



(A free translation of the original in Portuguese)

Patrimar Engenharia S.A.

**Parent company and consolidated
financial statements at
December 31, 2020
and independent auditor's report**



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Patrimar Engenharia S.A.

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

We have audited the accompanying parent company and consolidated financial statements of Patrimar Engenharia S.A., identified as parent company and consolidated (Group), respectively, which comprise the balance sheet as at December 31, 2020 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the parent company and consolidated financial position of Patrimar Engenharia S.A. as at December 31, 2020, and the parent company and consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities registered with the Brazilian Securities Commission (CVM).

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 Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, 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 audit opinion.

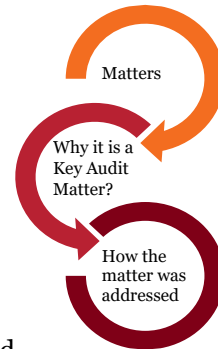
Emphasis of matter

As described in Note 2.1., the parent company and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and the IFRS applicable to Brazilian real estate development entities registered with the CVM. Accordingly, the accounting policies adopted by the Company to recognize revenue from incomplete real estate units under construction, with regards to determining the timing of transfer of control, follows the guidance in CVM's Circular Letter CVM/SNC/SEP/ No. 02/2018 when applying NBC TG 47 (IFRS 15). Our opinion is not qualified in respect of this matter.

Patrimar Engenharia S.A.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.



Our audit for the year ended December 31, 2020 was planned and performed taking into consideration that the operations carried out by Patrimar Engenharia S.A. and by Patrimar Engenharia S.A. and its subsidiaries did not present significant changes in comparison with the prior year. The Key Audit Matters, as well as our audit approach, were similar to those in the prior year.

Why it is a Key Audit Matter

How the matter was addressed in the audit

Recognition of revenue from sale of real estate units under construction (Notes 2.19 and 24)

The Company and its subsidiaries use the Percentage-of-Completion (PoC) method to recognize revenue from sales of incomplete real estate development project units and from construction services rendered, pursuant to Circular Letter CVM/SNC/SEP/ No. 02/2018, issued by the CVM.

The PoC method requires management to estimate costs through to completion of construction and delivery of the real estate units for each stage of the construction. This establishes the proportion of costs incurred to-date in relation to the total estimated costs. The resultant percentage is applied to the fair value of the revenue from real estate units sold or construction services provided, adjusted for contract terms and conditions, to determine the timing of recognition of sales revenue to be recognized in each period.

We decided to focus again on this area in our audit because the revenue recognition process is complex and requires critical management estimates and judgment in determining and reviewing cost

Our audit procedures included, among other procedures, understanding and testing management's main internal controls used for the recognition of revenue from the sale of real estate units under construction; these include the preparation, approval, and timely review of estimates of costs to be incurred and the monitoring of costs incurred by project. This information was then compared with budgeted costs.

We tested, on a sample basis, the budgeted construction project data and costs incurred, by reviewing contracts, tax documents and payments made. We also analyzed the progress of construction works through physical inspections.

On a sample basis, we compared the systems input data related to recognition of revenue from the sale of real estate units under construction with the supporting documentation provided by management for recognition of revenue (sale and construction service contracts). We reperformed revenue recognition calculations for sales of units



Patrimar Engenharia S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
budgets. Any changes in these estimates and judgments may significantly affect the determination of profit or loss.	under construction and compared the amounts to the Company's and its subsidiaries' records. Our audit procedures indicated management's estimates and judgment to be consistent with Circular Letter CVM/SNC/SEP/ No. 02/2018 and with information and documentation obtained.

Provisions for contingencies (Note 20)

In the course of its activities, the Group is a party to civil, tax, and labor judicial discussions and proceedings. Management records a liability when the risk of loss from such proceedings is considered probable; when risk of loss is judged only as possible, no provision is recorded though disclosures of the related circumstances and amounts involved are provided.

We decided to focus again on this area in our audit because the nature of the proceedings usually involves disputes that require management to exercise judgment in relation to the fact patterns. Changes in the classification of the expected likelihood of loss and/or judgment might significantly affect the Company's financial statements.

Our audit procedures included, among other procedures, understanding the significant internal controls used to identify and record liabilities and the disclosures in the explanatory notes.

We also updated our understanding of the calculation method adopted, which takes into consideration the history of unfavorable outcomes in civil and labor proceedings of the same nature, as well as the lawyers' positions who are accompanying the cases.

Through confirmation procedures with the external legal counsel accompanying the administrative and legal proceedings, we obtained counsels' assessment of the cases, confirmed the completeness of data and appropriateness of provisions and disclosures. For the more significant proceedings, we discussed the related matter with the lawyers as well as with management, to understand the likelihood of loss.

We consider that the criteria and assumptions adopted by management to determine the provision for contingencies, as well as the relevant disclosures, are consistent with the advice provided by legal counsel.

Other matters

Statements of value added

The parent company and consolidated statements of value added for the year ended December 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary



Patrimar Engenharia S.A.

information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria established in the Technical Pronouncement and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company 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 with 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 in 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 parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the IFRS applicable to real estate development entities in Brazil registered with the CMV, and for such internal control 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 parent company 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 financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the parent company 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



Patrimar Engenharia S.A.

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:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain 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 internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 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 parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

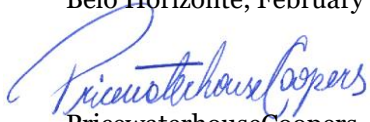
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Patrimar Engenharia S.A.

From the matters communicated with those charged with governance, we determine 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.

Belo Horizonte, February 23, 2021

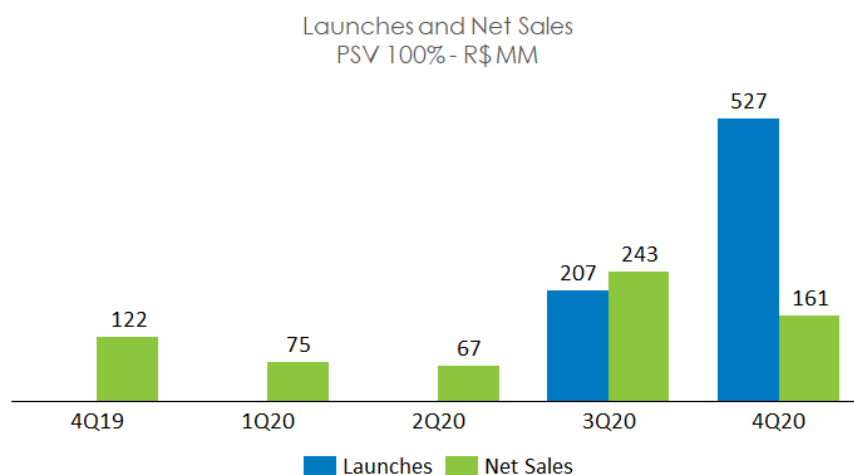

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5


Guilherme Campos e Silva
Contador CRC 1SP218254/O-1

Management Report

We are thrilled to present Patrimar's results for fiscal year 2020. This year left its mark due to great uncertainty concerning the severity and the extent of the COVID-19 pandemic, however, the real estate segment had a positive response right after the early weeks of social distancing. As it was considered an essential activity, our projects did not stop and from June, sales resumed, resulting in excellent growth in the second half of 2020. The macroeconomic conditions such as the low interest rate, credit availability, savings and excess liquidity in the economy boosted demand in all segments – from luxury to low income, in addition to a change in the concept of home, relative to the need to stay home due to social distancing, which increased demand.

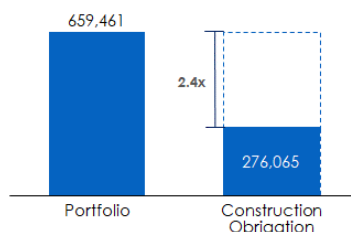
Our business advanced tremendously throughout the year, especially in the second half. We resumed launches in 3Q20 and accelerated them in 4Q20, which, despite a concentration in December, has already reflected in a growing sales volume.



With the launches recorded in 4Q20, we currently have 13 construction sites in progress. We have been following the increase of prices of materials, especially, and periodically analyzed our budgets, seeking to understand the impacts that can be caused by the acceleration of these items and of the INCC (National Civil Construction Index). Our expectations are that the increase of these prices will slow down throughout 2021, considering the resumption of the regular production pace of the main input materials.

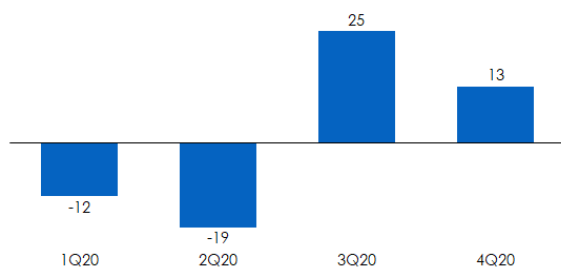
Despite the fact this inflation of materials can impact ongoing and future construction projects, in the future, we have a business balanced that offers a natural hedge against these increasing prices, since our accounts receivable during construction are also adjusted by the INCC.

Accounts Receivable x Construction Obligation
R\$ MM

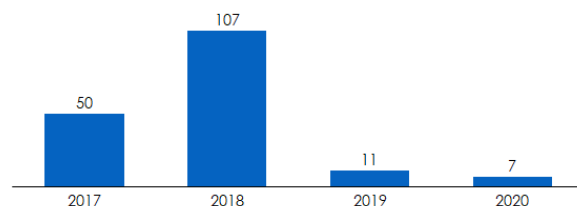


With the growing liquidity in the market and our financing flow and comfortable cash position, we have adopted the strategy to carry more balance in accounts receivable. Despite this and the strong growth and constructive activity, we completed the fiscal year 2020 as the fourth year of cash generation.

Cash Burn by Quarter
R\$ MM

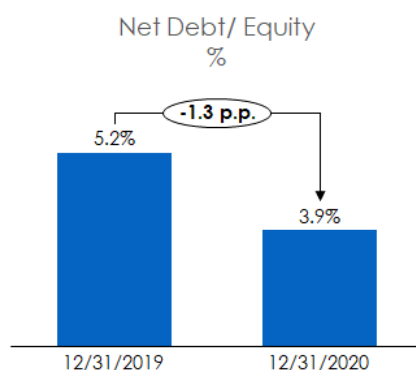


Cash Burn by Year
R\$ MM



Seeking to align the Group's liquidity for its operations, we began raised R\$ 50 million in November 2020, most of which we used to settled old debts with shorter durations and higher costs.

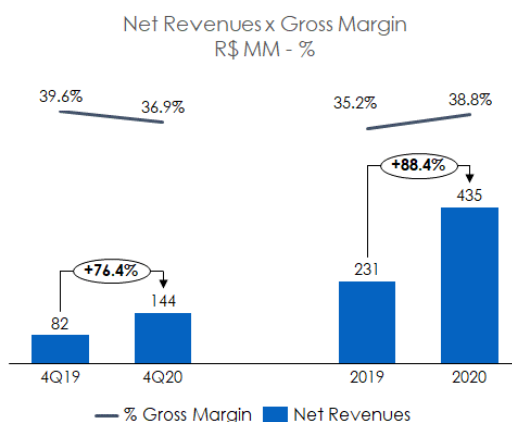
We maintained a comfortable liquidity position for growing in the coming months and we are advancing in alternatives focused on supporting strong growth levels in the next years, involving efficient financial management, debt funding and raising equity. Despite the recorded growth, considering that we had cash generation in 2020 and the extension of our debt, we reduced our leverage relative to equity, as detailed below.



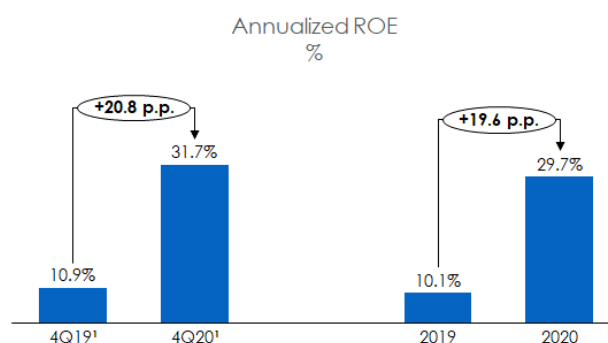
Considering the growth to be reached in the business in 2021, taking advantage of the land approval cycle, the good moment for the industry and the lack of qualified competition in many of our markets, we expect to slightly increase our leverage indicator in this cycle in the next two years. After that, the estimate is that strong cash generation of the developments themselves will allow for natural de-leveraging.

We have balanced liabilities relative to the exposure of indexers and a growing volume of construction financing raising, with approximately R\$ 364 million in contracts already committed and signed and still to be disbursed according to the progress of construction.

A have presented expressive growth in the main lines of result, corroborating the strategies adopted this year. Our operation remains firm and our strategy remains maximizing profitability of our projects, and therefore, the allocated capital.



Our 2020 results and our portfolio of projects to be launched soon propels us into a 2021 filled with goods results. Despite the volume of launches scheduled for 2021 in land acquired through swaps may cause an oscillation of the gross margin, we are confident in our industry, our products and our team.



