

**Belo Horizonte, May 14th, 2020** – **Direcional Engenharia S.A.**, one of the largest homebuilders and real estate development companies in Brazil, focused on the developing large scale low-income projects and operating in all regions of the Brazilian Territory, discloses here its operating and financial statements for the first quarter of 2020 (1Q20). Unless otherwise expressed, the information in this document is expressed in the national currency (Brazilian Reais – R\$ or BRL) and the Potential Sales Value (“PSV”) demonstrates the value consolidated (100%). The Company’s consolidated financial statements are prepared in accordance with accounting practices adopted in Brazil, which are based on Brazilian Corporate Law and on the regulations issued by the Brazilian Securities Commission (CVM).

## 1Q20 EARNINGS RELEASE

### HIGHLIGHTS

- Cash Position of R\$ 798 million, representing a growth of 9% in comparison with 4Q19.
- Cash Generation adjusted by non-recurrent land acquisitions of R\$ 20 million.
- Net Sales: R\$ 298 million, a growth of 4% in comparison with 1Q19, even with the significant impact of the coronavirus in March, stating assertiveness of investments in the digital platform.
- **Best Adjusted Gross Margin** since 2010, reaching **36%** in 1Q20.
- **Gross Margin** in MCMV 2 e 3 segment reached **38%** in 1Q20.
- Adjusted Gross Profit of R\$ 106 million.

#### STOCK CODE: DIRR3

Quotation 3/31/2020: BRL 8.38

Number of Stocks (Former Cash-Flow):  
147 million

Market Value:  
R\$ 1,232 million / US\$ 237 million

FreeFloat:  
53%

1Q20 Average Daily Volume:  
1,374 thousand stocks  
R\$ 19,073 thousand  
6,003 transactions

#### TELECONFERENCE

(In Portuguese with simultaneous translation  
into English)

Date: 5/14/2020 – Thursday

Portuguese  
2:00 PM p.m. – Brasília Time

English  
1:00 AM p.m. – New York Time

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## MESSAGE FROM THE BOARD

The first months of 2020 were marked by the beginning of the COVID-19 pandemic and its implications in the society and the economy. To follow the implications and support the Company's Management in the evolution of this scenario, we created the crisis committee, with focus on measures for protecting the health of our collaborators, customers, and partners, and support to the management of other actions to overcome this moment.

For the real estate sector, besides this challenging scenario as a consequence of the crisis, we believe that the main operating challenge at the time concerns the sales, especially considering the social isolation dynamics imposed in most cities in the country, and the fall in the consumer confidence because of the instability in the economy and a potential rise of the unemployment rates.

In Direcional, the use of technologies has been one of the most effective solutions for the sales. We have a digital sales platform with a fully online flowchart, since the customer origination to the approval of the credit with the financing bank, allowing a digital sale. It is worth highlighting that Direcional's digital platform has allowed the continuity of sales, even in such unfavorable scenario for the real estate market, the social isolation hindering a relevant part of visitation to the Company's booths or stores.

Slightly more than two months after the confirmation of the first case of COVID-19 in Brazil, in February 26, and the pandemic declaration by World Health Organization (WHO), in March 11, we could see a dichotomy behavior between our areas of action, with great resilience for the sales speed of the MCMV products, especially in classes 1.5 and 5 (where there is more housing deficit, and the MCMV Program classes where the financing conditions are more aggressive), while the middle-income segment had relevant sales deceleration.

Another impact in the quarter concerns the closing of building sites by order of the public authorities, which, up to now, stopped 3 of our projects, all located in the state of Ceará, representing less than 5% of the total of projects under construction. We believe that the building site offers low risk to the health and the well-being of our collaborators, especially after the Company has adopted measures, which includes masks, personal hygiene products, and training.

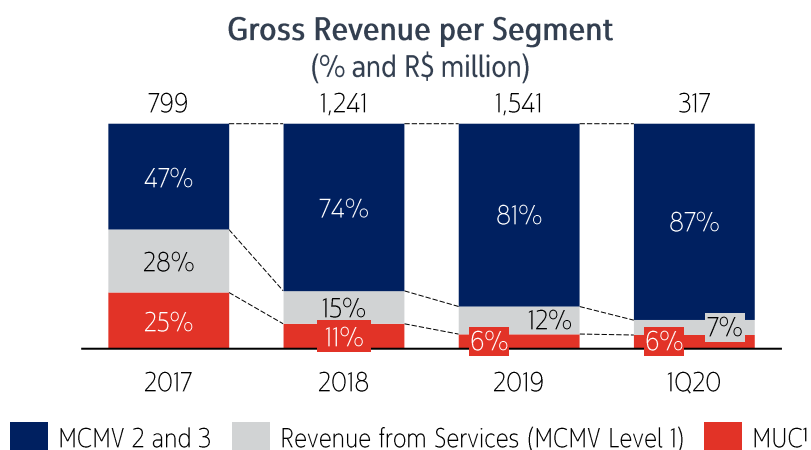
When analyzing our results for 1Q20, it is worth highlighting: (i) gross margin maintenance at elevated rates, even in a more adverse scenario; (ii) cash generation of R\$ 20 million, when adjusted by non-recurrent land acquisition at the approximate cost of R\$ 30 million; (iii) sales growth of 4% over the same period in the previous year (iv) VSO maintenance in MCMV 2 and 3 segment, albeit considering the reduced volume of launches in the quarter.

On the other hand, the performance of our business in this quarter was marked by non-recurrent effects such as (i) late carnival, with main impact on the postponement of launches for after the carnival, which were postponed by the beginning of the pandemic; (ii) more difficulty of transfers in the beginning of the year because of budgetary issues in the MCMV program; (iii) rainfall volume above the average in some areas of activity, resulting in a slower progress of works in these regions, and (iv) the Company's lower participation in consolidated sales.

As for the financial side, the most prominent point in 1Q20 is the solid liquidity by the Company, strengthened along the period, totaling an amount close to R\$ 800 MM. We understand that, in such severe crisis, having a high cash position allows us to overcome this difficult moment more safely.

Also, the expected decreased income, especially by (i) the reduction of 61% of appropriation of revenue in Level 1 segment, and (ii) the slower progress of constructions, due to the higher rainfall volume in 1Q20, was partially offset for the growth of the consolidated gross margin, reaching 36.9%, in comparison with 33.2%, in 1Q20. It is worth highlighting that this was the best gross margin presented by the Company since 1Q10.

Finally, it is important to highlight that MCMV 2 and 3 segment reached 87% of the total Gross Revenue earned by Direcional this quarter, according to the graph beside.



Therefore, Direcional earned a Net Revenue of R\$ 291 million in 1Q20, a growth of 16% in comparison with the previous year. The Company's Net Income totaled R\$ 10 million in 1Q20, mainly impacted by the lower dilution of expenses, considering the reduction in the revenue, and more minority equity in projects, this effect being non-recurrent, especially because of the faster sales of projects with partners. The Result before the minority stockholders was R\$ 17 million, representing a net margin of 6.1% in comparison with 7.7% in 1Q19.

We ended 1Q20 with R\$ 560 million of unearned revenue (REF), equivalent to approximately 2 quarters of revenue, one of the greatest indexes in the segment.

In 1Q19, Direcional has a cash generation of R\$ 20 million<sup>2</sup>, when disregarding the non-recurrent disbursement of approximately R\$ 30 million for the acquisition of land in cash. It is worth remembering that our business is based on the acquisition of land via swap, and 88% of the cost of the landbank will be paid in this modality. We ended the quarter with R\$ 798 million in cash, and leverage rate of 8.3% only (Net Debt to Equity), 7.3 p.p. lower in comparison with 1Q19, representing a convenient, conservative rate.

Direcional is looking forward to keeping its capacity of building with unique effectiveness, with a focus on cash generation and value generation for its stockholders, customers, collaborators, and the society. We are sure we will overcome this crisis soon, and Direcional will be prepared to enjoy the opportunities that will arise in the "new normal" of the society and its operating markets.

Thank you.

