,963**	**-**	**70,963**	13,355	-	13,355	29,523	-	29,523
Advances for land acquisition	**23,648**	**-**	**23,648**	16,210	-	16,210	11,605	-	11,605
Intercompany loans	**-**	**-**	**-**	7,500	-	7,500	4,130	-	4,130
Other assets	**19,740**		**19,740**	9,657	-	9,657	15,023	-	15,023
Total asset instruments	**152,250**	**155,931**	**308,181**	153,216	162,294	315,510	141,414	131,912	273,326
Loans and financing	**6,419**	**-**	**6,419**	20,097	-	20,097	216	-	216
Trade accounts payable	**36,214**	**-**	**36,214**	43,102	-	43,102	38,780	-	38,780
Intercompany loans	**2,708**	**-**	**2,708**	-	-	-	-	-	-
Leases	**3,187**	**-**	**3,187**	-	-	-	-	-	-
Other liabilities	**3,661**	**-**	**3,661**	1,400	-	1,400	2,000	-	2,000
Total liability instruments	**52,189**	**-**	**52,189**	64,599	-	64,599	40,996	-	40,996

(In thousands of reais, unless otherwise stated)

24. Financial instruments (Continued)

h) Liquidity risk management

The Company and its subsidiaries manage liquidity risk by maintaining appropriate reserves, bank credit lines and loan facilities for obtaining funds as deemed appropriate, by continuously monitoring projected and actual cash flows, and by combining the maturity profiles of financial asset and liabilities.

As at December 31, 2019, the Company projected the obligations' undiscounted contractual cash flows, adding to amortization amounts contractual interest and maturity of these obligations, as follows:

At December 31, 2019	Book balance	Less than 1 year	from 1 to 5 years	Total
Loans and financing	6,419	4,793	2,264	7,057
Trade accounts payable	36,214	32,075	4,139	36,214
Leases	3,197	2,604	1,241	3,845
	45,830	39,472	7,644	47,116

25. Earnings (loss) per share

Earnings (loss) per share are calculated by dividing profit or loss attributable to Company partners by the weighted average of shares (considering common shares for all periods presented as a result of the event of May 01, 2018 - Note 18) outstanding in each year. The weighted average of shares is calculated based on the periods in which these shares were outstanding.

	2019	2018	2017
Basic earnings per unit of interest/share			
Net income for the year	**111,579**	110,508	95,735
Weighted average number of outstanding shares	**86,714,591**	61,574,611	39,522,862
Basic earnings per share (*)	**1.286738**	1.794701	2.422269

(*) Amounts stated in reais.

(In thousands of reais, unless otherwise stated)

26. Insurance

As at December 31, 2019, the Company and its subsidiaries recorded the following insurance agreements:

(a) Engineering risk – civil construction works, which provide guarantee against all risks involved in the construction of a venture such as fire, theft and performance damages. This type of policy allows additional coverage for risks inherent in the work, among which we stress general and joint civil liability, extraordinary expenses, riots, civil liability of the employer, and pain and suffering.

b) General civil liability of directors and officers

Coverage contracted is considered sufficient by management to cover any losses on Company assets and/or responsibilities, as follows:

Summary by type	Coverage
Aircraft insurance	63,238
Automobile insurance	1,020
Construction insurance (engineering risks)	1,219,695
Civil liability insurance - D&O	40,000
Corporate insurance	236,996
Third-party coverage	152
Work completion guarantee	220,132
Infrastructure work guarantee	94,161
Work completion insurance – corrective maintenance	25,187
Performance bond	84,731

27. Non-cash transactions

As at December 31, 2019, 2018 and 2017, the Company performed transactions that represented no cash disbursement which, therefore, were not presented in the statements of cash flow, as follows:

- Remeasurements and additions relating to CPC 06 (R1) - IFRS16 (Note 9b);
- Additions to property and equipment amounting to R$7,855 in 2018, through leases;
- In 2017, interest amounting to R$24,839 was sold, settled by means of distribution of profits to the partners (Note 7);
- In 2018, capital was increased by R$32,957 by means of distribution of profits to the partners;
- In 2018, payment of dividends were offset against intercompany balances maintained with the subsidiaries, amounting to R$25,220;
- In 2019, capital was increased by R$7,598 by means of distribution of profits and interest on equity to the partners;

27. Non-cash transactions (Continued)

- Disposal of aircraft for the net book value of R$ 7,470. This amount was offset against dividends payable by the Company to the shareholders in 2019;
- Offset of intercompany balances receivable amounting to R$3,500 against dividends to be paid on 2019 profits.

28. Events after the reporting period

Capital increase and share-based payment plan

On January 09, 2020, capitalization of the income reserve in Company capital with no issue of shares in the amount of R$ 61,383 was approved. In a Special Shareholders' Meeting, the Company approved the stock-option plan, which establishes the general terms and conditions for the grant and exercise of purchase options relating to shares issued by the Company to/by officers and directors, and employees considered key personnel, upon approval by the Board of Directors.

Share sale and purchase agreement

On January 13, 2020, the Company and Mr. Wilson Amaral de Oliveira (member of the Board of Directors and Company CEO) entered into a share sale and purchase agreement and other covenants, approved by the shareholders, in the amount of R$12,889, whereby shares issued by the Company, representing 10% of Company capital, were transferred to Mr. Oliveira free and clear of any liens and encumbrances.