1. Annualized ROE: Net cash in each annualized period on the average equity in annualized periods.

Dividends

Ad referendum of general shareholders' meeting that will approve the 2021 financial statements, management's proposal for the dividends is as follows, in compliance with the Company's By-laws that states a mandatory minimum dividend of 25% net profit adjusted by the legal reserve .:

Mandatory minimum dividends	Amount
Profit for the year attributable to controlling shareholders	56,389
Legal reserve	(2,819)
Profit for the year - legal reserve	53,570
Mandatory minimum dividends	13,391
Interim dividends (Extraordinary General Meeting of October 5, 2020)	(5,268)
Proposed dividends	8,123

CORPORATE GOVERNANCE

The Company's Board of Directors is composed of the following members:

Executivo	Cargo
Heloisa Magalhães Martins Veiga	Chairman of the Board of Directors
Renata Martins Veiga Couto	Board Member
Fernando Antônio Moreira Calaes	Independent Board Member
Renata Maria Paes de Vilhena	Independent Board Member
Milton Loureiro Junior	Independent Board Member

The Board of Officers is composed of the following members:

Executivo	Cargo
Alexandre Araujo Elias Veiga	Chief Executive Officer
Lucas Felipe Melo Couto	Chief Commercial and Marketing
Felipe Enck Gonçalves	Chief Financial Officer
Alexandre Lara Nicácio	Chief Technical Officer
Ronaldo Rabelo Leitão de Almeida	Chief Production Officer
Marcos Alexandre Barbosa	Chief Regional Officer

Relationship with Independent Auditors

The Company's policy in contracting the services of independent auditors ensures there is no conflict of interests, loss of independence or objectivity. According to CVM Directive 381/03, we hereby inform our independent auditors - PricewaterhouseCoopers ("PWC") - have provided, in the 9 months of 2020, services other than those relative to external audit and other previously agreed services relative to the Initial Public Offer operation (IPO). In PWC's case, considering that the services and procedures were agreed beforehand, according to the contracting letter, were different and did not mix with the object and procedures of an audit or review of the Company's financial statements, according to the audit/review standards applicable in Brazil, PWC understands that the provision of previously agreed services does not impact the independence and objectivity necessary for performing external audit services.

The Management

PATRIMAR ENGENHARIA S.A.



Balance sheet at December 31

All amounts in thousands of reais

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Assets					
Current assets					
Cash and cash equivalents	6(a)	11,095	11,082	119,256	50,234
Trade receivables	7	27,854	19,812	142,038	97,389
Properties for sale	8	26,249	60,293	328,108	266,193
Taxes recoverable		1,277	1,733	5,487	5,430
Prepaid expenses	9	7,046	526	16,186	6,373
Other receivables		2,365	-	13,642	6,295
Total current assets		75,886	93,446	624,717	431,914
Non-current assets					
Long-term receivables					
Restricted financial investments	6(b)	2,250	2,191	2,250	2,191
Trade receivables	7	1,926	7,735	97,985	36,287
Properties for sale	8	4,235	4,544	14,845	10,969
Judicial deposits	20	75	284	1,529	2,592
Related parties	10	46,967	14,401	6,686	27,537
		55,453	29,155	123,295	79,576
Investments	11	258,532	231,618	47,117	47,616
Property and equipment	12	9,198	9,851	19,771	20,337
Intangible assets	13	9,987	12,747	10,417	15,429
		277,717	254,216	77,305	83,382
Total non-current assets		333,170	283,371	200,600	162,958
Total assets		409,056	376,817	825,317	594,872

The accompanying notes are an integral part of these financial statements.



Balance sheet at December 31

All amounts in thousands of reais

		Parent company		Consolidated	
	Note	2020	2019	2020	2019
Liabilities and equity					
Current liabilities					
Borrowings	14	17,609	22,929	49,686	37,531
Leases	15	501	495	1,486	1,184
Trade payables	16	2,392	6,903	27,373	29,623
Salaries and social charges		2,077	1,040	4,283	1,628
Tax liabilities	17	2,463	2,048	15,742	8,166
Real estate purchase obligations	18	863	1,976	54,965	46,799
Dividends payable		8,235	38	8,235	38
Advances from customers	19	2,942	25,214	151,075	85,397
Provision for canceled sales		-	-	-	726
Other payables		264	573	4,088	5,534
Total current liabilities		37,346	61,216	316,933	216,626
Non-current liabilities					
Borrowings	14	65,051	25,774	84,200	28,852
Leases	15	1,214	1,530	2,383	3,162
Real estate purchase obligations	18	-	-	30,238	6,580
Advances from customers	19	51	-	44	-
Provision for contingencies	20	1,427	1,451	5,588	6,992
Provision for real estate maintenance	21	1,532	1,566	8,762	7,701
Related parties	10	5,700	19,441	2,489	9,539
Provision for net capital deficiency	11	1,607	1,279	2,365	3,056
Total non-current liabilities		76,582	51,041	136,069	65,882
Total liabilities		113,928	112,257	453,002	282,508
Equity					
Capital	22	269,172	281,602	269,172	281,602
Capital Reserve		259	259	259	259
Revenue reserves		25,697	(17,301)	25,697	(17,301)
		295,128	264,560	295,128	264,560
Non-controlling interests		-	-	77,187	47,804
Total equity		295,128	264,560	372,315	312,364
Total liabilities and equity		409,056	376,817	825,317	594,872

The accompanying notes are an integral part of these financial statements.



Statement of income at December 31

All amounts in thousands of reais unless otherwise stated

	Note	Parent company		Consolidated	
		2020	2019	2020	2019
Net operating revenue	24	57,308	51,730	435,227	231,059
Cost of properties sold	25	(34,609)	(31,107)	(266,525)	(149,788)
Gross profit		22,699	20,623	168,702	81,271
Operating income (expenses)					
General and administrative expenses	25	(23,849)	(20,271)	(31,305)	(22,499)
Selling expenses	25	(3,371)	(5,141)	(29,331)	(20,738)
Equity in the results of investees	11(a)	66,426	14,369	-	-
Other operating expenses, net	25	(1,259)	(953)	(12,174)	(8,778)
Operating profit		60,646	8,627	95,892	29,256
Finance income	27	9,839	1,752	17,282	6,215
Finance costs	27	(12,986)	(3,710)	(13,784)	(6,405)
Finance income (costs), net		(3,147)	(1,958)	3,498	(190)
Equity in the results of investees	11(c)	-	-	3,401	2,034
Profit before income tax and social contribution		57,499	6,669	102,791	31,100
Income tax and social contribution	28	(1,110)	(694)	(8,424)	(4,561)
Profit for the year		56,389	5,975	94,367	26,539
Attributable to:					
Owners of the Company				56,389	5,975
Non-controlling interests				37,978	20,564
				94,367	26,539
Basic earnings per share - R\$	23			1.006479	0.106647
Diluted earnings per share - R\$	23			1.006479	0.106647

The accompanying notes are an integral part of these financial statements.



Statement of comprehensive income at December 31

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2020	2019	2020	2019
Profit for the year	56,389	5,975	94,367	26,539
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	<u>56,389</u>	<u>5,975</u>	<u>94,367</u>	<u>26,539</u>
Attributable to:				
Owners of the Company			56,389	5,975
Non-controlling interests			<u>37,978</u>	<u>20,564</u>
			<u>94,367</u>	<u>26,539</u>
Basic earnings per share - R\$			1.006479	0.106647
Diluted earnings per share - R\$			1.006479	0.106647

The accompanying notes are an integral part of these financial statements.



Statement of changes in equity at December 31

All amounts in thousands of reais

		Attributable to owners of the Parent company							
				Revenue reserves					
	Note	Capital	Capital Reserve	Legal reserve	Retention reserve	Retained earnings (accumulated deficit)	Equity	Non-controlling interests	Total equity
At December 31, 2018		179,032	259	-	-	(12,902)	166,389	46,872	213,261
Merger of related company		102,570	-	-	-	(10,374)	92,196	-	92,196
Contributions to subsidiaries by non-controlling interests		-	-	-	-	-	-	(19,632)	(19,632)
Profit for the year		-	-	-	-	5,975	5,975	20,564	26,539
At December 31, 2019		281,602	259	-	-	(17,301)	264,560	47,804	312,364
Contributions to (return on capital of) subsidiaries		-	-	-	-	-	-	(8,595)	(8,595)
Partial split-off	22(c)	(12,430)	-	-	-	-	(12,430)	-	(12,430)
Profit for the year		-	-	-	-	56,389	56,389	37,978	94,367
Allocation of profit									
Legal reserve	22(d)	-	-	2,819	-	(2,819)	-	-	-
Proposed dividends	22(e)	-	-	-	-	(13,391)	(13,391)	-	(13,391)
Profit retention		-	-	-	22,878	(22,878)	-	-	-
At December 31, 2020		269,172	259	2,819	22,878	-	295,128	77,187	372,315

The accompanying notes are an integral part of these financial statements.



Statement of cash flows at December 31

All amounts in thousands of reais

	Parent company		Consolidated	
	2020	2019	2020	2019
Cash flows from operating activities				
Profit for the year	56,389	5,975	94,367	26,539
Adjustments to reconcile profit with cash flows from operating activities				
Depreciation and amortization	5,176	3,454	8,951	5,845
Present value adjustment of receivables	(807)	745	(2,124)	6,121
Equity in the results of investees	(66,426)	(14,369)	(3,401)	(2,034)
Provision for real estate maintenance	(34)	(12)	2,743	1,452
Provision for labor, civil, and tax contingencies	-	1,427	2,628	3,795
Provision for losses on subsidiaries	-	-	-	2,294
Provision for interest on borrowings	4,721	3,401	6,425	3,310
Income tax and social contribution	1,110	694	8,424	4,561
Write-off due to sale of property and equipment	10	588	1,318	596
	139	1,903	119,331	52,479
Changes in working capital				
Increase (decrease) in assets and liabilities				
Trade receivables	(1,426)	(6,134)	(104,223)	(34,419)
Properties for sale	34,353	17,168	(65,791)	(6,060)
Taxes recoverable	456	(991)	(57)	(2,741)
Other assets	(8,676)	1,715	(16,097)	(6,494)
Trade payables	(4,511)	5,521	(2,250)	12,948
Salaries and social charges	1,037	(1,575)	2,655	(4,139)
Tax liabilities	63	529	5,477	912
Real estate purchase obligations	(1,113)	(11,574)	31,824	25,853
Advances from customers	(22,221)	(2,782)	65,722	18,334
Other liabilities	(469)	(14,228)	(1,376)	(11,009)
Amounts paid for civil, labor and tax contingencies	48	-	(3,960)	(632)
	(2,459)	(12,351)	(88,076)	(7,447)
Interest paid	(4,216)	(2,214)	(5,633)	(3,926)
Income tax and social contribution paid	(758)	(732)	(6,325)	(4,371)
Net cash provided by (used in) operating activities	(7,294)	(13,394)	19,297	36,735
Cash flows from investing activities				
Changes in restricted financial investments	(59)	(109)	(59)	(109)
Capital contribution in investees	39,985	21,237	3,209	125
Advances to related parties	(46,307)	(1,932)	13,801	30,667
Net assets merged RPMV	-	10	-	10
Purchases of property and equipment and intangible assets	(1,593)	(6,442)	(7,174)	(10,939)
Net cash used in investing activities	(7,974)	12,764	9,777	19,754
Cash flows from financing activities				
New borrowings	105,659	35,922	164,819	38,437
Repayment of borrowings - principal	(72,680)	(26,909)	(98,580)	(41,954)
Dividends paid	(5,268)	-	(5,268)	(2,867)
Capital decrease	(12,430)	-	(12,430)	-
Distributions to non-controlling interests, net	-	-	(8,593)	(19,632)
Net cash provided by (used in) financing activities	15,281	9,013	39,948	(26,016)
Net increase in cash and cash equivalents	13	8,383	69,022	30,473
Cash changes				
Cash and cash equivalents at the beginning of the year	11,082	2,699	50,234	19,761
Cash and cash equivalents at the end of the year	11,095	11,082	119,256	50,234
Increase in cash and cash equivalents	13	8,383	69,022	30,473

The accompanying notes are an integral part of these financial statements.



Statement of value added at December 31

All amounts in thousands of reais

	Parent company		Consolidated	
	2020	2019	2020	2019
Revenue:				
Revenue from sales and services	58,099	52,489	443,092	235,611
Provision for estimated impairment of trade receivables	694	-	1,356	-
	<u>58,793</u>	<u>52,489</u>	<u>444,448</u>	<u>235,611</u>
Inputs acquired from third parties:				
Cost of properties sold	(32,403)	(29,811)	(254,342)	(146,272)
Electricity, third-party services and other expenses	(10,952)	(12,096)	(55,224)	(35,788)
	<u>(43,355)</u>	<u>(41,907)</u>	<u>(309,566)</u>	<u>(182,060)</u>
Gross value added	<u>15,438</u>	<u>10,582</u>	<u>134,882</u>	<u>53,551</u>
Retentions:				
Depreciation and amortization	(5,176)	(3,454)	(8,951)	(5,845)
Net value added generated by the entity	<u>10,262</u>	<u>7,128</u>	<u>125,931</u>	<u>47,706</u>
Value added received through transfers:				
Equity in the results of investees	66,426	14,369	3,401	2,034
Finance income	9,839	1,752	17,282	6,215
	<u>76,265</u>	<u>16,121</u>	<u>20,683</u>	<u>8,249</u>
Total value added for distribution	<u>86,527</u>	<u>23,249</u>	<u>146,614</u>	<u>55,955</u>
Distribution of value added:				
Personnel				
Compensation	9,938	8,926	12,690	8,826
Charges	3,265	3,015	4,362	3,123
Benefits	994	121	2,776	1,629
	<u>14,197</u>	<u>12,062</u>	<u>19,828</u>	<u>13,578</u>
Taxes and contributions				
Federal	2,570	1,171	17,602	8,305
Municipal	385	331	1,033	1,128
	<u>2,955</u>	<u>1,502</u>	<u>18,635</u>	<u>9,433</u>
Remuneration of third-party capital:				
Finance costs	12,986	3,710	13,784	6,405
	<u>12,986</u>	<u>3,710</u>	<u>13,784</u>	<u>6,405</u>
Remuneration of own capital:				
Profit for the year	56,389	5,975	56,389	5,975
Non-controlling interests - retained earnings	-	-	37,978	20,564
	<u>56,389</u>	<u>5,975</u>	<u>94,367</u>	<u>26,539</u>
Value added distributed	<u>86,527</u>	<u>23,249</u>	<u>146,614</u>	<u>55,955</u>

The accompanying notes are an integral part of these financial statements.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

1 Operations

1.1. General information

Patrimar Engenharia S.A. ("Patrimar" or the "Company") is a publicly-held corporation registered under category A with the Securities and Exchange Commission - CVM, non-listed. The Company is headquartered in the city of Belo Horizonte, state of Minas Gerais, Brazil, at Rodovia Stael Mary Bicalho Motta Magalhães, 521, 17th floor, Belvedere District.