### The Management – Direcional Engenharia S.A

1. Adjustment excluding capitalized interest for financing of production;

2. Cash Burn/Generation: net debt variation adjusted by payment of net debt and stock repurchase

## MAIN INDICATORS

	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Financial Indicators</b>					
Net Revenues (BRL'000)	291,469	367,685	348,800	-20.7%	-16.4%
Gross Profit (BRL'000)	104,086	129,675	113,841	-19.7%	-8.6%
Gross Margin	35.7%	35.3%	32.6%	0.4 „pp	3.1 „pp
Gross Adjusted Profit <sup>1</sup> (BRL'000)	105,569	133,209	115,901	-20.7%	-8.9%
Gross Adjusted Margin <sup>1</sup>	36.2%	36.2%	33.2%	0.0 „pp	3.2 „pp
Adjusted EBITDA <sup>1</sup> (BRL'000)	45,072	60,732	60,368	-25.8%	-25.3%
Adjusted EBITDA Margin <sup>1</sup>	15.5%	16.5%	17.3%	-1.1 „pp	-1.8 „pp
Net Income (BRL'000)	10,052	28,213	20,414	-64.4%	-50.8%
Net Margin	3.4%	7.7%	5.9%	-4.2 „pp	-2.4 „pp
<b>Launches</b>					
<b>PGV Launched - 100% (BRL'000)</b>	<b>139,892</b>	<b>555,128</b>	<b>392,208</b>	<b>-74.8%</b>	<b>-64.3%</b>
MCMV 2 and 3 <sup>2</sup> (BRL'000)	104,942	465,799	326,432	-77.5%	-67.9%
MUC <sup>3</sup> (BRL'000)	34,950	89,329	65,776	-60.9%	-46.9%
<b>PSV Launched - % Direcional (BRL'000)</b>	<b>122,417</b>	<b>501,926</b>	<b>316,063</b>	<b>-75.6%</b>	<b>-61.3%</b>
MCMV 2 and 3 (BRL'000)	104,942	412,597	250,288	-74.6%	-58.1%
MUC (BRL'000)	17,475	89,329	65,776	-80.4%	-73.4%
<b>Launched Units</b>	<b>852</b>	<b>3,248</b>	<b>2,290</b>	<b>-73.8%</b>	<b>-62.8%</b>
MCMV 2 and 3	764	3,088	2,174	-75.3%	-64.9%
MUC	88	160	116	-45.0%	-24.1%
% Average Direcional	87.5%	90.4%	80.6%	-2.9 „pp	0.1 „pp
<b>Sales</b>					
<b>PSV Net Contracted - 100%</b>	<b>298,049</b>	<b>370,616</b>	<b>287,389</b>	<b>-19.6%</b>	<b>3.7%</b>
MCMV 2 and 3 (BRL'000)	267,230	323,484	272,543	-17.4%	-1.9%
MUC (BRL'000)	30,820	47,132	14,846	-34.6%	107.6%
<b>PSV Net Contracted - % Direcional</b>	<b>248,005</b>	<b>322,598</b>	<b>253,790</b>	<b>-23.1%</b>	<b>-2.3%</b>
MCMV 2 and 3 (BRL'000)	224,053	280,436	244,635	-20.1%	-8.4%
MUC (BRL'000)	23,952	42,162	9,156	-43.2%	161.6%
<b>Contracted Units</b>	<b>1,648</b>	<b>2,072</b>	<b>1,752</b>	<b>-20.5%</b>	<b>-5.9%</b>
MCMV 2 and 3	1,578	1,959	1,708	-19.4%	-7.6%
MUC	70	113	44	-38.1%	59.1%
Consolidated VSO - (% PSV)	13.2%	13.8%	13.1%	-0.7 „pp	0.0 „pp
VSO MCMV - (% VGV)	15.2%	15.3%	15.6%	-0.1 „pp	-0.3 „pp
VSO MUC - (% VGV)	6.1%	8.4%	3.4%	-2.3 „pp	2.7 „pp
<b>Other Indicators</b>					
	1Q20	4Q19	3Q19	2Q19	1Q19
Annualized ROE <sup>1</sup>	3.2%	8.8%	8.1%	8.2%	6.5%
Cash and Cash Equivalents (BRL'000)	798,028	729,382	820,075	766,310	723,722
Gross Debt (BRL'000)	913,062	831,068	882,245	871,865	936,185
Net Debt (BRL'000)	112,682	101,686	62,170	105,555	212,463
Total Shareholder's Equity (BRL'000)	1,390,793	1,369,344	1,408,242	1,387,828	1,366,648
Cash Generation (Burn) <sup>4</sup>	-10,996	34,387	43,385	106,908	-18,169
Net Debt / Equity	8.1%	7.4%	4.4%	7.6%	15.5%
Inventory - 100 % (BRL'000)	2,276,753	2,434,918	2,234,885	2,123,418	1,898,446
LandBank - 100 % (PSV - BRL'000)	23,092,927	22,326,962	21,029,801	21,695,053	21,501,897
LandBank- Units	136,593	133,475	124,454	127,716	126,255

1. Adjustment excluding capitalized interest for financing of production;

2. MCMV 2 and 3: developments carried out under the Minha Casa Minha Vida Housing Program (MCMV) classes 1,5, 2, and 3;

3. MAC: Comprises projects of the middle-income, upper-middle income and commercial segments.

4. Cash Burn/Generation: net debt variation adjusted by payment of net debt and stock repurchase.

## LAUNCHES

In 1Q20, the Launches reached R\$ 140 million (03 projects). Direcional decided to postpone the launch of new projects because of the impacts in the economy with the new coronavirus (COVID-19) outbreak.

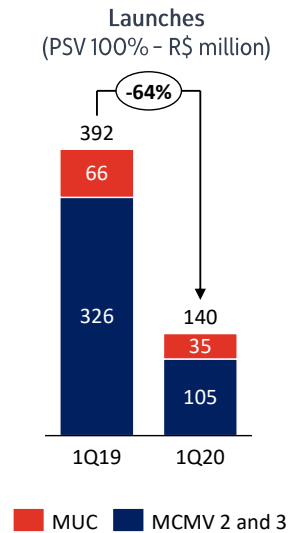


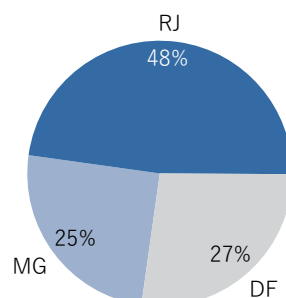
Table below presents information about projects launched in 1Q20:

Launches (PSV - BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>PSV Launched - 100%</b>	<b>139,892</b>	<b>555,128</b>	<b>326,432</b>	<b>-74.8%</b>	<b>-57.1%</b>
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MCMV 2 and 3	764	3,088	2,174	-75.3%	-64.9%
MUC	88	160	116	-45.0%	-24.1%
% Average Direcional	87.5%	90.4%	96.8%	-2.9 p.p.	-9.3 p.p.
Average Price (BRL/unit)	164,193	170,914	142,547	-3.9%	15.2%
MCMV 2 and 3	137,359	150,841	150,153	-8.9%	-8.5%
MUC	397,164	558,308	567,031	-28.9%	-30.0%

## Launches breakdown

Geographic breakdown of the launches is detailed as follows:

Launches 1Q20  
Geographic Segmentation (% PSV - 100%)

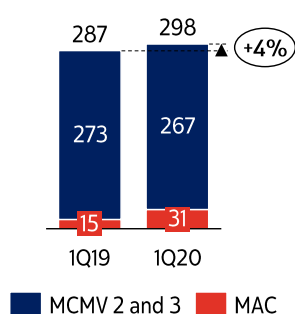


## CONTRACTED SALES

1Q20 earned R\$ 298 million in sales, a volume 4% higher than 1Q19. Despite the growth of the sales, when compared with 1Q19, the result obtained it was impacted of the postponement of launches and the reduction in the visitation in stores and booths for projects already launched, because of the coronavirus (COVID-19).

It is worth highlighting that Direcional has a 100% online sales platform and that had relevant results during the social isolation period, especially in the MCMV segment.

**Net Sales**  
(PSV 100% - R\$ million)



Net sales contracted	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>PSV Net Contracted - 100% (BRL'000)</b>	<b>298,049</b>	<b>370,616</b>	<b>287,389</b>	<b>-19.6%</b>	<b>3.7%</b>
MCMV 2 and 3	267,230	323,484	272,543	-17.4%	-1.9%
MUC	30,820	47,132	14,846	-34.6%	-107.6%
<b>PSV Net Contracted - % Direcional (BRL'000)</b>	<b>248,005</b>	<b>322,598</b>	<b>253,790</b>	<b>-23.1%</b>	<b>-2.3%</b>
MCMV 2 and 3	224,053	280,436	244,635	-20.1%	-8.4%
MUC	23,952	42,162	9,156	-43.2%	-161.6%
<b>Contracted Units</b>	<b>1,648</b>	<b>2,072</b>	<b>1,752</b>	<b>-20.5%</b>	<b>-5.9%</b>
MCMV 2 and 3	1,578	1,959	1,708	-19.4%	-7.6%
MUC	70	113	44	-38.1%	59.1%
<b>VSO in PSV</b>	<b>13.2%</b>	<b>13.8%</b>	<b>13.1%</b>	<b>-0.7 p.p.</b>	<b>0.0 p.p.</b>
MCMV 2 and 3	15.2%	15.3%	15.6%	-0.1 p.p.	-0.3 p.p.
MUC <sup>1</sup>	6.1%	8.4%	3.4%	-2.3 p.p.	2.7 p.p.