Patrimar is a real estate development and construction company with a focus on residential developments. It was founded in 1968, and it primarily operates in Minas Gerais, Rio de Janeiro and São Paulo. In 2000, Construtora Novolar Ltda, "Novolar" a wholly-owned subsidiary of Patrimar since October 1, 2019, was established to serve the middle class and currently operates in the development, construction and sale of real estate developments in Minas Gerais, Rio de Janeiro and São Paulo. Therefore, the statements of income and comprehensive income as at December 31, 2019 include only three months of Novolar results.

Previously, Novolar was already part of the Patrimar Group as a result of the direct investment of the same stockholders through PRMV Participações S.A.

The Company and its subsidiary Novolar perform development and construction activities through special partnerships (SCPs) and special-purpose entities (SPEs) in the normal course of business in order to enable the establishment of partnerships, permit the individual monitoring of the projects, facilitate production funding, and improve the financial and accounting control of the projects.

The Company and its subsidiaries are jointly referred to as the "Group". The SCPs and SPEs operate exclusively in the real estate sector and, in most cases, are associated with a specific venture.

The issue of these financial statements was authorized by the Company's management on February 23, 2021.

1.2. Impacts of COVID-19

On March 2, 2019, the World Health Organization (WHO) officially declared the novel Coronavirus outbreak (COVID-19) a pandemic. This event has affected Brazil and several countries around the world, posing risks to public health and impacting the global economy.

The Group has been taking risk-prevention and mitigation measures, in line with the guidelines provided by national and international health authorities, with the aim of minimizing possible impacts on the health and safety of employees, their families, partners and communities, as well as on the continuity of its operations and business. Within this environment, the Group performed a series of analyses on the impact of COVID-19, which included:

(a) Analysis of estimated impairment of trade receivables

In view of this challenging and unprecedented scenario, management analyzed the potential risk of default on trade receivables. By contacting each individual customer and based on credit analyses and reinforcement of security interest criteria, management carried out some commercial negotiations to



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

lengthen payment terms, and also intensified collection criteria. The operational impacts of such measures were favorable, prevented increased default and resulted in customer retention and reduction in canceled sales.

(b) Review of the assumptions used to measure financial instruments

As the Group's business model for managing financial assets and the characteristics of the contractual cash flow of the financial asset remained unchanged, there was no need to review the measurement assumptions.

(c) Analysis of compliance with obligations assumed with customers and suppliers

Management reviewed the main contracts with suppliers and customers, respectively, and concluded that, despite the impacts caused by COVID-19, the contractual obligations are being fulfilled and there is no evidence of insolvency or discontinuity in relation to these contracts.

(d) Analysis of performance of contractual obligations - covenants

The Group has not failed to comply with the restrictive clauses (covenants) of the working capital contract in force at the end of 2020 (Note 14).

(e) Analysis of the Group's liquidity

Considering that preserving cash is of extreme importance at this time, several contingency actions were taken, such as the review of priorities in respect of strategic investments for 2020, reduction of operating expenses, reduction of salaries and working hours of some employees, in addition to the implementation of measures with the same purpose in the Company's operations in relation to the organizational restructuring, reduction of consulting expenses, and review of strategic planning.

These analyses did not identify any material impact which should be reflected in these financial statements for the year ended December 31, 2020 and related Notes.

2 Financial statement presentation and summary of significant accounting policies

2.1. Basis of preparation

The parent company and consolidated financial statements have been prepared in accordance with accounting policies adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) applicable to real estate development entities in Brazil, as approved by the Brazilian Accounting Pronouncements Committee (CPC), the Brazilian Securities Commission (CVM) and the Federal Accounting Council (CFC), and disclose all (and only) the applicable significant information related to the financial statements, which is consistent with the information utilized by management in the performance of its duties.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

Aspects related to the transfer of ownership in sales of real estate units are based on the Company's understanding, which is consistent with the understanding expressed by CVM in Circular Official Letter CVM/SNC/SEP/No. 02/2018 on the adoption of the Technical Pronouncement CPC 47 (IFRS 15) (Note 2.19). The financial statements have been prepared under the historical cost convention, which, for certain financial assets and liabilities, have their cost adjusted to reflect measurement at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the parent company and consolidated financial statements, are disclosed in Note 3.

(a) Statement of value added

The presentation of the parent company and consolidated statement of value added is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil for listed companies. The Statement of Value Added was prepared in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added", while it is not required by IFRS. Therefore, under IFRS, the presentation of such statements is considered supplementary information.

2.2. Consolidation

The Company consolidates all entities which it controls, that is, when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to direct the significant activities of the investee.

The subsidiaries included in the consolidated financial statements are presented in Note 11.

(a) Subsidiaries

Subsidiaries are all entities (including special-purpose entities and special partnerships) over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity instruments issued by the Group. The consideration transferred includes the fair value of assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's identifiable net assets. Non-controlling interests are determined on each acquisition.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the proportion acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded directly in equity, in "carrying value adjustments".

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are reclassified to profit or loss.

(c) Associates and jointly-controlled investees

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Joint arrangements are all entities over which the Group shares control with one or more parties. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

Joint arrangements are accounted for in the financial statements in a manner consistent with the Group's contractual rights and obligations. Therefore, the assets, liabilities, revenues and expenses related to its interests in joint operations are individually accounted for in its financial statements.

Investments in associates and jointly-controlled investees are accounted for on the equity method and are initially recognized at cost.

The Company's share of the profit or loss of its associates and jointly-controlled investees is recognized in the statement of income and its share of reserve movements is recognized in the Company reserves. When the Company's share of losses in an associate or jointly-controlled investee equals or exceeds the carrying amount of the investment, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate or jointly-controlled investee.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of the associates and jointly-controlled investees have been changed where necessary to ensure consistency with the policies adopted by the Company.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising on investments in associates and jointly-controlled investees are recognized in the statement of income.

2.3. Foreign currency translation

(a) Functional and presentation currency

The parent company and consolidated financial statements are presented in Brazilian Reais (R\$), which is the Company's functional currency and also the Group's presentation currency. All financial information presented in Brazilian Reais has been rounded up to the nearest thousand Reais unless otherwise stated.

(b) Transactions and balances

Foreign-currency transactions are translated into the functional currency using the foreign-exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured.

Foreign-exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within "finance income or costs". All other foreign exchange gains and losses are presented in the statement of income within "other finance income (costs)".

2.4. Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Measured at fair value through profit or loss.
- Measured at amortized cost.

The Group classifies the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at amortized cost
- Equity investments held for trading; and equity investments for which the Company has not elected to recognize fair value gains and losses through other comprehensive income.

For assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognized on the trade-date, that is, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Impairment of financial assets

The Group assesses on a prospective basis the expected credit losses associated with its debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2.5. Cash and cash equivalents

Cash and cash equivalents includes cash on hand, bank deposits and other short-term highly liquid investments maturing in up to three months, with immaterial risk of change in value.

2.6. Trade receivables

Trade receivables are represented by current and non-current receivables from sales of residential real estate units that are completed or to be completed.

Receivables related to units launched, but not completed, are determined by applying the percentage of completion (POC) to revenue from units sold, adjusted according to the terms of the sales contracts (indexation accruals), by deducting the amount of the installments received. If the balance of the installments received is higher than the accumulated revenue recognized, the balance is classified as advances from customers and recorded in liabilities.

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment of trade receivables.

The result of sales on credit of completed units is appropriated at the time of the sale, regardless of the contracted payment terms of the sale.

If collection is expected in one year or less, receivables are classified as current assets. If not, they are presented as non-current assets.

2.7. Provision for canceled sales

The Company records a provision for canceled sales when in management analysis uncertainties are identified regarding the receipt of future cash flows by the Company. These adjustments are linked to the fact that revenue recognition is dependent on the degree of reliability regarding the receipt by the Company of the cash flows provided by a recognized revenue.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

Contracts are monitored to determine the time these conditions are mitigated. As long as this does not occur, no revenue or cost is recognized in profit or loss, and amounts are recorded in asset and liability accounts only.

2.8. Inventories (properties for sale)

(a) Land for future development

Inventories of land are recorded at historical formation cost, which includes all related expenses, directly linked and measurable, including barter transactions calculated at fair value, plus any financial charges generated by their corresponding accounts payable. Land can be acquired through partnerships with landowners (physical exchanges and financial exchanges).

Physical exchanges: The fair value of land is recorded as a component of inventory of land for properties for sale, with a corresponding entry to “advances from customers” at the time of signing a private instrument or when the conditions of any termination clauses of the contracts have been met. Revenue arising from barter transactions is allocated to profit or loss over the real estate construction period.

Financial exchanges: In barter transactions involving financial exchanges, the Group transfers a percentage of the sales amount to the sellers of the land. This amount is recorded as a component of inventory of land for properties for sale, as a corresponding entry to accounts payable, at the time of signing the private instrument, the contract related to the transaction, or when the conditions of any termination clauses of the contracts have been met.

The measurement of the fair value of land acquired through barter transactions is defined in connection with the contractual commitments assumed and the budgeted costs defined in the project's feasibility study, the amount of which may vary up to the time of defining the project to be developed, which is usually confirmed on the development registration. At this time, the related burden is recognized in “advances from customers - barter transactions”.

Inventories of land to be developed are classified according to the expected launch of the project. If the project to which the land is linked, is expected to be launched in the following 12 months, the land is classified in current assets. Otherwise, it is classified in non-current assets.

Land is only registered on the formalization of the title deed, and is not recognized in the financial statements during the negotiation process, regardless of the probability of success or of the progress of the negotiation.

(b) Properties for sale

The properties ready to be sold are stated at construction cost, which is lower than net realizable value. In the case of real estate in construction, the amount in inventory corresponds to the cost incurred of the units not yet sold.

Cost comprises the land's cost of acquisition/barter, legalization and other expenses related to the project, materials, labor (own or outsourced) and other construction-related costs, including the finance cost of the



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

capital invested (finance expense on payables for purchases of land and on financing incurred during the construction period).

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to complete and estimated selling expenses.

2.9. Investments

In the parent company financial statements investments in subsidiaries, jointly-controlled subsidiaries and associates are accounted for using the equity method.

2.10. Property and equipment

Property and equipment is stated at acquisition or construction cost, less depreciation. Depreciation is calculated using the straight-line method, at tax rates, which are similar to the estimated useful life.

Subsequent costs are incorporated into the residual amount of property and equipment or recognized as a specific item, as appropriate, only if the economic benefits associated with these items are considered probable and amounts can be reliably measured. The residual balance of the item replaced, sold or transferred to another unit is written off. Repair and maintenance costs are recognized directly in profit or loss as incurred. The residual value of property and equipment items is immediately reduced to its recoverable amount when the residual balance exceeds its recoverable amount.

The expenditures directly related to the construction of sales stands and apartment-models (furniture and decoration) are treated as property and equipment, and are depreciated in accordance with the term of the estimated useful lives of these items. The useful life of these items usually covers the period from the launch to the beginning of construction. When the estimated useful life does not exceed 12 months, expenses are directly recorded in profit or loss as selling expenses.

Gains or losses on disposals are determined by comparing the amounts of sales with the carrying amounts and are recognized within "other gains (losses), net" in the statement of income.

2.11. Intangible assets

Computer software licenses purchased are capitalized on the basis of the costs incurred to purchase and bring to use the specific software. These costs are amortized over their estimated useful lives of five years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

2.12. Impairment of non-financial assets

Property and equipment, intangible assets and, where applicable, other non-financial assets are annually reviewed by management for impairment, primarily using the context of internal and external indicators that may interfere in the recovery of these assets, whenever events or significant changes in circumstances indicate that the carrying amount may not be recoverable. Accordingly, if the carrying amount of an asset exceeds its recoverable amount, which is defined as the higher amount between an



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

asset's value in use and the asset's net sale value, a loss is recognized in the statement of income for the period.

Pursuant to CPC 01, management assessed the assets subject to review for impairment and did not identify any internal and/or external indicators that would interfere in the recovery of these assets for the years ended December 31, 2020 and 2019.

2.13. Borrowings

Borrowings are recognized initially at the transaction price (that is, the amount received from the bank, including transaction costs). Borrowings are subsequently stated at amortized cost.

Interest expense is recognized on the basis of the effective interest method over the life of the borrowing to ensure that the carrying amount on the maturity date corresponds to the amount due. Interest is included in finance costs, except for interest linked to qualifying assets incurred during their construction period, which is allocated to the related asset.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.14. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. They are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. They are classified as current liabilities if payment is due in one year or less.

2.15. Income tax and social contribution on net income

The income tax and social contribution benefit or expense for the period comprises current and deferred taxes. Taxes on profit are recognized in the statement of income, except to the extent that they relate to items recognized in comprehensive income or directly in equity. In such cases, the taxes are also recognized in comprehensive income or directly in equity.

The current and deferred income tax and social contribution are calculated on the basis of the tax laws enacted at the end of the reporting period. Management periodically evaluates positions taken in the calculation of income taxes with respect to situations in which the applicable tax regulation is subject to interpretation, and it establishes provisions, where appropriate, on the basis of the amounts expected to be paid to the tax authorities.

The current income tax and social contribution are presented net, separated by taxpaying entity, in liabilities when there are amounts payable, or in assets when the amounts prepaid exceed the total amount due on the reporting date.

Deferred income tax and social contribution are recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

statements. Deferred tax assets are recognized only to the extent it is probable that future taxable profit will be available against which the temporary differences and/or tax losses can be utilized.

Deferred tax assets and liabilities are presented net in the balance sheet when there is a legally enforceable right and the intention to offset them upon the calculation of current taxes, generally when related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are generally presented separately, and not on a net basis.

Deferred taxes are estimated based on the application of the rate established by law on the difference between the revenue calculated for accounting purposes and the actual cash receipts (taxation regime, based on Law 1,435/13, which established the Special Taxation Regime).

The Company segregates these taxes between current and non-current liabilities taking into account the allocation of the amounts receivable from properties sold in current and non-current assets, considering that when all amounts from completed and uncompleted units have been received there will be no difference between accounting and tax criteria.

The Company and its subsidiaries calculate Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) based on taxable income, deemed profit or the special taxation regime (RET), as detailed below:

- Taxable income method – IRPJ is computed based on the rates of 15%, plus a surcharge of 10% on taxable income exceeding the amount of R\$ 240 for income tax and 9% on taxable income for social contribution.
- Deemed profit method - IRPJ and CSLL for each entity is computed by applying on revenues from real estate development the tax rates set for this activity at the rates of 8% and 12%, respectively. To deemed profit applicable income and social contribution rates were applied at the reporting date (15% plus a surcharge of 10% on annual taxable income exceeding the amount of R\$ 240 for IRPJ and 9% on taxable income for CSLL).
- Special Taxation Regime (RET) – Adopted for certain projects developed by the Company and its subsidiaries. As permitted by Law 12,024 of August 27, 2009, which amended Law 10,931/2004 that established RET, an option was made to include them in the segregated assets structure and adopt the RET regime. For these developments, consolidated charges related to IRPJ and CSLL, Social Contribution on Revenues (COFINS) and Social Integration Program (PIS) are calculated at the aggregate rate of 4% on gross revenues, of which 1.92% for IRPJ and CSLL and 2.08% for PIS and COFINS; on revenue relating to the Minha Casa Minha Vida (My House My Life) Program for units up to R\$100 the aggregate rate applied is 1% on gross revenues, of which 0.47% for IRPJ and CSLL and 0.53% for PIS and COFINS.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

2.16. Provisions

Provisions are recorded when: (i) the Group has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate before tax effects that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the time elapsed is recognized as interest expense.

2.17. Capital

Capital comprises fully subscribed and paid-up common shares with no par value.

2.18. Legal and revenue reserves

The legal reserve is credited with 5% of the profit for the year, and cannot exceed 20% of the capital, as established by Law 6,404/76. This reserve can only be used to offset losses and increase capital.

2.19. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, cancellations, rebates and discounts and, in the consolidated financial statements, after eliminating sales between the Group companies.

The Group recognizes revenue at the fair value of sales contracts when specific criteria are met, as described below:

(a) Revenue from the sales of properties

In sales of units under construction the procedures established in Circular Official Letter/CVM/SNC/SEP No. 02/2018 on the adoption of the Technical Pronouncement CPC 47 (IFRS 15) were followed.

Based on the aforementioned standard and taking into consideration the applicable accounting procedures established by Guideline OCPC 01 (R1) - "Real Estate Development Companies", the following procedures were adopted for the recognition of revenue from the sale of units under construction:

- The costs incurred on units sold (including land) are fully appropriated to the cost of sales.
- The percentage of the incurred cost of units sold, including land, in relation to their total estimated cost (POC) is computed, and this percentage is applied to the fair value of the revenue from units sold (including the fair value of barter made for land), adjusted according to the terms of the sales contracts, thereby obtaining the amount of revenue to be recognized.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

- The amounts of the sales revenues determined, including indexation accruals on trade receivables based on the variation of the National Civil Construction Index (INCC), net of the installments received (including the fair value of barter made for land), are accounted for as trade receivables, or as advances from customers, when applicable.
- The fair value of revenue from units sold is calculated at the present value based on the interest rate for the remuneration indexed to the INCC between the date the agreement is signed and the date scheduled for the delivery of the completed unit to the purchaser (as from that date, trade receivables are subject to interest of 12% per annum plus indexation accruals). The interest rate for the remuneration of government bonds indexed to the INCC is compatible with the nature, term and risks of similar transactions under market conditions, with an average rate of 6% p.a. for the years ended December 31, 2018 and 2017.

Subsequently, as time elapses, interest is incorporated into the new fair value for the calculation of the revenue to be appropriated, on which the POC will be applied.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, the estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the statement of income in the period in which the circumstances that give rise to the revision become known to management.

The amounts received for sales of units under construction of the launched real estate projects that are still subject to the effects of the related resolutive clause contained in the development deed, are classified as advances from customers.

After the delivery of the units sold, trade receivables accrue indexation based on the variation of the General Market Price Index (IGP-M) or the Amplified Consumer Price Index (IPCA), plus interest of 1% per month, calculated on a pro rata temporis basis. In this phase, interest or indexation accruals are recorded as finance income using the effective interest rate method and are no longer part of the basis for the calculation of sales revenue.

In the case of sales of completed units, sales revenue is recognized upon delivery of the completed unit, when the most significant risks and rewards of ownership are transferred.

(b) Service revenue

The parent company provides services related to construction management and sales to subsidiaries.

Revenue from services is recognized in the period the services are rendered, using the straight-line method to recognize the revenue in proportion to the costs incurred on the real estate development which is being managed.

(c) Finance income

Interest income is recognized on the accrual basis, using the effective interest rate method.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

When the unit is completed, trade receivables are subject to interest or indexation accruals, which are appropriated, as time goes by, to interest income.

2.20. Selling expenses

The expenses with advertising, marketing, promotions and other selling expenses are not considered as construction costs of the property and are recognized and allocated in the statement of income as incurred.

Expenses incurred in sales stands and apartment-models, including their construction, decoration and furniture, are recognized as property and equipment, provided that the estimated useful lives exceed 12 months, and their depreciation is recognized in the statement of income as selling expenses during their useful lives.

Expenses related to commissions paid to brokers for the sales of the units of each project are recognized in the statement of income based on the same criterion adopted for the recognition of revenues and costs of units sold.

2.21. Lease

The Group applied CPC 06(R2)/IFRS 16 using the modified retrospective approach and, therefore, has not restated comparative information for 2018, which continue to be disclosed according to CPC 06(R1)/IAS 17 and ICPC 03/IFRIC 4.

Upon the transition to CPC 06(R2)/IFRS 16, the Group applied a practical expedient with respect to the definition of lease that assesses which transactions are leases. The Group has reviewed all the contracts in force, including those already classified as leases by CPC 06(R1)/IAS 17 and ICPC 03/IFRIC 4, as well as sundry rental contracts and subcontracting services provided with the use of equipment, applying what is described in CPC 06 (R2)/IFRS 16 to identify, or not, the lease component.

A contract is, or contains a lease, if the contract transfers the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers the right to control the use of an identified asset, the Group uses the definition of lease in CPC 06 (R2)/IFRS 16.

This Policy is applicable to contracts entered into as from January 1, 2019.

(a) As a lessee

The Group recognizes a right-of-use asset and a lease liability on the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial measurement value of the lease liability, adjusted for any lease payments made up to the commencement date, plus any initial direct costs incurred by the lessee and an estimation of costs to be incurred by the lessee in disassembling and removing the underlying asset, restoring the place in which it is located or restoring the underlying asset to the condition required by the lease terms and conditions, less any lease incentives received.

**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the lessee at the end of the lease term, or if the cost of the right-of-use asset reflects that the lessee will exercise the purchase option. In this case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as that of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the flow of future (contracted and estimated) payments, discounted using the interest rate implicit in the lease or, if this rate cannot be determined immediately, the Group's incremental borrowing rate for borrowings of similar nature, disregarding membership-based and production support loans, since their rates are exclusive and incomparable, due to their nature and related guarantees. The Group generally uses the incremental rate on its working capital loans, equipment and vehicle financing, plus the agreed inflation rate, as a discount rate.

The Group determines its incremental rate on borrowings by obtaining information on interest rates from various external financing sources and mainly by evaluating the borrowings in force, measuring the weighted average cost (annual interest divided by the debt balance of principal), adding the estimated inflation, making some adjustments to reflect the terms of the contract and the type of the leased asset. The weighted average of the lessee's nominal incremental borrowing rate applied to new lease liabilities in 2020 was 14.10% p.a. (9.76% p.a. in 2019).

The lease liability is measured at amortized cost, using the effective interest method. It is remeasured when there is a change in future lease payments resulting from a change in index or rate, if there is a change in the amounts that are expected to be paid according to the residual value guarantee, if the Group changes its evaluation as to whether it will exercise an option to purchase, extend or terminate or if there is a revised fixed lease payment in essence.

When the lease liability is remeasured in this manner, an adjustment is made corresponding to the carrying amount of the right-of-use asset or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption, in which the lease term is equal to or less than 12 months from the commencement date (and which does not include a purchase option). It also applies the low-value asset recognition exemption to leases of office equipment and computer equipment considered to be of low value. Short-term lease and low-value asset lease payments are recognized as an expense using the straight-line method over the lease term.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if there is a reasonable expectation that the lease will be extended (or not terminated).



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

For the lease of its headquarters, the following factors were considered to determine the 60-month lease term, which exceeded the legal contract the term of which was 42 months.

- The Company is in the process of raising new funds, which can significantly increase its production capacity, and consequently increase the need to extend its facilities.
- The value of improvements made in the facilities and expected return on the amount invested;
- The period during which the Company remained in and used the previous headquarters;
- The proximity of the headquarters to several projects the Company has been developing.

Most extension options in furniture and machinery and equipment leases have not been included in the lease liability because the Group may replace the assets without significant cost or business disruption.

(b) As a lessor

At December 31, 2020, the Group did not have any lease contract as lessor, sublessor or similar.

Understanding that in future situations leases under the legal concept of a lease may arise, in which the Group assigns or transfers the ability to generate a financial flow from one asset to another, by means of a formal agreement and consideration, without substantially transferring the risks and rewards inherent to the ownership of the asset, we will classify it as an operating lease by recognizing revenue on the straight-line basis during the lease period. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on a basis similar to that of the rental income. Contingent rental payments are recognized as revenue over the time in which they are earned.

2.22. Adoption of new accounting pronouncements

In 2020, no new standards, amendments to or interpretations of existing standards that could have an impact on the Company's financial information were issued.

3 Critical accounting estimates and judgments

Based on assumptions, the Group makes estimates concerning the future. The estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(i) Budgeted costs

Total budgeted costs, including costs incurred or expected to be incurred during the completion of the construction, are regularly reviewed with reference to the percentage of completion of the works, and adjustments based on this review are reflected in the Group's results as determined.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

(ii) Recognition of revenue from real estate units under construction

The Company and its subsidiaries use the POC method to account for their contracts for the sale of real estate units and provision of services. The use of the POC method requires the Group to estimate the costs to be incurred up to the completion of construction and the delivery of the real estate units of each real estate development, to establish a proportion in relation to the costs already incurred. Revenue is calculated by multiplying this percentage (POC) by the fair value of the revenue from sales already contracted. Accordingly, revenue is recognized continuously throughout the construction phase of the real estate development. This determination requires an estimate and the use of significant judgment by management.

(iii) Provision for contingencies

Provisions for civil, labor and tax contingencies are recognized when the Company has a present legal or constructive obligation as a result of past events, the amounts can be reliably estimated and it is probable that an outflow of resources will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the amount required to settle the obligation at the end of each reporting period, taking into consideration the risks and uncertainties related to the obligation.

When some or all of the economic benefits required for the settlement of a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is certain and the amount can be reliably measured.

(iv) Provision for canceled sales

The provision for canceled sales is based on assumptions that consider the history and prospects of expected losses, and on the individual review of sales contracts.

Such assumptions are reviewed annually to consider any changes in circumstances and history.

(v) Adjustment to present value

Monetary assets and liabilities are adjusted to present value upon the initial recognition of the transaction, taking into consideration the contractual cash flows and the explicit or implicit interest rate of the assets and liabilities and the market rates for similar transactions. Subsequently, this interest is reallocated in the statement of income, utilizing the effective interest method in relation to the contractual cash flows.

With regard to accounts receivable from customers, the adjustment to present value takes into account the rate based on the premise of the weighted average rate on loans obtained by the Company, discounting inflation that monetarily corrects accounts receivable.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

(vi) Provision for real estate maintenance

A provision recorded during construction to cover expenses with repairs in developments completed and covered by an average warranty period of five years, as from the delivery date. Real estate whose occupancy permit has already been issued and registered is considered a completed real estate.

4 Financial risk management

4.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Group's risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by senior management. These policies are established to identify and analyze the risks to which the Group is exposed, define the risk limits and proper controls, and monitor risks and adherence to defined limits.

Risk management policies and systems are regularly reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management rules and procedures, seeks to maintain an environment of discipline and control in which all employees are aware of their duties and obligations.

(a) Credit risk

This is a risk that the Group may incur losses arising from a customer or a counterparty on a financial instrument, due to their failure to comply with their contractual obligations, as well as on deposits with banks and other financial institutions. Individual risk limits are set based on internal or external ratings in accordance with limits approved by management. The credit analysis department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

The carrying value of the financial assets is the maximum exposure to credit risk.

The utilization of credit limits is regularly monitored by Treasury and credit risk is managed on a Group basis. For investments in banks and other financial institutions, only independently rated parties with a minimum rating of "good" in the rating scale are accepted.

Individual risk limits are set based on internal or external ratings in accordance with limits set by management. These limits are set aiming at minimizing risk concentration and, therefore, mitigating the risk of loss in the event of a potential bankruptcy of a counterparty.

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings (when available) or to historical information about counterparty default rates.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties and the related internal reviews.

Trade receivables

	Parent company		Consolidated	
	2020	2019	2020	2019
Completed units (Note 7)				
With statutory lien	11,090	13,404	55,347	64,201
Without statutory lien	2,201	-	9,612	5,714
	<u>13,291</u>	<u>13,404</u>	<u>64,959</u>	<u>69,915</u>
Units under construction (Note 7)				
With statutory lien	19,683	18,021	187,882	88,116
	<u>32,974</u>	<u>31,425</u>	<u>252,841</u>	<u>158,031</u>

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the Group will have difficulty in complying with its obligations associated with its financial liabilities that are settled in cash or other financial assets. The Group's approach to managing liquidity is to ensure and maximize management so that it will always have sufficient liquidity to comply with its obligations as they fall due, under normal or stress conditions, without incurring unacceptable losses or adversely affecting the Group's reputation.

The forecast of cash flows is made by the Group's Treasury department, which monitors the continuous forecasts of the liquidity requirements to ensure that it has sufficient cash at an amount that is higher than the required cash outflows to settle the financial liabilities (except for "trade payables") for the following 30 days.