## Canceled Sales

Canceled Sales	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Gross PSV Contracted - 100% (BRL'000)</b>	<b>362,415</b>	<b>461,986</b>	<b>337,798</b>	<b>-21.6%</b>	<b>7.3%</b>
MCMV 2 and 3	320,426	396,700	313,484	-19.2%	2.2%
MUC	41,989	65,287	24,314	-35.7%	72.7%
<b>PSV Canceled - 100% (BRL'000)</b>	<b>-64,366</b>	<b>-91,370</b>	<b>-50,409</b>	<b>-29.6%</b>	<b>27.7%</b>
MCMV 2 and 3	-53,197	-73,216	-40,941	-27.3%	29.9%
MUC	-11,169	-18,154	-9,468	-38.5%	-18.0%
<b>% Canceled Sales / Gross PSV Contracted</b>	<b>-18%</b>	<b>-20%</b>	<b>-15%</b>	<b>-10.2%</b>	<b>19.0%</b>
MCMV 2 and 3	-17%	-18%	-13%	n/a	n/a
MUC	-27%	-28%	-39%	n/a	n/a

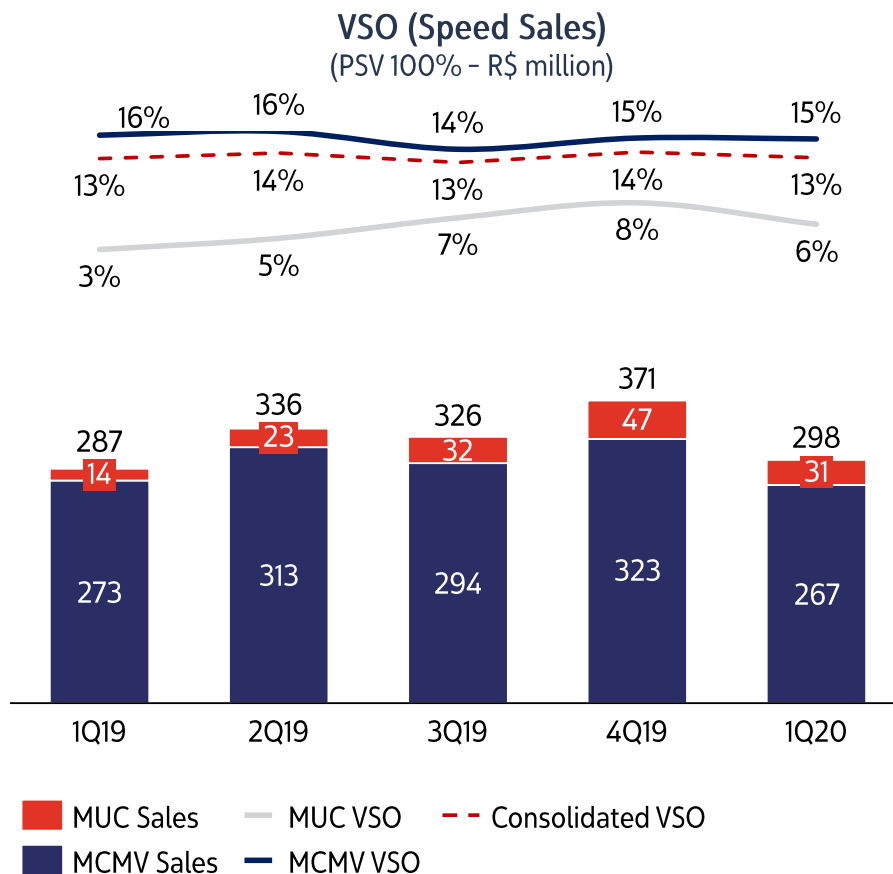
In 1Q20, gross sales totaled a PSV of R\$ 362 million, and canceled sales had R\$ 64 million, a reduction of 30% in comparison with R\$ 91 million in 4Q19. Table below consolidates the information regarding 1Q20:

In canceled PSV, transfers of credit from customers of the unit originally acquired to another unit of our inventory are disregarded.

## SALES SPEED (VSO)

The net sales speed in 1Q20, measured by the VSO (Net Sales Speed Ratio) indicator, reached 13%.

VSO for MCMV 2 and 3 segment reached 15%. MUC segment presented a VSO of 6%.





## INVENTORY

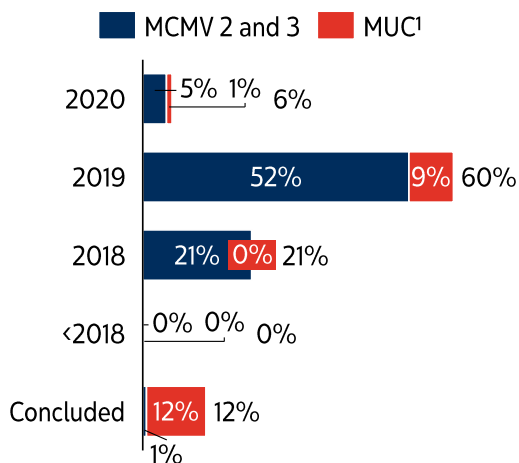
Direcional ended 1Q20 with 11,724 units in the inventory, totalizing a PSV of R\$ 2.3 billion.

The table below shows the inventory at open market value by stage of construction and type of product. It is worth to emphasize that the **MCMV** segment has only R\$ 17 million in PSV of completed units, representing of 1% of the total of the inventory.

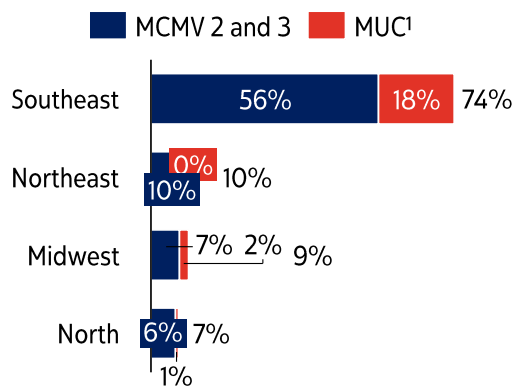
Breakdown of the Inventory at Market Value (BRL'000)	PSV Total			PSV % Direcional		
	MCMV 2 and 3	MUC	Consolidated (% Total)	MCMV 2 and 3	MUC	Consolidated (% Total)
<b>In progress</b>	1,774	224	1,997	1,569	195	1,764
% Total	78%	10%	88%	69%	9%	77%
<b>Completed</b>	17	263	279	16	228	244
% Total	1%	12%	12%	1%	10%	11%
<b>Total</b>	<b>1,790</b>	<b>486</b>	<b>2,277</b>	<b>1,585</b>	<b>423</b>	<b>2,008</b>
% Total	79%	21%	100%	70%	19%	88%
<b>Total Units</b>	<b>10,628</b>	<b>1,096</b>	<b>11,724</b>	<b>10,628</b>	<b>1,096</b>	<b>11,724</b>
% Total Units	91%	9%	100%	91%	9%	100%

The following graphs show further information on the opening and evolution of the inventory. The main highlights are: (i) 87% of the PSV in inventory is in projects launched in 2018, 2019, and 2020 and (ii) 74% is located in the Southeast region.

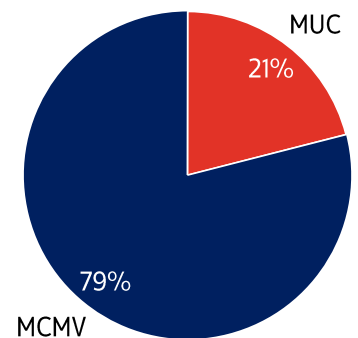
**Inventory by Launch Period**  
(% PSV - 100%)



**Inventory by Region**  
(% PSV - 100%)



**Inventory Segmentation**  
(PSV 100% - R\$ million)



## PROJECTS DELIVERED

Direcional delivered eight projects/stages during 1Q20, totaling 1,448 units and a PSV of R\$ 267 million; these projects fall under the MCMV 2 and 3 Program.

## TRANSFERS

In 1Q20, cash inflow by transfers in off-plan transfer model had a total of R\$ 229 million, 4% lower in comparison with 1Q19 and 20% in comparison with the previous quarter.