The current cash flows of financial liabilities based on the approximate date of settlement of the related obligations are explained as follows:

	Parent company				
	2020	2021	2022	As from 2023	Total
At December 31, 2020					
Borrowings (Note 14)	17,609	25,051	20,000	20,000	82,660
Lease (Note 15)	501	569	645	-	1,715
Trade payables (Note 16)	2,392	-	-	-	2,392
Real estate purchase obligations (Note 18)	863	-	-	-	863



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

	Consolidated				
	2020	2021	2022	As from 2023	Total
At December 31, 2020					
Borrowings (Note 14)	49,686	39,924	24,276	20,000	133,886
Lease (Note 15)	1,486	1,143	1,109	131	3,869
Trade payables (Note 16)	27,373	-	-	-	27,373
Real estate purchase obligations (Note 18)	81,871	3,332	-	-	85,203
	Parent company				
	2020	2021	2022	As from 2023	Total
At December 31, 2019					
Borrowings (Note 14)	22,929	10,992	10,183	4,599	48,703
Lease (Note 15)	495	510	510	510	2,025
Trade payables (Note 16)	6,903	-	-	-	6,903
Real estate purchase obligations (Note 18)	1,976	-	-	-	1,976
	Consolidated				
	2020	2021	2022	As from 2023	Total
At December 31, 2019					
Borrowings (Note 14)	37,531	11,943	11,134	5,775	66,383
Lease (Note 15)	1,184	1,054	1,054	1,054	4,346
Trade payables (Note 16)	29,623	-	-	-	29,623
Real estate purchase obligations (Note 18)	46,799	6,580	-	-	53,379

The Group has financial assets (essentially represented by cash, cash equivalents, and trade receivables for real estate development) that it considers sufficient to honor its commitments arising from its operating activities.

(c) Market risk

The Group is mainly engaged in the development, construction and sale of real estate ventures. In addition to the risks that generally affect the real estate market, such as supply interruptions and volatility in the price of construction materials and equipment, changes in the supply and demand for real estate developments in certain regions, strikes and environmental and zoning regulations, the activities of the Group are specifically affected by the following risks:

(i) Interest rate and foreign exchange risk exposure

The Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on profit or loss of a defined interest rate shift.

The Group has financial investments earning interest indexed to the Interbank Deposit Certificate (CDI) rate, and borrowings from third parties bearing interest linked to the CDI rate and the Reference Rate (TR).



Notes to the combined financial statements at December 31, 2020

All amounts in thousands of reais unless otherwise stated

The balances of financial investments are exposed to the fluctuations in interest rates, more specifically, the CDI rate. At December 31, 2020, the Group's management carried out a sensitivity analysis for a 12-month scenario, as required by CVM Instruction 475 of December 17, 2008, which did not necessarily represent the Group's expectations.

According to the guidance included in Circular Official Letter/CVM 01/2021, the Group considered appropriate a fluctuation of 25% and 50% on the balances, considering a decrease in financial assets and an increase in financial liabilities:

Indicators	Index	Rate	12/31/2020	Parent company			Consolidated			
				Scenario I Probable	Scenario II (25%)	Scenario III (50%)	12/31/2020	Scenario I Probable	Scenario II (25%)	Scenario III (50%)
Assets										
Financial investments	CDI	3.90 %	10,808	422	317	211	97,494	3,802	2,852	1,901
Liabilities										
Borrowings for working capital (In Reais - R\$)	CDI	3.90 %	60,336	2,353	1,765	1,177	60,336	2,353	1,765	1,177

4.2 Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure of the Group, management can make, or may propose to the stockholders when their approval is required, adjustments to the amount of profit to be distributed, return capital to stockholders, make payments of new shares or sell assets to reduce, for example, debt.

Like other players in the industry, the Group monitors its capital on the basis of the gearing ratio, which corresponds to net debt divided by total capitalization. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents and financial investments. Total capitalization is calculated as equity as shown in the balance sheet plus net debt.

	Parent company		Consolidated	
	2020	2019	2020	2019
Total borrowings (Note 14)	82,660	48,703	133,886	66,383
Less: Cash and cash equivalents (Note 6)	(11,095)	(11,082)	(119,256)	(50,234)
Net debt	71,565	37,621	14,630	16,149
Total equity	295,128	264,560	372,315	312,364
Total capitalization	366,693	302,181	386,945	328,513
Gearing ratio - %	20 %	12 %	4 %	5 %

4.3 Fair value estimation

The Group adopts the measurement at fair value of its financial assets and liabilities. Fair value is measured at market value based on assumptions on which market participants can measure an asset or



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

liability. To increase coherence and comparability, the fair value hierarchy prioritizes the inputs used in measurement considering three major levels, as follows:

- **Level 1. Active market:** Quoted market price - A financial instrument is considered to be quoted in an active market if quoted prices are readily and regularly available from an exchange or organized over-the-counter market, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent regularly occurring market transactions on an arm's length basis.
- **Level 2. No active market:** Valuation techniques - If the market for a financial instrument is not active, fair value is established by using valuation or pricing techniques. These techniques may include reference to the fair value of another instrument that is substantially the same, discounted cash flows and option pricing models. The purpose of the valuation technique is to establish what the transaction price would be on the measurement date in an interest-free exchange motivated by business considerations.
- **Level 3. No active market:** Equity instruments - Fair value of investments in equity instruments that do not have market prices quoted in an active market and of derivatives that are linked to them and that must be settled by the delivery of unquoted equity instruments.

Borrowings are recognized at amortized cost; however, fair value reporting is within Level 2 of the fair value hierarchy (derivative financial instrument – Swap (Note 5)). The Group does not have financial assets classified in Levels 1 and 3.

Impairment

The Group assesses on a prospective basis the expected credit loss associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk or any other indication which was not noted in the year.

5 Financial instruments by nature

	Parent company		Consolidated	
	2020	2019	2020	2019
<u>Financial assets</u>				
Measured at amortized cost				
Cash and bank accounts (Note 6(a))	2,537	1,847	24,012	18,996
Highly liquid financial investments (Note 6(a))	8,558	9,235	95,244	31,238
Restricted financial investments (Note 6)	2,250	2,191	2,250	2,191
Trade receivables (Note 7)	29,780	27,547	240,023	133,676
Judicial deposits (Note 20)	75	284	1,529	2,592
Related parties (Note 10)	46,967	14,401	6,686	27,537
	<u>90,167</u>	<u>55,505</u>	<u>369,744</u>	<u>216,230</u>
<u>Financial liabilities</u>				
Measured at amortized cost				
Borrowings (Note 14)	82,660	48,703	133,886	66,383
Lease (Note 15)	1,715	2,025	3,869	4,346
Trade payables (Note 16)	2,392	6,903	27,373	29,623
Real estate purchase obligations (Note 18)	863	1,976	85,203	53,379
Related parties (Note 10)	5,700	19,441	2,489	9,539
Measured at fair value				
Derivative financial instrument - Swap (Note 14)	-	496	-	496
	<u>93,330</u>	<u>79,544</u>	<u>252,820</u>	<u>163,766</u>



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

6 Cash and cash equivalents and financial investments

(a) Cash and cash equivalents

	Parent company		Consolidated	
	2020	2019	2020	2019
Cash	30	40	56	68
Banks	2,507	1,807	23,956	18,928
Highly liquid financial investments	8,558	9,235	95,244	31,238
	<u>11,095</u>	<u>11,082</u>	<u>119,256</u>	<u>50,234</u>

In the year ended December 31, 2020, the yields on financial investments were linked to bank deposits and other short-term highly liquid investments with immaterial risk of change in value, and ranged from 95% to 106% of the CDI rate (from 95% to 106% of the CDI rate at December 31, 2019).

(b) Restricted financial investments

	Parent company		Consolidated	
	2020	2019	2020	2019
Restricted financial investments - non-current	2,250	2,191	2,250	2,191
	<u>2,250</u>	<u>2,191</u>	<u>2,250</u>	<u>2,191</u>

The Group's restricted financial investments in Bank Deposit Certificates (CDB) to be redeemed in not less than one year, correspond to a collateral for the borrowing obtained for the purchase of land. The yields on these investments are linked to and correspond to 108% of the CDI rate (108% of the CDI rate at December 31, 2018), according to the nature and timing of the instrument.

7 Trade receivables

	Parent company		Consolidated	
	2020	2019	2020	2019
<u>Trade receivables from real estate developments</u>				
Completed units	13,291	13,404	64,959	69,915
Units under construction	19,683	18,021	187,882	88,116
Management services	798	-	7,197	-
	<u>33,772</u>	<u>31,425</u>	<u>260,038</u>	<u>158,031</u>
Provision for canceled sales	(1,999)	-	(7,439)	(7,828)
Provision expected losses	(1,083)	(2,161)	(1,898)	(3,725)
Adjustments to present value	(910)	(1,717)	(10,678)	(12,802)
	<u>(3,992)</u>	<u>(3,878)</u>	<u>(20,015)</u>	<u>(24,355)</u>
	<u>29,780</u>	<u>27,547</u>	<u>240,023</u>	<u>133,676</u>
Current assets	27,854	19,812	142,038	97,389
Non-current assets	1,926	7,735	97,985	36,287



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

The balance of receivables from the sale of units under construction is not fully recognized in the financial statements, because the amount of revenue recorded is limited to the portion of revenue recognized considering the progress of the works, net of the installments already received.

Trade receivables from real estate sales include indexation accruals based on the National Civil Construction Index (INCC) up to the delivery of the real estate units. As from that date, these amounts accrue indexation based on the General Market Price Index (IGP-M) and bear an average interest rate of 12% p.a.

The amounts referring to management services are composed of the management fee and remuneration for the management and control of the works with other partners.

Maturities of trade receivables from real estate developments

The balance of the Group's trade receivables is presented below, and does not include the book balance of developments not yet completed, which are recorded based on the percentage-of-completion method.

	Parent company		Consolidated	
	2020	2019	2020	2019
Falling due in up to 1 year	39,632	24,037	265,526	134,150
Falling due from 1 to 2 years	1,900	10,138	133,575	115,125
Falling due from 2 to 3 years	-	21,140	150,233	56,854
Falling due from 3 to 4 years	-	-	75,858	89,726
Falling due in more than 4 years	-	-	937	465
	<u>41,532</u>	<u>55,315</u>	<u>626,129</u>	<u>396,320</u>
Overdue for up to 1 year	330	3,004	23,913	29,980
Overdue from 1 to 2 years	1,999	66	4,217	3,072
Overdue from 2 to 3 years	-	-	3,277	1,438
Overdue from 3 to 4 years	-	-	885	95
Overdue for more than 4 years	1,021	2,161	1,040	3,078
	<u>3,350</u>	<u>5,231</u>	<u>33,332</u>	<u>37,663</u>
	<u>44,882</u>	<u>60,546</u>	<u>659,461</u>	<u>433,983</u>
Trade receivables - accounting	29,780	27,547	240,023	133,676
Deferred revenue (Note 29)	14,008	33,613	473,015	326,030
Advances from customers (Note 19)	(2,898)	(4,492)	(73,592)	(50,078)
Present value adjustment	910	1,717	10,678	12,802
Provision for canceled sales	1,999	-	7,439	7,828
Provision for losses	1,083	2,161	1,898	3,725
	<u>44,882</u>	<u>60,546</u>	<u>659,461</u>	<u>433,983</u>



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

8 Properties for sale

This account includes apartments for sale, completed and under construction, and land for future developments. The land related to a venture is transferred to "properties under construction" at the time the sales of the units are initiated.

	Parent company		Consolidated	
	2020	2019	2020	2019
Inventories of land	14.253	35,922	153.021	76,092
Properties under construction	7.002	24,520	167.955	146,723
Completed properties	8.030	4,395	18.772	48,788
Provision for canceled sales	1.199	-	3.205	5,559
	<u>30.484</u>	<u>64,837</u>	<u>342.953</u>	<u>277,162</u>
Current assets	26.249	60,293	328.108	266,193
Non-current assets	4.235	4,544	14.845	10,969

Capitalized interest

Interest paid on production financing is accounted for as properties under construction, and charged to profit or loss when the property is sold. The rate utilized for interest capitalization is specific for each real estate development, ranging from 6.9% to 11.25% p.a. (7.0% to 10.8% p.a. at December 31, 2019).

At December 31, 2020, interest capitalized within real estate in inventory totaled R\$ 1,387 in the Consolidated, and R\$ 556 in the Parent company (R\$ 3,851 in the Consolidated and R\$ 770 in the Parent company at December 31, 2019).

9 Prepaid expenses

	Parent company		Consolidated	
	2020	2019	2020	2019
Insurance	21	12	584	41
Commissions and brokerage	340	514	8,762	6,046
Sales promotions	-	-	111	286
Transaction costs	6,625	-	6,669	-
Software maintenance	60	-	60	-
	<u>7,046</u>	<u>526</u>	<u>16,186</u>	<u>6,373</u>

Prepaid expenses are recognized in the statement of income on an accrual basis or allocated to the proper accounts according to the nature of the expenses.



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

10 Related parties

	Parent company		Consolidated	
	2020	2019	2020	2019
(a) Intercompany loans receivable	-	3,359	-	3,372
PRMV Participações S.A.	-	3,359	-	3,359
Construtora Real S.A.	-	-	-	13
(b) Receivables from developments	46,967	11,042	6,686	24,165
Construtora Novolar	19,569	-	-	-
Golf II Empreendimentos Imobiliarios	10,506	-	-	-
Jardinares Empreendimentos Imobiliarios	3,261	-	-	333
Patrimar Somattos Gasparini	3,028	4,662	3,028	4,396
Patrimar Somattos Rio de Janeiro Empr Imob	1,836	-	-	-
High Line Empreendimentos Imobiliarios	1,323	-	-	-
Golf I Empreendimentos Imobiliarios	1,244	-	-	-
Duo Empreendimentos Imobiliarios SPE	771	562	351	562
Bernardo Vasconcelos Empr Imob Spe	558	671	-	671
Mrv Patrimar Galleria Incorp Spe	412	-	-	8
Moinho Empreendimentos Imobiliarios	350	-	-	-
Jota Patrimar Engefor Empr Imob Spe	338	34	-	42
Mia Felicita	329	178	-	1,633
Scp Park Residence	274	234	-	234
Palo Alto Residences	55	221	-	994
Villagio Verona	21	7	-	983
Scp Vila Carioca - from 1 to 6	20	20	-	302
Saint Tropez	-	1,301	-	1,319
Patrimar Somattos Jardim das Mangabeiras	-	246	-	2,127
Villagio Gutierrez	-	844	-	852
Spe Axis 1 Empreendimento Imobiliario	-	449	-	513
Residencial Estoril	-	-	-	1,217
Scp Manhattan Square	-	-	94	836
Union Square	-	470	-	920
Aporuna I	-	-	-	268
Apia Edificações Empreendimentos	-	-	302	-
Barao Homem de Melo Empr Imob	-	-	317	-
Park Reality	-	-	228	-
Mrv Mrl Novolar Ii Incorporacoes Spe .	-	-	687	1,854
Acaba Mundo Empreendimentos Imobiliarios	-	-	-	840
Scp Paquare	-	-	187	-
Residencial Beija Flor	-	-	80	-
Spazio Belo Campo	-	-	73	-
Scp Manchete	-	-	70	-
Other developments	3,072	1,143	1,269	3,261
	46,967	14,401	6,686	27,537



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2020	2019	2020	2019
(a) Intercompany loans payable	-	13,965	-	2,611
Construtora Novolar Ltda.	-	13,938	-	-
Somattos Engenharia Comercio Ltda.	-	27	-	2,611
			-	
(b) Payables for developments	5,700	5,476	2,489	6,928
Manhattan Square	1,910	2,104	-	11
Olga Chiari	-	1,819	-	198
Villagio Florença	-	-	-	2,400
Holiday Inn	1,788	1,161	-	-
Santa Cecilia Empreendimento	-	-	829	829
Mrv Engenharia E Participações	-	34	539	391
Jardim das Mangabeiras	1,584	-	-	-
Saint Tropez	354	-	-	-
Scp Silva Lobo	5	98	-	98
Terreno Tratex	-	168	-	-
Colina Engefor	-	45	-	55
Neuchatel	-	14	-	17
Priorato Residences	-	12	-	-
Scp Portal Do Bosque	-	10	-	10
Naples	-	7	-	6
Engefor Engenharia E Construções	-	4	-	-
Other developments	59	-	1,121	2,913
	5,700	19,441	2,489	9,539
(c) Related-party transactions with effects on profit or loss	(683)	(173)	10,755	(259)
Sales of apartments (i)	-	-	11,493	-
Indexation accruals of sales made (i)	-	-	340	-
Lease of the headquarters' building (ii)	(683)	(173)	(1,078)	(259)
(d) Deferred revenue (i)	-	-	3,100	

(a) Intercompany loans receivable and payable

These refer to loans made to and obtained from related parties, which bear no interest and whose maturities were previously agreed. The amount receivable by Patrimar from PRMV Participações S.A. in 2019 was settled on October 6, 2020, according to the Agreement for Settlement of Intercompany Loan.

(b) Receivables from and payables for developments

Refer to:

- (i) Contributions in a proportion different from that of the interest held by quotaholders in the related SCPs and SPEs, which will be offset and/or capitalized after a supplementary contribution to adjust the quotaholders' interests.
- (ii) Routine transactions carried out between the Parent company and SCPs and SPEs, mainly characterized by the payment of expenses that are reimbursed or repaid later. The amounts of



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

receivables from and payables for developments relate exclusively to the development of the projects, there is no interest and the maturity occurs up to the completion of the project.

(c) Receivables and related-party transactions with effects on profit or loss

(i) Sale of an apartment

In June 2020, an apartment in the Apogée building, SPE Patrimar Somattos Jardim das Mangabeiras, in the amount of R\$ 14,500 thousand (R\$14,929 thousand - updated at December 31, 2020), was sold to Construtora Real. The revenue recognized based on the POC method up to December 31, 2020 was R\$11,493, and the amount of R\$11,833, proportional to the updated revenue received, was recognized in trade receivables. The entire transaction was carried out at market value, which was obtained in the sales table of the development adopted by the Company.

(ii) Lease of the headquarters' building

Payment to Construtora Real of the lease related to the building where the headquarters are located. Construtora is controlled by the same group of stockholders comprising the Company's controlling interests. The entire transaction was carried out at market value, which was based on rental transactions of an equivalent nature.

During the assessment of the lease contracts for the adoption of CPC 06 (R2)/IFRS 16, we noted that the lease contract of the property met the requirements of the standard and, therefore, the net debt value was recorded after discounting the incremental rate of the Company's borrowings in right-of-use property and equipment as a corresponding entry to lease liabilities payable.

11 Investments and provision for net capital deficiency

The Group recognizes its investments in companies that have recorded net capital deficiency in liabilities within "provision for net capital deficiency".

	Parent company		Consolidated	
	2020	2019	2020	2019
Investments	258,532	231,618	47,117	47,616
Provision for net capital deficiency	(1,607)	(1,279)	(2,365)	(3,056)
	<u>256,925</u>	<u>230,339</u>	<u>44,752</u>	<u>44,560</u>



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

(a) The breakdown of the Parent company's investments at December 31, 2020 was as follows:

Companies	Equity holding	Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment and net capital deficiency	Equity holding	Investment and net capital deficiency
	2020	2020	2020	2020	2020	2019	2019
Subsidiaries							
Construtora Novolar	100 %	18,577	115,176	18,577	115,176	100 %	100,619
Álamo Patrimar Incorp. Imob. Ltda.	98 %	(21)	(19)	(20)	(19)	98 %	1
SPE Patrimar Engefor Imóveis Ltda.	50 %	253	601	127	316	50 %	93
SPE Maura Valadares	50 %	(114)	-	(57)	-	50 %	58
SPE Engefor Patrimar V.S. Emp. Imob. Ltda.	50 %	155	(119)	77	(57)	50 %	(142)
SCP Professor Danilo Ambrósio	95 %	(4)	(18)	(4)	(17)	95 %	(13)
SCP Jornalista Oswaldo Nobre	90 %	(2)	(212)	(2)	(191)	90 %	(194)
SCP Gioia dell Colle	90 %	(12)	(32)	(11)	(29)	90 %	(18)
SCP Olga Chiari	85 %	3,526	6,917	2,997	5,842	85 %	12,112
SCP Manhattan Square	90 %	(769)	6,572	(692)	5,916	90 %	8,177
SCP Priorato Residences	90 %	(150)	1,283	(135)	1,155	90 %	1,509
SCP Holiday Inn	80 %	1,575	17,693	1,258	14,154	80 %	19,295
SCP Mayfair Offices	90 %	(10)	184	(9)	165	90 %	174
SCP Quintas do Morro	69 %	(809)	2,503	(558)	1,721	69 %	2,243
SCP Neuchatel	90 %	(73)	429	(67)	386	90 %	466
SPE MRV Galleria	50 %	1,744	120	872	60	50 %	10,268
SPE Jardinaves	50 %	(417)	2,679	(208)	1,320	50 %	180
SPE Jota Patrimar Engefor	50 %	229	(395)	115	(189)	50 %	(360)
SPE Colina Engefor Patrimar E. Imob Ltda.	50 %	(27)	(17)	(14)	(6)	50 %	(1)
SPE Patrimar Somattos Jardim das Mangabeiras	50 %	37,975	83,280	18,987	41,640	50 %	22,117
Antônio de Alb. SPE Ltda. (EPIC)	50 %	9,933	19,592	4,967	9,794	50 %	4,823
ED. DUO - Alameda do Morro	40 %	13,927	19,227	5,571	7,691	40 %	2,120
SPE Vale dos Cristais	50 %	(2)	334	(1)	123	-	-
SPE High Line	100 %	7,666	7,666	7,666	7,666	-	-
SPE Rio de Janeiro (Lourdes)	50 %	2,470	2,959	1,235	1,459	-	-
SPE Le Terrace	43 %	(15)	(15)	(6)	(7)	-	-
Golf I	100 %	(30)	(30)	(30)	(30)	-	-
Golf II	100 %	(711)	(711)	(711)	(711)	-	-
SPE Das Americas 1 Empreendimentos	100 %						
		(3)	(3)	(3)	(3)	-	-
		94,861	285,644	59,921	213,325		183,527
Jointly-controlled investees							
Alba	14 %	34,700	34,700	4,844	4,680		-
SCP RJ 04	50 %	(134)	719	(67)	359	50 %	382
SPE Mirante do Ibituruna Ltda.	34 %	(6)	8,023	(2)	2,709	34 %	2,709
SCP Portal do Bosque	50 %	(5)	157	(2)	79	50 %	91
SCP Park Ritz	48 %	(47)	958	(22)	460	48 %	466
SCP Recanto das Águas	51 %	(190)	178	(97)	99	51 %	147
SCP MRV Belo Campo	50 %	203	456	92	175	50 %	23
SCP MRV Rec. Pássaros (Rouxinol)	40 %	270	1,233	98	523	40 %	191
SCP MRV Res. Beija Flor	40 %	236	519	91	102	40 %	8
SPE Padre Marinho	50 %	802	11,584	401	5,792	50 %	6,795
SCP Rívoli 1 and 2	40 %	(265)	249	(106)	84	40 %	32
SPE Acaba Mundo Emp. Imob. Ltda.	50 %	(14)	1,628	(7)	804	50 %	810
SPE MRV Patrimar RJ IX Ltda. (Andorinhas) 1 and 2	40 %	166	672	69	188	40 %	182
SPE Barbacena Empr Imob. S.A.	50 %	1,043	39,835	521	19,933	50 %	25,911
SPE Patrimar Somattos Gasparini Ltda.	50 %	1,609	13,763	798	6,792	50 %	8,119
Ponctuel	50 %	(3)	81	(1)	41	50 %	42
SPE Direcional Patrimar Maragogi Ltda.	45 %	(34)	7	(15)	(8)	45 %	(3)
		38,331	114,762	6,595	42,812		45,905



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

	Equity holding	Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment and net capital deficiency	Equity holding	Investment and net capital deficiency
Companies	2020	2020	2020	2020	2020	2019	2019
Associates							
SCP Safira (Decaminada 10)	24 %	(537)	(874)	(129)	(209)	24 %	(161)
SCP João XXIII	24 %	(68)	13	(16)	10	24 %	(15)
SCP Naples	20 %	(2)	23	-	5	20 %	5
SCP Palo Alto	10 %	(129)	2,185	(13)	218	10 %	208
SCP Park Residences	10 %	1,075	2,720	109	266	10 %	384
SCP Silva Lobo	15 %	52	574	7	86	15 %	86
SCP Tavares Bastos	25 %	(40)	(21)	(10)	(5)	25 %	-
SPE Novo Lar Greenport	20 %	(49)	(628)	(10)	(126)	20 %	(116)
SPE Axis 1 Porto Fino	10 %	(290)	4,779	(29)	544	10 %	772
Other investments		1	(1)	1	(1)		(256)
		13	8,770	(90)	788		907
		133,205	409,176	66,426	256,925		230,339



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

(b) Changes in balances from December 31, 2019 to December 31, 2020 were as follows:

Companies	Balance 12/31/2019	Contributions	Distribution of dividends	Equity in the results	Reversals	Balance 12/31/2020
Subsidiaries						
Construtora Novolar	100,619	-	(2,830)	18,577	(1,191)	115,175
Álamo Patrimar Incorp. Imob. Ltda.	1	-	-	(20)	-	(19)
SPE Patrimar Engefor Imóveis Ltda.	93	97	-	127	-	317
SPE Maura Valadares	58	3	-	(57)	(4)	-
SPE Engefor Patrimar V.S. Emp. Imob. Ltda.	(2)	9	-	77	(141)	(57)
SCP Professor Danilo Ambrósio	(13)	-	-	(4)	-	(17)
SCP Jornalista Oswaldo Nobre	(194)	5	-	(2)	-	(191)
SCP Gioia dell Colle	(18)	1	-	(11)	(1)	(29)
SCP Olga Chiari	12,112	-	(7,081)	2,997	(2,186)	5,842
SCP Manhattan Square	8,177	123	-	(692)	(1,692)	5,916
SCP Priorato Residences	1,509	-	(184)	(135)	(36)	1,154
SCP Holiday Inn	19,295	-	(208)	1,258	(6,191)	14,154
SCP Mayfair Offices	174	-	-	(9)	-	165
SCP Quintas do Morro	2,243	95	-	(558)	(59)	1,721
SCP Neuchatel	466	140	-	(67)	(153)	386
SPE MRV Galleria	10,268	495	(10,915)	872	(660)	60
SPE Jardinaves	180	1,348	-	(208)	-	1,320
SPE Jota Patrimar Engefor	(360)	65	-	115	(8)	(188)
SPE Colina Engefor Patrimar E. Imob Ltda.	-	8	-	(14)	-	(6)
SPE Patrimar Somattos Jardim das Mangabeiras	22,117	3,408	-	18,987	(2,872)	41,640
Antônio de Alb. SPE Ltda. (EPIC)	4,823	2,489	-	4,967	(2,485)	9,794
ED. DUO - Alameda do Morro	2,120	859	-	5,571	(859)	7,691
SPE Vale dos Cristais	-	178	-	(1)	(55)	122
SPE High Line	-	50	-	7,666	(50)	7,666
SPE Rio de Janeiro (Lourdes)	-	225	-	1,235	-	1,460
SPE Le Terrace	-	43	-	(6)	(43)	(6)
Golf I	-	-	-	(30)	-	(30)
Golf II	-	-	-	(711)	-	(711)
SPE Das Americas 1 Empreendimentos	-	-	-	(3)	-	(3)
	<u>183,668</u>	<u>9,641</u>	<u>(21,218)</u>	<u>59,921</u>	<u>(18,686)</u>	<u>213,326</u>
Jointly-controlled investees						
Alba	382	44	-	(67)	-	359
SCP RJ 04	(251)	2,634	(164)	4,844	(2,383)	4,680
SPE Mirante do Ibituruna Ltda.	2,709	2	-	(2)	-	2,709
SCP Portal do Bosque	91	-	-	(2)	(10)	79
SCP Park Ritz	466	17	-	(22)	-	461
SCP Recanto das Águas	147	48	-	(97)	-	98
SCP MRV Belo Campo	23	61	-	92	-	176
SCP MRV Rec. Pássaros (Rouxinol)	191	233	-	98	-	522
SCP MRV Res. Beija Flor	8	78	-	91	(75)	102
SPE Padre Marinho	6,795	2,319	(1,280)	401	(2,443)	5,792
SCP Rívoli 1 and 2	32	158	-	(106)	-	84
SPE Acaba Mundo Emp. Imob. Ltda.	810	1,647	-	(7)	(1,647)	803
SPE MRV Patrimar RJ IX Ltda. (Andorinhas) 1 and 2	182	59	(14)	69	(109)	187
SPE Barbacena Empr Imob. S.A.	25,911	2,471	(8,970)	521	-	19,933
SPE Patrimar Somattos Gasparini Ltda.	8,119	2,975	(796)	798	(4,304)	6,792
Ponctuel	42	-	-	(1)	-	41
SPE Direcional Patrimar Maragogi Ltda.	(3)	1,745	-	(15)	(1,735)	(8)
	<u>45,654</u>	<u>14,491</u>	<u>(11,224)</u>	<u>6,595</u>	<u>(12,706)</u>	<u>42,810</u>
Associates						
SCP Safira (Decaminada 10)	(161)	82	-	(129)	-	(208)
SCP João XXIII	(15)	48	-	(16)	(8)	9
SCP Naples	6	-	-	-	-	6
SCP Palo Alto	208	189	(72)	(13)	(96)	216
SCP Park Residences	384	90	(315)	109	-	268
SCP Silva Lobo	86	94	-	8	(101)	85
SCP Tavares Bastos	-	5	-	(10)	-	(5)
SPE Novo Lar Greenport	(116)	-	-	(10)	-	(126)
SPE Axis 1 Porto Fino	772	677	(411)	(29)	(465)	544
	<u>1,164</u>	<u>1,185</u>	<u>(798)</u>	<u>(90)</u>	<u>(670)</u>	<u>789</u>
	<u>230,486</u>	<u>25,317</u>	<u>(33,240)</u>	<u>66,426</u>	<u>(32,062)</u>	<u>256,925</u>