The volume of transfer inflow in SFH model and other receivables totaled R\$ 94 million in 1Q20, representing a growth of 28% in relation to the same period of the previous year, and reduction of 11% in comparison with 4Q19.

Total volume of transfers totaled R\$ 311 million in 1Q20, 4% higher than the same period in the previous year.

### Transfers

(R\$ million – Cash Receivable Criterion)

■ SFH and Others ■ MCMV

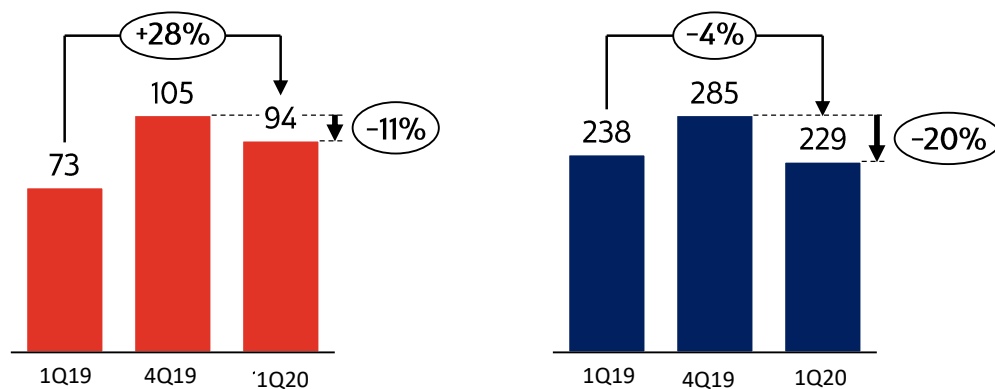


Table below consolidates information regarding transfers:

Transfers (BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Total Transfer</b>	<b>323,087</b>	<b>390,093</b>	<b>310,852</b>	<b>-17.18%</b>	<b>3.94%</b>
Transfer on construction phase	229,118	284,835	237,676	-19.56%	-3.60%
SFH and others	93,969	105,257	73,175	-10.72%	28.42%

## LANDBANK

Direcional's land bank ended 1Q20 with a development potential of 136,593 units and PSV of R\$ 23 billion (R\$ 21 billion % Direcional).

The landbank aimed to MCMV 2 and 3 had a potential PSV of R\$ 19 billion (R\$ 17 billion % Direcional) and 122,432 units. The lands destined to the MUC segment totaled R\$ 4 billion in potential PSV.

The average acquisition cost of the landbank is 11% of the potential PSV, and 84% shall be paid via swap, with a reduced impact on the cash position before the development of the project is started.

Landbank (Total PSV - BRL million)	Lands 2019	Acquisitions 1Q20	Launches 1Q20	Adjustments <sup>2</sup>	Lands 1Q20	% PSV	Units	% Units
MCMV 2 and 3	17,957	741	105	4	18,598	81%	122,432	90%
MUC	4,370	161	35	-1	4,495	19%	14,161	10%
<b>Total</b>	<b>22,327</b>	<b>902</b>	<b>140</b>	<b>4</b>	<b>23,093</b>	<b>100%</b>	<b>136,593</b>	<b>100%</b>

1 - MUC: Comprises projects of the middle-income, upper-middle income, and commercial segments

2 - Adjustment: update of sales price; canceled Sales and swap.

Landbank (Total PSV - BRL million)	MCMV 2 and 3	Middle	Upper-middle	Commercial	Lands 4Q19	% PSV	Units	% Units
Southeast	10,649	2,279	358	424	13,709	59%	73,202	54%
Midwest	3,971	690	0	87	4,748	21%	32,947	24%
North	3,176	497	0	0	3,674	16%	24,590	18%
Northeast	801	161	0	0	962	4%	5,854	4%
<b>Total</b>	<b>18,598</b>	<b>3,627</b>	<b>358</b>	<b>510</b>	<b>23,093</b>	<b>100%</b>	<b>136,593</b>	<b>100%</b>

## Acquisition of Land

In 1Q20, six lands were acquired for **MCMV 2 and 3** and MUC segment, with a construction potential of 3,956 units and PSV of R\$ 1 billion (R\$ 1 billion % Direcional).

The average cost of the acquisition was equivalent to 16% of the potential PSV, and 88% of the payment shall be made via swap, which does not cause impact on the Company's cash position in a short term.

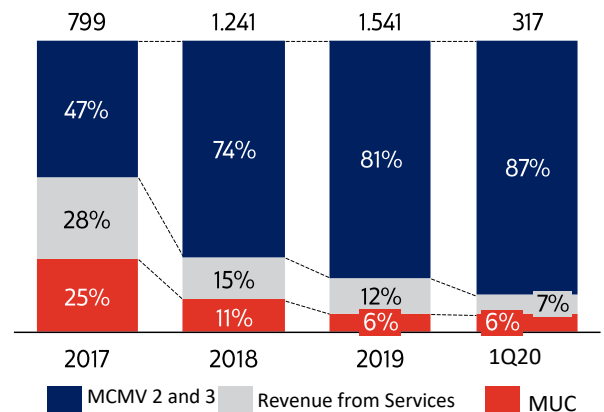
## FINANCIAL AND ECONOMICAL PERFORMANCE

## Gross Operational Revenue

Direcional's Gross Revenue totaled R\$ 317 million in 1Q20, a decrease of 13% in comparison with 1Q19, a reflect of the performance of Revenue from Services, whose Gross Revenue reached R\$ 21 million in 1Q20, a decrease of 61% in comparison with 1Q19. Revenue from Real Estate Sales had a decrease of 5%.

In 1Q20, Gross Revenue was 20% lower about the previous quarter. The result is an impact of the shorter sales volume during 1Q20.

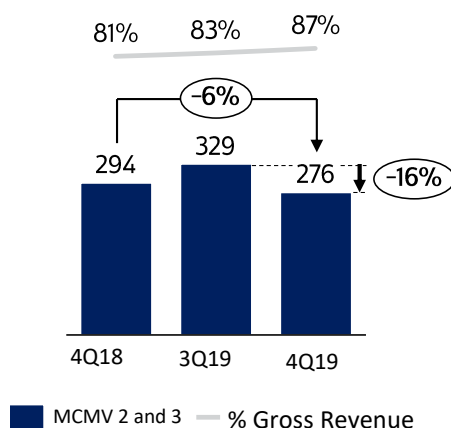
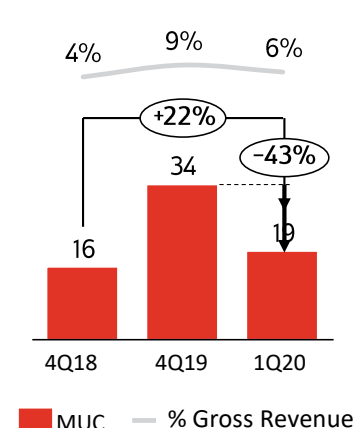
The graph on the side shows the gross revenue breakdown evolution by segment.

Evolution of Gross Revenue per Segment  
(% and R\$ million)

Gross Revenue (BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Gross Operational Revenue</b>	<b>316,712</b>	<b>394,698</b>	<b>364,569</b>	<b>-19.8%</b>	<b>-13.1%</b>
From Real Estate Sales	295,652	363,739	310,102	-18.7%	-4.7%
From Services	21,060	30,959	54,467	-32.0%	-61.3%

## Real Estate Sales Revenue

Gross Revenue of Real Estate Sales, which consolidates MCMV 2 and 3 and MUC segments, reached R\$ 317 million in 1Q20, a decrease of 5% in relation to same period in the previous year and 19% in relation with 4Q19. This performance is a result, especially, of (i) the smaller volume of units sold (ii) more concentration of sales in projects with partners, consolidated by balance equity, without consolidation of revenue by Direcional, and (iii) slower progress of works of the projects sold due to seasonal rainfall.

Revenue from Real Estate Sales – MCMV 2 and 3  
(R\$ million)Revenue from Real Estate Sales – MUC  
(R\$ million)

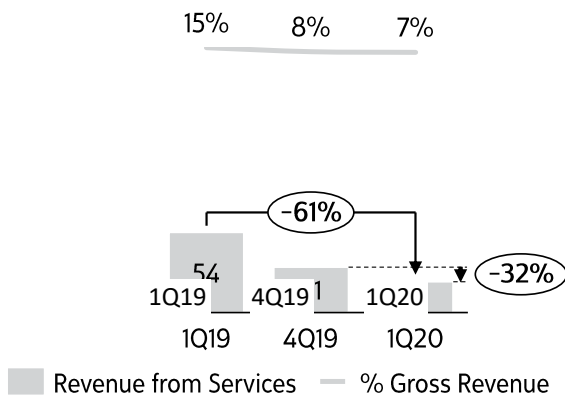
## Revenue from Services

Gross revenue from services, which represented 7% of the total of revenue recognized in 1Q20, is composed of (i) revenue from turnkey projects (MCMV Level 1); (ii) from project administration fees and (iii) brokerage fees from units sold by the own real estate broker team.