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

- (c) The breakdown of investments in the Consolidated (unconsolidated companies) at December 31, 2020 was as follows:

Companies	Ownership interest (%)		Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment and net capital deficiency
	2020	2019	2020	2020	2020	2020
Ponctuel Consultoria	50 %	50 %	(3)	81	(1)	41
Alba	14 %	14 %	34,700	34,700	4,844	4,680
SCP Manchete	40 %	40 %	(924)	2,347	(369)	799
SCP MRV Belo Campo	50 %	50 %	203	456	92	175
SCP MRV Rec. Passaros (Rouxinol)	40 %	40 %	270	456	98	523
SCP MRV Res. Beija Flor	40 %	40 %	236	519	91	102
SCP Pacuare	50 %	50 %	(63)	(560)	(31)	(279)
SCP Park Ritz	48 %	48 %	(47)	958	(22)	460
SCP Park Rossete	51 %	51 %	(13)	2,159	(6)	1,101
SCP Parque Araras	50 %	50 %	(35)	76	(17)	20
SCP Parque Bem Te Vi	50 %	50 %	(31)	185	(16)	66
SCP Parque Gaivotas	50 %	50 %	(125)	89	(62)	26
SCP Parque Sabia	50 %	50 %	(12)	56	(6)	28
SCP Portal do Bosque	50 %	50 %	(5)	157	(2)	79
SCP Reality e Renovare	51 %	51 %	(1,543)	(296)	(787)	(150)
SCP Recanto das Águas	51 %	51 %	(190)	178	(97)	99
SCP Recanto do Tingui	35 %	35 %	(108)	(230)	(38)	(81)
SCP Riviera da Costa e Sol	48 %	48 %	(2,093)	(526)	(1,005)	(211)
SCP Rívoli 1 and 2	40 %	40 %	(181)	249	(106)	84
SCP RJ 04	50 %	50 %	(134)	719	(67)	359
SPE Acaba Mundo Emp. Imob Ltda.	50 %	50 %	(14)	1,628	(7)	804
SCP Andorinhas	40 %	40 %	166	672	69	188
SPE Barbacena Empr Imobiliários S.A.	50 %	50 %	1,043	39,835	521	19,933
SPE Direcional Patrimar Maragogi Ltda.	50 %	45 %	(27)	(17)	(14)	2
Colina Engefor Patrimar	45 %	45 %	(34)	7	(15)	(8)
SPE Mirante do Ibituruna Ltda.	34 %	34 %	(6)	8,023	(2)	2,709
SPE Padre Marinho	50 %	50 %	802	11,584	401	5,792
SPE Park Riversul	35 %	35 %	(201)	263	(70)	85
SPE Patrimar Somattos Gasparini Ltda.	50 %	50 %	1,609	13,763	798	6,792
SPE Recreio Bandeirantes	35 %	35 %	(129)	(877)	(45)	(292)
SPE Recreio Gaveas	35 %	35 %	145	5,921	51	2,109
SPE Recreio Pontal	35 %	35 %	(1,302)	(4,179)	(456)	(1,344)
Other			-	-	(323)	61
			31,954	118,396	3,401	44,752



**Notes to the combined financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

- (d) The total balances as at December 31, 2020 of the balance sheets, net revenue and net income of unconsolidated companies are as follows:

	Current assets	Non- current assets	Current liabilities	Non-current liabilities	Equity	Profit (Loss)	Net revenue
Companies	2020	2019	2020	2020	2020	2020	
Ponctuel Consultoria	-	81	-	-	81	(3)	-
Alba	36,725	-	2,025	-	34,700	34,700	-
MANCHETE	1,679	1,249	147	434	2,347	(924)	(678)
SCP MRV Belo Campo	606	44	63	131	456	203	(223)
SCP Mrv Rec. Passaros (Rouxinol)	1,186	227	11	946	456	270	(448)
SCP Mrv Res. Beija Flor	1,259	82	190	632	519	236	(743)
PACUARE	48	(364)	8	236	(560)	(63)	-
SCP Park Ritz	1,088	28	88	70	958	(47)	-
PARK ROSSETE	2,313	11	162	3	2,159	(13)	-
PARQUE ARARAS	115	3	38	4	76	(35)	-
PARQUE BEM TE VI	122	83	9	11	185	(31)	-
PARQUE GAIVOTAS	105	16	32	-	89	(125)	-
PARQUE SABIA	79	(7)	3	13	56	(12)	1
SCP Portal Do Bosque	29	151	1	22	157	(5)	-
REALITY E RENOVARE	260	(492)	48	16	(296)	(1,543)	-
SCP Recanto das Aguas	131	65	15	3	178	(190)	-
RECANTO DO TINGUI	(112)	(6)	(64)	176	(230)	(108)	-
RIVIERA DA COSTA E SOL	448	(619)	332	23	(526)	(2,093)	-
Rivoli	300	152	78	125	249	(181)	(39)
RJ 04	735	43	59	-	719	(134)	-
SPE Acaba Mundo E. Imob Ltda.	1,631	-	3	-	1,628	(14)	-
SCP Andorinhas	666	59	48	5	672	166	(209)
SPE Barbacena Empr Imobiliários S/A	45,194	83	5,136	306	39,835	1,043	(30,836)
COLINA ENGEFOR PATRIMAR	100	(97)	13	7	(17)	(27)	-
SPE Direcional Patrimar Maragogi Ltda.	66	4	63	-	7	(34)	-
SPE Mirante do Ibituruna Ltda.	8,024	2	3	-	8,023	(6)	-
SPE Padre Marinho	12,936	-	1,352	-	11,584	802	-
PARK RIVERSUL	437	29	57	146	263	(201)	(312)
SPE Patrimar Somattos Gasparini Ltda.	14,178	18	431	2	13,763	1,609	-
RECREIO BANDEIRANTES	211	12	1,094	6	(877)	(129)	(42)
RECREIO GAVEAS	2,184	234	(3,556)	53	5,921	145	(253)
RECREIO PONTAL	673	124	4,434	542	(4,179)	(1,302)	(61)
	<u>133,416</u>	<u>1,215</u>	<u>12,323</u>	<u>3,912</u>	<u>118,396</u>	<u>31,954</u>	<u>(33,843)</u>

12 Property and equipment

Property and equipment items are depreciated according to the table below:

	Annual depreciation rate
Sales stands and model apartments (i)	-
Leasehold improvements	20.00 %
Machinery and equipment	10.00 %
Vehicles	20.00 %
Furniture and fittings	10.00 %
IT equipment	20.00 %
Management	20.00 %
Aircraft	3.33 %

(i) Sales stands are depreciated according to the estimated flow of sales of each project or written off in case of phase-out.



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

The breakdown of property and equipment for the year ended December 31, 2020 was as follows:

	Parent company					Consolidated				
	At 12/31/2019	Additions	Write-offs	Transfers	At 12/31/2020	At 12/31/2019	Additions	Write- offs	Transfers	At 12/31/2020
Cost										
Leasehold improvements	6,736	-	-	-	6,736	6,736	-	-	-	6,736
Machinery and equipment	3,723	-	-	-	3,723	4,290	1,850	-	-	6,140
Vehicles	1,007	-	(110)	-	897	1,007	-	(110)	-	897
Furniture and fittings	1,958	-	-	-	1,958	1,958	-	-	-	1,958
Sales stands and model apartments	925	-	-	-	925	12,599	4,352	(1,318)	(1,457)	14,176
IT equipment	191	320	-	-	511	220	320	-	-	540
Construction in progress	1,649	1,273	(10)	(1,456)	1,456	-	-	-	-	-
Land (i)	46	-	(46)	-	-	46	-	(46)	-	-
Aircraft (i)	-	-	-	-	-	3,097	-	(3,097)	-	-
Right-of-use - lease - IFRS 16 (ii)	-	-	-	2,512	2,512	-	652	-	5,320	5,972
Total cost	16,235	1,593	(166)	1,056	18,718	29,953	7,174	(4,571)	3,863	36,419
Depreciation										
Leasehold improvements	(2,670)	(1,210)	-	-	(3,880)	(2,666)	(1,210)	-	-	(3,876)
Machinery and equipment	(2,480)	(399)	-	-	(2,879)	(2,844)	(701)	-	-	(3,545)
Vehicles	(603)	(121)	110	-	(614)	(603)	(121)	110	-	(614)
Furniture and fittings	(390)	(206)	-	-	(596)	(391)	(206)	-	-	(597)
Sales stands and model apartments	(167)	(185)	-	-	(352)	(2,864)	(2,522)	46	-	(5,340)
IT equipment	(74)	(51)	-	-	(125)	(76)	(58)	-	-	(134)
Aircraft (i)	-	-	-	-	-	(172)	(95)	267	-	-
Right-of-use - lease - IFRS 16 (ii)	-	-	-	(1,074)	(1,074)	-	(420)	48	(2,170)	(2,542)
Total depreciation	(6,384)	(2,172)	110	(1,074)	(9,520)	(9,616)	(5,333)	471	(2,170)	(16,648)
Total property and equipment, net	9,851	(579)	(56)	(18)	9,198	20,337	1,841	(4,100)	1,693	19,771

(i) The reduction in aircraft balances occurred through the partial split-off shown in Note 22(c).

(ii) The transfers that occurred are related to the full reclassification of balances of Right-of-use - lease (intangible assets), to meet the classification and presentation criteria of CPC 06 (R2).



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

13 Intangible assets

The breakdown of intangible assets for the year ended December 31, 2020 was as follows:

	Parent company					Consolidated				
	At 12/31/2019	Additions	Write- offs	Transfers (Note 11(ii))	At 12/31/2020	At 12/31/2019	Additions	Write-offs	Transfers (Note 12(ii))	At 12/31/2020
Cost										
Computer software license	11,658	42	-	1,456	13,156	12,301	42	-	1,457	13,800
Right-of-use - lease	2,328	287	(103)	(2,512)	-	5,063	1,398	(1,141)	(5,320)	-
Total cost	<u>13,986</u>	<u>329</u>	<u>(103)</u>	<u>(1,056)</u>	<u>13,156</u>	<u>17,364</u>	<u>1,440</u>	<u>(1,141)</u>	<u>(3,863)</u>	<u>13,800</u>
Amortization										
Computer software license	(811)	(2,358)	-	-	(3,169)	(896)	(2,487)	-	-	(3,383)
Right-of-use - lease	(428)	(646)	-	1,074	-	(1,039)	(1,131)	-	2,170	-
Total amortization	<u>(1,239)</u>	<u>(3,004)</u>	<u>-</u>	<u>1,074</u>	<u>(3,169)</u>	<u>(1,935)</u>	<u>(3,618)</u>	<u>-</u>	<u>2,170</u>	<u>(3,383)</u>
Total intangible assets, net	<u><u>12,747</u></u>	<u><u>(2,675)</u></u>	<u><u>(103)</u></u>	<u><u>18</u></u>	<u><u>9,987</u></u>	<u><u>15,429</u></u>	<u><u>(2,178)</u></u>	<u><u>(1,141)</u></u>	<u><u>(1,693)</u></u>	<u><u>10,417</u></u>

Computer software license is amortized at the rate of 20% per annum.



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

14 Borrowings

	Parent company		Consolidated	
	2020	2019	2020	2019
Financing for construction	22,324	16,124	73,550	29,806
Borrowings for working capital (R\$) (ii)	60,336	22,058	60,336	26,056
Borrowings for working capital (US\$) (i)	-	10,025	-	10,025
Derivative financial instrument - Swap (i)	-	496	-	496
	<u>82,660</u>	<u>48,703</u>	<u>133,886</u>	<u>66,383</u>
Borrowings - working capital				
Current liabilities	10,336	18,405	10,336	26,054
Non-current liabilities	50,000	14,174	50,000	10,523
Financing for construction				
Current liabilities	7,273	4,524	39,350	11,477
Non-current liabilities	15,051	11,600	34,200	18,329
Current liabilities	17,609	22,929	49,686	37,531
Non-current liabilities	65,051	25,774	84,200	28,852

- (i) In December 2019, the Group contracted with Bradesco a borrowing for working capital denominated in U.S. dollars, in the original amount of US\$2,365 thousand, bearing interest of 3.27% per annum. A swap instrument was contracted in connection with the borrowing, in order to exchange the foreign currency for Brazilian Reais at a fixed interest rate of 7.8% p.a. The swap instrument is an integral part of the borrowing contract. Foreign exchange gains/losses are offset against swap gains or losses. This transaction was settled in December 2020.
- (ii) The Company has a working capital contract, which includes covenants, verifiable on a quarterly basis and the commitment to keep the net working debt below R\$ 30 million up to the full settlement of the contracted obligations. The commitments assumed have been complied with by the Company as agreed upon.