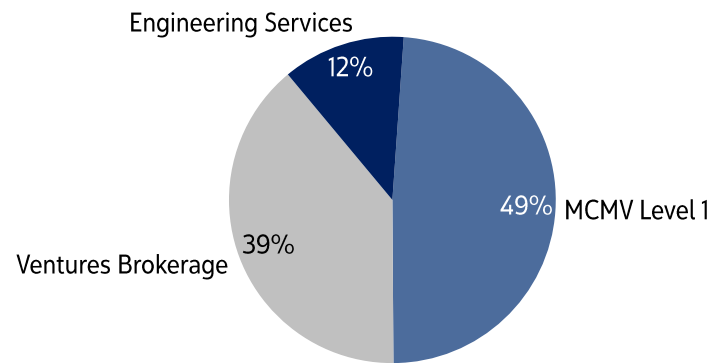
In 1Q20, the revenue reached a volume of R\$ 21 million, a reduction of 61% in relation to 1Q19, and 32% in relation to 1Q19. The end of works contracted under the MCMV Level 1 is the main reason for the decrease in the Revenue from Contract Works, as the Company has not contracted new projects within this segment since 2018.

The graph below shows the evolution of the revenue with provision of services and segmentation.

**Revenue from Services**  
(R\$ million)



**Revenue from Services Breakdown 1Q20**



## Revenue Deductions

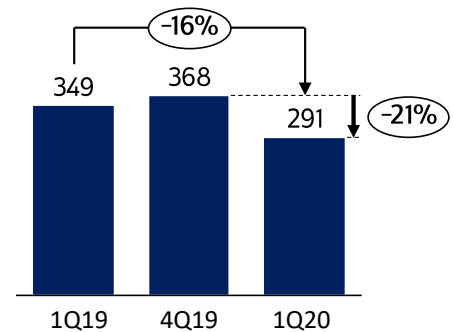
In 4Q19, deductions had a total of R\$ 25 million, a growth of 60% about the same quarter of the previous year, and 7% in comparison with 4Q19.

Revenue Deductions (BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Revenue Deductions</b>	<b>-25,244</b>	<b>-27,013</b>	<b>-15,769</b>	<b>-6.6%</b>	<b>60.1%</b>
Present value adjustment	-743	1,457	1,765	-151.0%	-142.1%
Taxes on sales	-7,744	-9,729	-8,169	-20.4%	-5.2%
Canceled Sales	-16,756	-18,742	-9,364	-10.6%	78.9%
% Deductions / Gross Revenue	8.0%	6.8%	4.3%	1.1 p.p.	3.6 p.p.

## Net Operational Revenue

Because of the aforementioned accrual of gross revenue in 1Q20, Net Revenue reached R\$ 291 million, a rate 21% lower about 3Q19, and 16% lower about 1Q19.

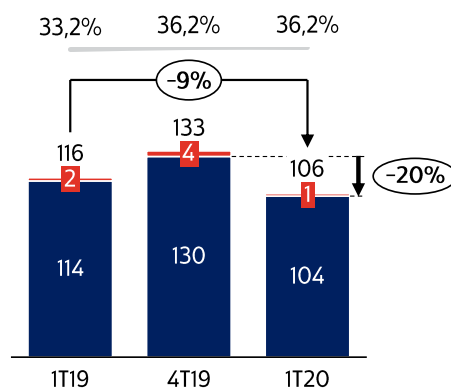
Net Revenue  
(R\$ million)



## Gross Profit

Gross Adjusted Profit<sup>1</sup> for 1Q20 totaled R\$ 106 million, resulting a Gross Adjusted Margin<sup>1</sup> of 36.2% in the quarter, the best margin since 2010, and 3.2 p.p. above the margin of 1Q19. This performance can be mainly explained by the improvement in the margins for both segments, especially the MCMV 2 and 3 segment, with a revenue representing 87% of the total amount earned in the period, and Gross Adjusted Margin reaching 38% in the quarter; the MUC segment also presented significant improvement in the margins, reaching 39%, in comparison with 26% in 4Q19. It is worth emphasizing that the maintenance of margins for MCMV 2 and 3 segments results mainly due to recognition of savings of works in final stage of completion.

Adjusted Gross Profit<sup>1</sup>  
(R\$ million)



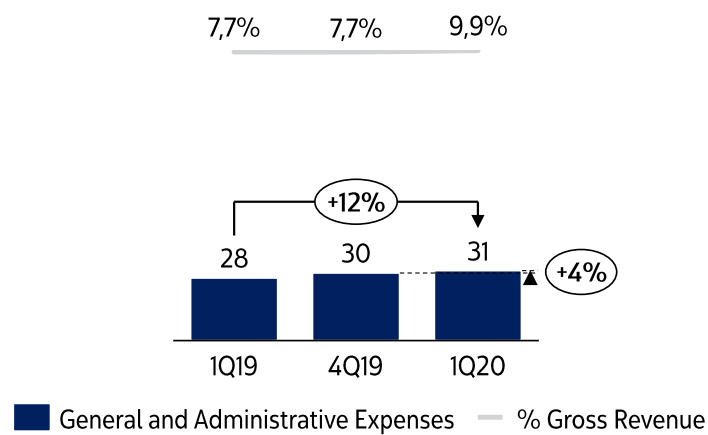
■ Interest Capitalized in Cost    — Adjusted Gross Margin  
■ Gross Profit

1 - Adjustment excluding capitalized interest for production capitalized on the cost;

## General and Administrative Expenses (G&A)

General and Administrative Expenses summed R\$ 31 million in 1Q20, a growth of 12% about the previous quarter and 4% about the same period of the previous year.

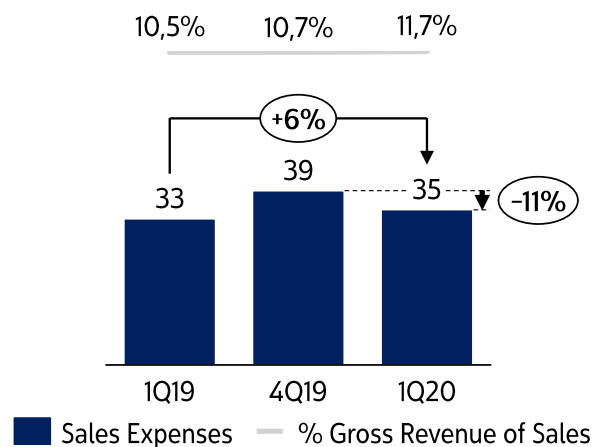
### General and Administrative Expenses (G&A) (R\$ million)



## Sales Expenses

In 4Q19, Sales Expenses had a sum of R\$ 35 million, a reduction of 11% in comparison with 4Q19, and a growth of 6% about the same period of the previous year.

### Sales Expenses (R\$ million)



## Ebitda

In 1Q20, Ebitda reached R\$ 45 million. Ebtida margin reached 15.5%, a result 1.8 p.p. lower than the same period of the previous year.

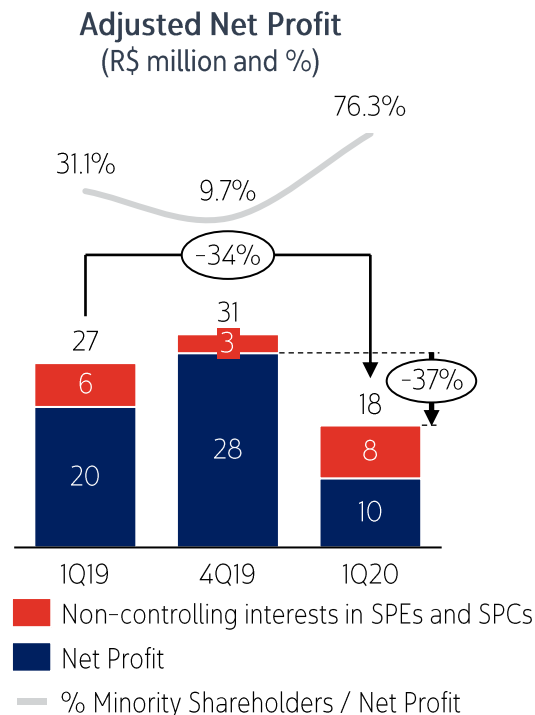
It is important highlighting that the non-dilution of General and Administrative Expenses (G&A) and Sales Expenses, expected by the Company, directly affecting the Net Income for the period, hindering the EBITDA margin.

EBITDA (BRL '000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Net Income</b>	<b>10,052</b>	<b>28,213</b>	<b>20,413</b>	<b>-64%</b>	<b>-51%</b>
(+) Depreciation and Amortization	9,276	7,928	12,672	17%	-27%
(+) Income Tax and Social Contribution	5,897	9,331	7,579	-37%	-22%
(+) Non-controlling interests in SPEs and SCPs	7,671	2,729	6,340	181%	21%
(+/-) Financial Results	10,693	8,998	11,304	19%	-5%
(+) Cost of production financing	1,483	3,533	2,059	-58%	-28%
<b>Adjusted EBITDA</b>	<b>45,072</b>	<b>60,732</b>	<b>60,368</b>	<b>-26%</b>	<b>-25%</b>
<b>Adjusted EBITDA Margin<sup>1</sup></b>	<b>15%</b>	<b>17%</b>	<b>17%</b>	<b>-1 p.p.</b>	<b>-2 p.p.</b>

1. Adjustment excluding capitalized interest for financing of production

## Net Profit

As a result, in 1Q20, Direcional had a profit of R\$ 10 million, a reduction of 51% about the same period of the previous year, and 64% in comparison with the previous quarter. Due to more concentration of sales in projects with partners, Non-controlling interests in SPEs and SCPs grew 21% and 181% in comparison with 1Q19 and 4Q19, respectively, even with the reduction in the Net Revenue. Thus, Net Income was directly affected, as presented in the graph below:



1. Adjusted by Minority Interest



## Deferred Results

At the end of 1Q20, the deferred results (REF) of the development segment totaled R\$ 560 million, 97% concerns projects of the MCMV 2 and 3 segment, and only 3% concerns the MUC segment. The reduction verified in the balance demonstrates the increase on the speed of construction of our projects under development, and shorter sales volume during 1Q20.

### Deferred Revenue of Sales (R\$ million)

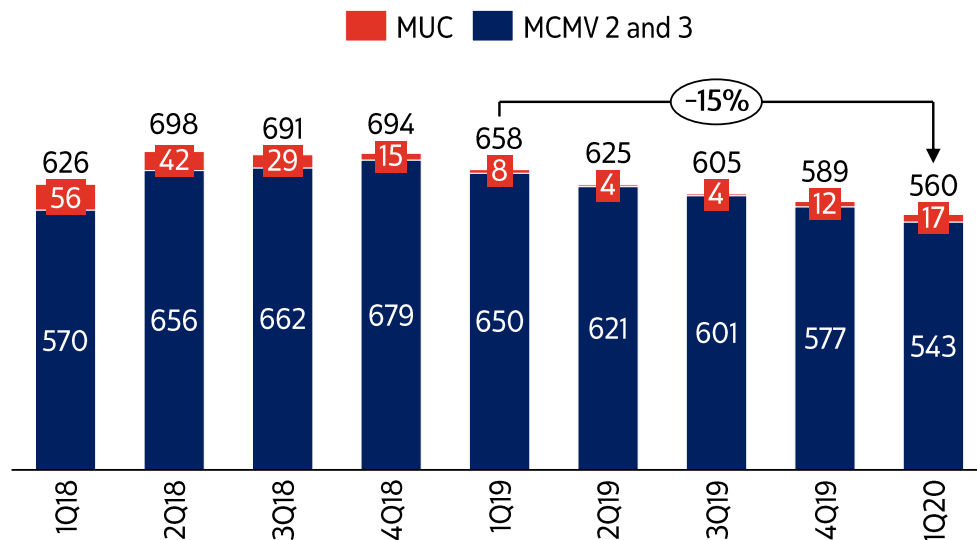


Table below presents the evolution of the deferred results:

Deferred Results (BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
Consolidated Backlog Results (1+2)	1,255	1,293	1,518	-3.0%	-17.3%
Backlog Cost (1+2)	-903	-872	-1,043	3.6%	-13.4%
<b>Consolidated Backlog Results (1+2)</b>	<b>352</b>	<b>421</b>	<b>474</b>	<b>-16.5%</b>	<b>-25.8%</b>
<b>Backlog Margin (REF)</b>	<b>28.0%</b>	<b>32.6%</b>	<b>31.3%</b>	<b>-4.5 p.p.</b>	<b>-3,2 p.p.</b>
Development Backlog Revenues (1)	560	589	658	-4.9%	-14.9%
Backlog Costs (1)	-338	-343	-392	-1.5%	-13.7%
<b>Development Backlog Results (1)</b>	<b>222</b>	<b>245</b>	<b>266</b>	<b>-9.5%</b>	<b>-16.7%</b>
<b>Development Backlog Margin (REF)</b>	<b>39.6%</b>	<b>41.6%</b>	<b>40.5%</b>	<b>-2.0 p.p.</b>	<b>-0,9 p.p.</b>
Works Contracts Backlog Revenues (2)	695	705	859	-1.4%	-19.1%
Works Contracts Backlog Cost (2)	-565	-529	-651	6.9%	-13.3%
<b>Income to apportion, Works Contracts Backlog Results (2)</b>	<b>130</b>	<b>176</b>	<b>208</b>	<b>-26.1%</b>	<b>-37.5%</b>
<b>Development Backlog Margin (REF)</b>	<b>18.7%</b>	<b>25.0%</b>	<b>24.2%</b>	<b>-6.3 p.p.</b>	<b>-5,5 p.p.</b>

1. Deferred Results of Contract Works: approximately R\$ 666 million corresponds to non-started works which, at the moment, the Company is working to adjust contractual parameters, conclude possible regularizations, and negotiate the dates for beginning of works.

## BALANCE SHEET HIGHLIGHTS

## Cash, Cash Equivalents, and Financial Investments

Direcional ended 1Q20 with Cash Balance, Equivalents, and Financial Investments of R\$ 798 million, a growth of 9% in comparison with 4Q19 and 10% about the same period of the previous year.

Cash and cash equivalents and investments (BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
Cash and Cash Equivalents	591,506	533,795	600,278	10.8%	-1.5%
Financial Investments	206,522	195,587	123,444	5.6%	67.3%
<b>Total</b>	<b>798,028</b>	<b>729,382</b>	<b>723,722</b>	<b>9.4%</b>	<b>10.3%</b>

## Accounts Receivable

Direcional ended 1Q20 with a balance of accounts receivable of R\$ 410 million, 8% less when compared with 4Q19, and 25%, in comparison with 1Q19.

The reduction of Accounts Receivable of sales of real estate during the latest 12 months is a result of the increase of the accounts receivable turnover in relation to the revenue, arising from the transfer off the plan to real estate sales in MCMV 2 and 3 segment.

Accounts Receivable (BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
Sale of Real Estate	377,800	409,570	475,028	-7.8%	-20.5%
Services	30,923	33,347	71,623	-7.3%	-56.8%
Sale of Land	1,225	1,200	960	2.1%	27.7%
<b>Total</b>	<b>409,948</b>	<b>444,117</b>	<b>547,611</b>	<b>-7.7%</b>	<b>-25.1%</b>
Current	294,958	347,538	447,196	-15.1%	-34.0%
Non-current	114,990	96,579	100,415	19.1%	14.5%

1. Short-term accountable accounts receivable is composed of the debit balance of customers corrected and recognized in the income proportionally to the PoC (**Percent of Completion**), considering the date of permission for occupancy for payment of the financing installment by part of customers to Direcional, plus the recognized revenue of the contract works.

According to current accounting rules, the recognition of Accounts Receivable is proportional to the performance index of the respective works (Percentage of Completion - PoC). Therefore, the accounts receivable balance from development units sold and not completed yet is not reflected in the Financial Statements. It is worth to emphasize that the total balance of the Direcional's accounts receivable at the end of 1Q20 totaled R\$ 1.1 billion.

## Indebtedness

The gross balance of Loans and Funding ended the quarter in R\$ 913 million, 10% lower than the previous quarter, and 3% when compared to 1Q19.

The Net Debt balance in 1Q20 totaled R\$ 113 million, a reduction of 46% in comparison with 1Q19, and 13% above the previous quarter.

The Net Debt / Equity rate was 8.3% in 1Q20, a reduction of 7.3 p.p. about the same period of the previous year, and 0.8 p.p. above 4Q19. Despite the marginal growth of indebtedness about the previous quarter, the company had low leverage rates and conservative capital structure.

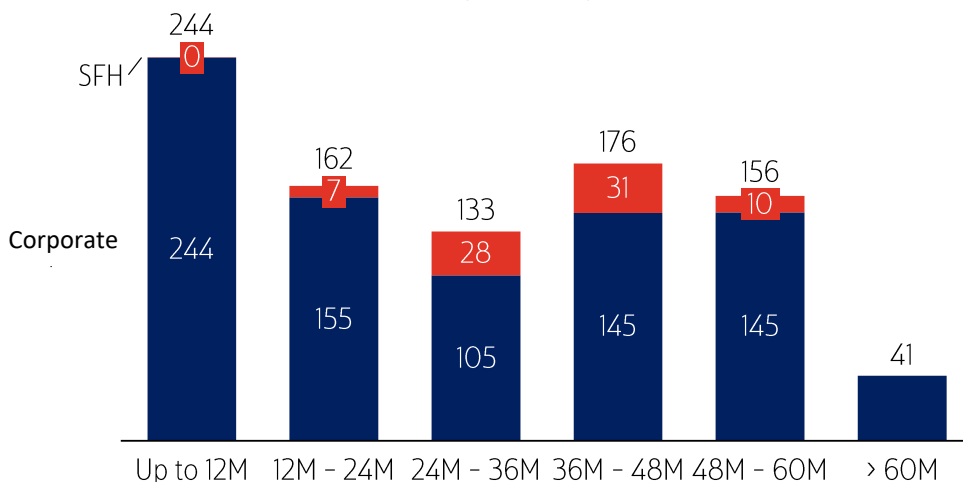
The following table and graphs show further information of debt, as well as its amortization schedule.

Indebtedness (BRL'000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Loans and Funding</b>	<b>913,062</b>	<b>831,068</b>	<b>936,184</b>	<b>9.9%</b>	<b>-2.5%</b>
CRI	776,561	767,466	782,051	1.2%	-0.7%
Construction Financing	77,488	44,230	69,101	75.2%	12.1%
CCB	42,411	2,742	68,302	1446.7%	-37.9%
FINAME and Leasing	16,602	16,630	16,730	-0.2%	-0.8%
<b>Cash and Cash Equivalents</b>	<b>798,028</b>	<b>729,382</b>	<b>723,722</b>	<b>9.4%</b>	<b>10.3%</b>
<b>Net Debt</b>	<b>112,682</b>	<b>101,686</b>	<b>212,462</b>	<b>10.8%</b>	<b>-47.0%</b>
<b>Net Debt / Equity</b>	<b>8.1%</b>	<b>7.4%</b>	<b>15.5%</b>	<b>0.7 p.p.</b>	<b>-7,4 p.p.</b>

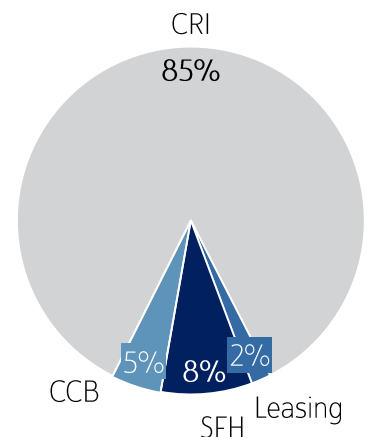
  

<b>Loans and investments by index</b>	<b>913,063</b>	<b>831,068</b>	<b>936,184</b>	<b>9.9%</b>	<b>-2.5%</b>
TR	77,488	38,655	69,101	177.7%	12.1%
IPCA	258,654	263,387	270,095	3.3%	-4.2%
CDI	576,921	529,026	596,988	-3.3%	-10.5%

**Debt Amortization Schedule**  
(R\$ million)



**Loans and Financing**  
(% of Debt)



The average maturity of the debt in the end of 1Q20 was 36 months.

### Cash Generation (Burn)

In 1Q20, Direcional had a cash burn of R\$ 11 million. If adjusted by non-recurrent payment in cash for acquisition of land, Direcional would have cash generation of R\$ 20 million.

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

## CONSOLIDATED BALANCE SHEET

IFRS

(BRL '000)	Individual		Consolidated	
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	362,639	337,067	591,506	533,795
Short-term investments	188,137	160,220	206,522	195,587
Accounts receivable	5,099	3,475	294,958	347,538
Inventories	2,813	3,302	1,056,631	1,080,672
Receivables from related parties	31,742	39,190	39,445	44,973
Taxes recoverable	14,119	14,752	24,016	24,560
Accounts receivable from divestiture	2,600	11,500	12,600	22,514
Other receivables	58,121	52,005	92,866	83,786
<b>Total Current Assets</b>	<b>665,270</b>	<b>621,511</b>	<b>2,318,544</b>	<b>2,333,425</b>
<b>Non-current Assets</b>				
Accounts receivable	62	37	114,990	96,579
Inventories	139,688	20,565	2,177,945	2,008,992
Receivables from related parties	9,078	8,912	17,026	16,472
Judicial deposits	30,059	29,722	30,059	29,722
Accounts receivable from divestiture	9,713	9,651	10,915	10,854
Other receivables	62	37	114,990	96,579
Investments	1,440,109	1,437,970	48,600	48,885
P&E	71,891	73,784	100,152	101,972
Intangible assets	8,755	6,959	9,592	7,815
<b>Total Assets</b>	<b>2,374,625</b>	<b>2,209,111</b>	<b>4,827,823</b>	<b>4,654,716</b>
<b>Liabilities and Shareholder's Equity</b>				
<b>Current Liabilities</b>				
Loans and Financing	242,430	192,813	244,080	212,514
Trade accounts payable	7,459	8,809	57,010	51,601
Labor obligations	14,749	12,771	34,874	30,640
Tax obligations	561	514	17,529	22,968
Lease financing	8,784	8,194	9,266	8,468
Real estate commitments payable	-	-	101,250	94,094
Advances from customers	17,111	19,253	32,493	37,745
Other accounts payable	17,704	25,141	15,560	19,015
Provision for guarantee	3,627	3,997	20,898	20,752
Payables to related parties	13,141	14,333	13,635	18,767
<b>Total current liabilities</b>	<b>325,566</b>	<b>285,825</b>	<b>546,595</b>	<b>516,564</b>
<b>Non-current liabilities</b>				
Loans and Financing	589,598	589,901	668,982	618,554
Trade accounts payable	401	1,163	4,491	13,098
Provision for guarantee	1,897	1,931	16,086	15,347
Tax obligations	5	40	5,085	3,924
Lease financing	32,371	33,365	32,530	33,465
Real estate commitments payable	76,750	20,227	1,650,332	1,639,109
Advances from customers	62,600	-	439,759	368,161
Provision for tax, labor and civil contingencies	1,797	2,328	29,177	33,747
Other accounts payable	17,993	17,404	43,993	43,403
<b>Total non-current liabilities</b>	<b>783,412</b>	<b>666,359</b>	<b>2,890,435</b>	<b>2,768,808</b>
<b>Equity</b>				
Capital	752,982	752,982	752,982	752,982
Capital reserves	195,378	198,160	195,378	198,160
Stock options granted	15,508	15,508	15,508	15,508
Equity adjustment	-19,087	-18,679	-19,087	-18,679
Treasury shares	-29,294	-32,076	-29,294	-32,076
Income reserves	350,160	341,032	350,160	341,032
	<b>1,265,647</b>	<b>1,256,927</b>	<b>1,265,647</b>	<b>1,256,927</b>
Non-controlling interests	-	-	125,146	112,417
	<b>1,265,647</b>	<b>1,256,927</b>	<b>1,390,793</b>	<b>1,369,344</b>
<b>Total liabilities and equity</b>	<b>2,374,625</b>	<b>2,209,111</b>	<b>4,827,823</b>	<b>4,654,716</b>

## CONSOLIDATED OUTCOME STATEMENT

Consolidated Outcome Statement (BRL '000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
Real Estate Sales Revenues	295,652	363,739	310,102	-18.7%	17.3%
Services Revenues	21,060	30,959	54,467	-32.0%	-43.2%
<b>Gross Revenues</b>	<b>316,712</b>	<b>394,698</b>	<b>364,569</b>	<b>-19.8%</b>	<b>8.3%</b>
Deductions from Gross Revenues	-25,244	-27,013	-15,769	-6.6%	71.3%
<b>Net revenue</b>	<b>291,469</b>	<b>367,685</b>	<b>348,800</b>	<b>-20.7%</b>	<b>5.4%</b>
Cost of real property sale and services rendered	-187,383	-238,010	-234,958	-21.3%	1.3%
<b>Gross Profit</b>	<b>104,086</b>	<b>129,675</b>	<b>113,841</b>	<b>-19.7%</b>	<b>13.9%</b>
General and Administrative Expenses	-31,324	-30,217	-28,037	3.7%	7.8%
Selling expenses	-34,711	-38,950	-32,671	-10.9%	19.2%
Equity in the results of investees	742	369	1,308	100.8%	-71.8%
Other operating income and expenses	-4,478	-11,607	-8,805	-61.4%	31.8%
<b>Operating income (expenses)</b>	<b>-69,772</b>	<b>-80,405</b>	<b>-68,204</b>	<b>-13.2%</b>	<b>17.9%</b>
Financial expenses	-19,997	-18,376	-20,966	8.8%	-12.4%
Financial income	9,304	9,377	9,662	-0.8%	-2.9%
<b>Financial results</b>	<b>-10,693</b>	<b>-8,998</b>	<b>-11,304</b>	<b>18.8%</b>	<b>-20.4%</b>
<b>Income before Income and social contribution taxes</b>	<b>23,620</b>	<b>40,272</b>	<b>34,333</b>	<b>-41.3%</b>	<b>17.3%</b>
Income and social contribution taxes	-5,897	-9,331	-7,579	-36.8%	23.1%
<b>Net income for the period before Minority Interest</b>	<b>17,723</b>	<b>30,941</b>	<b>26,754</b>	<b>-42.7%</b>	<b>15.7%</b>
Non-controlling interest in SPEs and SCPs	-7,671	-2,729	-6,340	181.1%	-57.0%
<b>Net Income for the period</b>	<b>10,052</b>	<b>28,213</b>	<b>20,413</b>	<b>-64.4%</b>	<b>38.2%</b>
<b>Gross Margin</b>	<b>35.7%</b>	<b>35.3%</b>	<b>32.6%</b>	<b>-0.4 p.p.</b>	<b>3.1 p.p.</b>
<b>Adjusted Gross Margin<sup>1</sup></b>	<b>36.2%</b>	<b>36.2%</b>	<b>33.2%</b>	<b>-0.0 p.p.</b>	<b>3.0 p.p.</b>
<b>Net Margin</b>	<b>3.4%</b>	<b>7.7%</b>	<b>5.9%</b>	<b>4.2 p.p.</b>	<b>-2.4 p.p.</b>

## RECOMPOSITION OF EBITDA

EBITDA (BRL '000)	1Q20 (a)	4Q19 (b)	1Q19 (c)	Δ % (a/b)	Δ % (a/c)
<b>Net Income</b>	<b>10,052</b>	<b>28,213</b>	<b>20,413</b>	<b>-64%</b>	<b>-51%</b>
(+) Depreciation and Amortization	9,276	7,928	12,672	17%	-27%
(+) Income Tax and Social Contribution	5,897	9,331	7,579	-37%	-22%
(+) Minority Interest	7,671	2,729	6,340	181%	21%
(+/-) Financial Results	10,693	8,998	11,304	19%	-5%
(+) Cost of production financing	1,483	3,533	2,059	-58%	-28%
<b>Adjusted EBITDA</b>	<b>45,072</b>	<b>60,732</b>	<b>60,368</b>	<b>-26%</b>	<b>-25%</b>
<b>Adjusted EBITDA Margin<sup>1</sup></b>	<b>15%</b>	<b>17%</b>	<b>17%</b>	<b>-1 p.p.</b>	<b>-2 p.p.</b>

1. Adjustment excluding capitalized interest for financing of production

## CONSOLIDATED CASH FLOW STATEMENT

	Individual		Consolidated	
	31/03/2020	31/12/2019	31/03/2020	31/12/2019
(BRL '000)				
<b>Operational Activities</b>				
Income (loss) before income and social contribution taxes	101,098	(77,190)	153,802	(51,328)
Adjustments for conciliating the result to the availability generated by the operational activities				
Depreciations and Amortizations	4,122	3,173	9,276	12,672
Equity pickup	-49,116	-54,691	-742	-1,308
Provision for guarantee	-401	-1,144	888	2,354
Interest on charges and financing	15,273	18,331	16,917	19,866
Provision for tax, labor and civil contingencies	-531	929	-4,570	1,625
Gains (losses) on physical barter	-	-	-318	-3,934
Income and social contribution taxes	-	-190	-	-7,579
Gains (losses) on disposal of equity interests	-337	-	-323	-
Present value adjustment of accounts receivable	-	-	744	-1,765
Present value adjustment on lease financing	679	780	684	792
Interest on accounts payable for acquisition of right of use	-	-	4,265	1,022
Provision for stock option plan	-	1,298	-	1,298
Provision for profit sharing	2,305	1,051	2,305	1,051
Increase (decrease) in assets				
Accounts receivable	-1,649	-27,225	9,943	-33,990
Inventories	489	-1,806	-5,013	23,660
Sundry receivables	-6,178	-15,196	-9,141	-14,819
Transactions with related parties	10,417	-10	8,208	1,014
Judicial deposits	-166	-484	-554	1,182
Taxes recoverable	633	1,051	544	157
(Decrease) increase of liabilities				
Trade accounts payable	-12,147	6,877	-16,856	2,403
Labor obligations	-327	-5	1,929	1,008
Tax obligations	-3	378	-1,773	6,481
Real estate commitments payable	-	-	-50,467	-37,672
Advances from customers	-2,142	-	14,341	7,807
Accounts payable	-6,848	8,267	-2,865	9,812
Transactions with related parties	-1,192	-1,443	-5,132	-2,848
Income and social contribution taxes	-97	-81	-8,402	-7,146
Net cash generated (applied) in operational activities	-37,052	-39,536	-12,492	17,476
Cash flow from investment activities				
Increase (Decrease) of investments (SPCs and SPEs)	7,441	-96,992	731	-8,256
Received dividend	38,612	45,088	296	-
Stockholding sales	8,900	-430	9,900	-431
Increase of fixed assets	246	-2,541	6	-3,842
Leased fixed assets	-1,041	-1,269	-1,346	-1,351
Increase of intangible assets	3,833	-536	3,890	-586
Financial investment	-27,917	30,105	-10,935	20,606
Net cash generated (applied) in investment activities	30,074	-26,575	2,542	6,140
Cash flow from financing activities				
Dividend paid	-	-56,068	-	-56,068
Leasing investment amortization	1,041	-	1,346	-
Increase in leasing investment	-2,057	-309	-2,100	-302
Interest paid on lease	-67	-269	-67	-271
Loan	42,386	60,805	113,520	90,284
Loan amortization	-2,074	-35,309	-42,686	-164,770
Interest paid	-6,271	-6,928	-7,002	-8,892
Increase/Reduction of Capital by non-controllers	-408	-61	4,650	1,388
Net cash generated (applied) in financing activities	32,550	-38,139	67,661	-138,631
Increase of cash and cash equivalents	25,572	-104,250	57,711	-115,015
Cash and cash equivalents				
At the beginning of the period	337,067	390,971	533,795	715,294
At the end of the period	362,639	286,721	591,506	600,279

## GLOSSARY

**Landbank** – lands maintained in inventory with an estimate of a future VGV for such.

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

MCMV 1	Low-income projects made as contract works within the “Programa Minha Casa, Minha Vida”, contracted directly with the Financing Agent, destined to families The monthly income up to R\$ 1,600.00. Properties of this segment has their final price determined by the Financing Agent, pursuant to the ordinance No. 435/2012 of the Ministry of Cities, and their acquisition may be conditionally subsidized by the government.
MCMV 2 and 3	Residential projects with an average price per Unit up to R\$ 240.0 thousand within the “Programa Minha Casa, Minha Vida – levels 1.5, 2 and 3”. Until 3Q15, the projects belonging to this segment were called “Low-income”.
Middle-Income	Residential projects with an average price per Unity above the MCMV ceiling price up to R\$ 500.00 thousand.
Upper Middle-Income	Residential projects with an average price per Unity above R\$ 500.0 thousand.
MUC	Comprises projects of the Middle-income, Upper-middle income, and Commercial segments

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

**Adjusted Net Profit** –The net profit calculated after the reversal of the administrative expenses related to the Stock Option Plan, in line with the DGAs.

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

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

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

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

**Special Tax System 1% (RET1)**: Tax system applicable to projects with housing units with a sale value of up to R\$ 100.0 thousand, in this case, the tax rate is 1% of gross revenue.

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

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

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

**VGV launched**: Total Potential Sales Value of the units launched in a determined period.