Changes in borrowings in the period or year were as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Opening balance	48,704	39,035	66,383	46,260
Releases	105,659	35,426	164,819	38,437
Provision for interest payable	4,721	3,401	6,425	4,631
Payments - interest	(4,216)	(2,214)	(5,633)	(3,926)
Repayments - principal	(72,680)	(26,909)	(98,580)	(38,028)
Foreign exchange gains/losses	472	(532)	472	(532)
Swap	-	496	-	496
Merger of RPMV (i)	-	-	-	19,045
Closing balance	<u>82,660</u>	<u>48,703</u>	<u>133,886</u>	<u>66,383</u>

- (i) After the merger of RPMV, the Company started to include Construtora Novolar information in its consolidated accounts, and its debt balance related to borrowings was merged into the Group's debts.



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

Amounts recorded in current and non-current liabilities of working capital by maturity year are as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
2020	-	18,405	-	26,054
2021	10,336	6,468	10,336	4,524
2022	10,000	5,659	10,000	5,438
2023	20,000	2,047	20,000	561
2024	20,000	-	20,000	-
	60,336	32,579	60,336	36,577

Amounts recorded in current and non-current liabilities of financing for construction by maturity year are as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
2020	-	4,524	-	11,477
2021	7,273	4,524	39,350	7,419
2022	15,051	4,524	29,924	5,696
2023	-	2,552	4,276	5,214
	22,324	16,124	73,550	29,806

Financing for construction: This type of borrowing is designed to fund projects during the construction period. The applicable interest rates range from 6.9% to 11.25% p.a., depending on the operation, plus the Reference Rate (TR). These financing arrangements are secured by the real estate development to which it is related.

Working capital: This type of borrowing is designed to finance the Group's working capital requirements. The average interest rate applicable to borrowings of this type is the CDI rate ranging from 3.75% to 4.90% p.a. In November 2020, a borrowing in the total amount of R\$ 50 million was obtained, maturing in November 2024.

15 Lease

	Parent company		Consolidated	
	2020	2019	2020	2019
Lease	1,715	2,025	3,869	4,346
	1,715	2,025	3,869	4,346
Current liabilities	501	495	1,486	1,184
Non-current liabilities	1,214	1,530	2,383	3,162



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

Changes in lease in the year were as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Opening balance	2,025	-	4,346	-
Lease	571	2,375	2,261	5,063
Repayments - lease - principal	(882)	(538)	(2,920)	(1,104)
Payments - lease - interest	(57)	188	(319)	387
Financial charges - Lease	58	-	501	-
Closing balance	1,715	2,025	3,869	4,346

Amounts recorded in current and non-current liabilities by maturity year are as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
2020	-	495	1,486	1,184
2021	501	510	1,143	1,054
2022	569	510	1,109	1,054
2023	645	510	131	1,054
	1,715	2,025	3,869	4,346

Lease:

Rental agreement related to administrative facilities (warehouse, headquarters, offices) - remaining term of 8 to 42 months, discounted to present value at the rate of 1.06% p.m.

Rental agreement related to housing facilities for engineers - remaining term of 4 to 13 months, discounted to present value at the rate of 1.06% p.m.

Rental agreement related to commercial spaces (stores and sales stand) - remaining term of 9 to 21 months, discounted to present value at a rate ranging from 1.06% p.m. to 1.11% p.m.

Lease contract related to heavy equipment - remaining term of 8 to 13 months, discounted to present value at a rate ranging from 1.06% p.m. to 1.11% p.m.

16 Trade payables

	Parent company		Consolidated	
	2020	2019	2020	2019
Trade payables	1,949	6,320	23,153	26,908
Technical retentions	443	583	4,220	2,715
	2,392	6,903	27,373	29,623



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

The balance of trade payables represents commitments assumed by the Group for acquisition of the inputs required to perform the contracted services, or purchase of equipment with their own funds.

Technical retentions correspond to a contractual agreement which aims to ensure that all existing technical details in the construction contracts are fully complied with.

Accordingly, a specific percentage (provided for in the contract) is withheld from the amounts payable to the contractor so that, in case of any non-compliance with the contract provisions, the customer is protected. At the end of the contract, if all requirements are met, the amount is refunded to the service provider.

17 Tax liabilities

Corporate income tax and social contribution on net income are calculated based on the amounts received (cash basis). The balances of taxes payable are estimated on an accrual basis of accounting and are recorded as deferred taxes, as shown below. The breakdown of the balances of taxes to be paid according to tax criteria is as follows:

	Parent company		Consolidated	
Taxes payable	2020	2019	2020	2019
Special Taxation Regime (RET)	197	158	1,036	814
National Institute of Social Security (INSS)	251	458	3,020	658
Corporate Income Tax (IRPJ)	-	1	317	303
Services Tax (ISS)	177	223	529	109
Social Contribution on Net Income (CSLL)	-	-	11	226
Social Contribution on Revenues (COFINS)	8	83	6	339
Social Integration Program (PIS)	2	20	80	88
Other withheld taxes	351	388	610	805
	986	1,331	5,609	3,342
Deferred taxes				
Special Taxation Regime (RET)	1,469	710	9,498	4,594
Social Contribution on Revenues (COFINS)	8	7	530	164
Social Contribution on Net Income (CSLL)	-	-	67	43
Social Integration Program (PIS)	-	-	38	23
	1,477	717	10,133	4,824
	2,463	2,048	15,742	8,166



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

18 Real estate purchase obligations

Include the amounts to be settled in cash related to the acquisition of land used in real estate developments.

	Parent company		Consolidated	
	2020	2019	2020	2019
Land developed	-	-	43,115	12,271
Land not developed	863	1,976	42,088	41,108
	863	1,976	85,203	53,379
Current liabilities	863	1,976	54,965	46,799
Non-current liabilities	-	-	30,238	6,580

19 Advances from customers

These advances refer to sales of real estate units and a commitment to deliver completed units arising from the acquisition of land for real estate development through a barter arrangement.

	Parent company		Consolidated	
	2020	2019	2020	2019
Advances from customers and barter made for construction in progress	2,898	4,492	73,592	50,078
Advances from customers for customized units	-	-	33,925	4,731
Barter made for land - not launched developments	95	20,722	43,602	30,588
	2,993	25,214	151,119	85,397
Current liabilities	2,942	25,214	151,075	85,397
Non-current liabilities	51	-	44	-

20 Provision for contingencies and judicial deposits

Provision for contingencies

	Parent company		Consolidated	
	2020	2019	2020	2019
Civil	-	-	2,614	1,001
Tax	1,427	1,427	1,428	4,443
Labor	-	24	1,546	1,548
	1,427	1,451	5,588	6,992



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

Judicial deposits

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Civil	-	16	1,165	1,789
Tax	-	-	-	-
Labor	75	268	364	803
	<u>75</u>	<u>284</u>	<u>1,529</u>	<u>2,592</u>

Changes in the year ended December 31, 2020:

Contingencies

	<u>Parent company</u>	<u>Consolidated</u>
Opening balance	1,451	6,992
Additions	-	2,799
Write-offs	(24)	(4,032)
Update	-	(171)
	<u>1,427</u>	<u>5,588</u>
Closing balance	<u>1,427</u>	<u>5,588</u>

Judicial deposit

	<u>Parent company</u>	<u>Consolidated</u>
Opening balance	284	2,592
Additions	-	19
Write-offs	(209)	(1,082)
	<u>75</u>	<u>1,529</u>
Closing balance	<u>75</u>	<u>1,529</u>

The reduction of the contingency in Consolidated refers to the termination of the lawsuit and enrollment with the installment payment program of social security debt, accounted for as a tax obligation (Note 17).

The Group companies are parties to tax, labor and civil litigation, and are discussing such matters at the administrative and judicial levels, which, when applicable, are supported by judicial deposits.

The corresponding provisions for contingencies were set considering the estimate made by the legal counsel for proceedings involving probable loss.

Possible loss contingencies:

The Group companies are parties to other legal proceedings of a tax, civil and labor nature arising in the normal course of business, for which the likelihood of an unfavorable outcome is considered as possible by management and its legal counsel. The approximate amounts of R\$ 3,307 (labor claims), R\$ 38,106 (tax claims), and R\$ 6,948 (civil claims) total R\$ 49,361 (R\$ 44,179 at December 31, 2019).

Accordingly, no provision was recorded to cover possible losses.

Of the amounts of possible contingencies, the most significant refers to the “physical exchange” of land.



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

As part of the process for purchase and sale of properties, the Group acquires land to be developed based on the "physical exchange" method. On September 4, 2014, the Federal Revenue Secretariat (SRF) issued Cosit Regulatory Opinion No. 9, which changed the understanding of the income tax legislation with respect to the deemed profit (Decree No. 3,000 of March 26, 1999) and started to consider revenue from physical exchange transactions recognized at fair value as the calculation bases for IRPJ, CSLL, PIS and COFINS. Based on this understanding, in 2018 and 2017 tax assessment notices were issued against the Group in the amount of R\$28,718.

The Group, together with its legal counsel, has been challenging this assessment at the administrative level, and has claimed that the assessment notice be considered as lacking grounds since the recognition of the fair value from the barter transactions carried out cannot give rise to any effect on the calculation bases of the mentioned taxes. The probability of loss in this case has been classified as possible and the estimated risk involved at December 31, 2020 amounted to R\$ 35,442 (R\$ 33,299 at December 31, 2019). The decisions already issued, either within the scope of the Administrative Board of Tax Appeals (CARF) or the High Court of Justice (STJ) were favorable to taxpayers. Therefore, no provision for contingencies with respect to this matter has been recorded in the financial statements.

21 Provision for real estate maintenance

The Group offers a five-year warranty against construction problems, as required by the Brazilian legislation.

In order to fulfill this commitment with no impact on future years, and provide a proper balance between revenues and costs, for each real estate development under construction an amount corresponding to 1.5% of the construction cost was provided for, on an estimated basis, at December 31, 2020 and December 31, 2019.

This estimate is based on historical averages and expectations of future outflows, according to analyses performed by the Group's engineering department, which are reviewed annually.

The provision is recorded as the work progresses, by applying the percentages above to the actual costs incurred.

Provisions are recorded (used) as maintenance is required in accordance with the contractual requirements for warranty coverage.

Changes in the provision for maintenance were as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Opening balance	1,566	1,578	7,701	5,453
Additions	246	285	2,743	1,452
Write-offs (Payments related to warranties)	(280)	(297)	(1,682)	(3,048)
Merger (Note 20(b))	-	-	-	3,844
Closing balance	1,532	1,566	8,762	7,701



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

22 Equity

(a) Capital

At December 31, 2020, capital was R\$ 269,172 (R\$ 281,602 at December 31, 2019) and was divided into 56,025,501 (fifty-six million, twenty-five thousand, five hundred and one) common shares.

(b) Corporate structure

On October 30, 2019, the quotaholder PRMV Participações S.A. approved the transformation of Patrimar from a limited liability partnership to a corporation.

In addition, RPMV Participações S.A., which held a 99.99% interest in the quotas of Construtora Novolar Ltda. was merged with the Company, which also received by assignment the remaining quota of Construtora Novolar Ltda. held by PRMV Participações S.A. As presented in Note 1, PRMV Participações S.A. was part of the Patrimar Group through the full interest held by the same stockholders.

In view of the above, PRMV Participações S.A. and RPMV Participações S.A. withdrew from the ownership structure of Construtora Novolar Ltda., and Patrimar Engenharia S.A. became its only quotaholder.

Based on the special balance sheet prepared by RPMV Participações S.A. on September 30, 2019, Patrimar was merged with RPMV and the net assets of R\$ 102,570 were used as a capital increase in Patrimar. After the merger, Patrimar identified a need to make adjustments to the opening balance of the merger, which was adjusted as a debit to retained earnings (accumulated deficit) due to adjustments in the balance sheet. The adjustments relate basically to the recognition of provisions for canceled sales from previous years (2018 and 2017) and interest capitalized on investments in completed projects.

Special balance sheet prepared on September 30, 2019

Assets	Merged balance	Adjust- ment	Adjusted balance	Liabilities	Merged balance	Adjust- ment	Adjusted balance
Cash and cash equivalents	10		10	Dividends payable	13,701	-	13,701
Investments	122,144	(10,374)	111,770	Related parties	5,883	-	5,883
				Equity	102,570	(10,374)	92,196
Total	122,154	(10,374)	111,780	Total	122,154	(10,374)	111,780

Upon completion of the merger, all the registered common shares with no par value issued by Patrimar were held as follows:

Stockholders	Common shares
PRMV Participações S.A.	17,903,150,656
Alexandre Araújo Elias Veiga	503,466,438
Heloísa Magalhães Martins Veiga	503,466,438
Renata Martins Veiga Couto	4,531,197,945
Patrícia Martins Veiga	4,531,197,945
	27,972,479,422



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

Change in the number of shares - reverse split (Note 31(a))

On August 5, 2020, at an Extraordinary General Meeting the stockholders decided to change the number of the Company's shares through a reverse split in the ratio of 160:1, that is, each group of 160 (one hundred and sixty) common shares was consolidated into 1 (one) common share. As a result, the share capital comprised 174,827,996 (one hundred and seventy-four million, eight hundred and twenty-seven thousand, nine hundred and ninety-six) registered, book-entry common shares, without par value.

Stockholders	Common shares
PRMV Participações S.A.	111,894
Alexandre Araújo Elias Veiga	3,147
Heloísa Magalhães Martins Veiga	3,147
Renata Martins Veiga Couto	28,320
Patrícia Martins Veiga	28,320
	174,828

On October 5, 2020, at an Extraordinary General Meeting the stockholders decided to change the number of the Company's shares through a reverse split in the ratio of 3:1, that is, each group of 3 (three) common shares was consolidated into 1 (one) common share. As a result, the share capital comprised 58,275,999 (fifty-eight million, two hundred and seventy-five thousand, nine hundred and ninety-nine) registered, book-entry common shares, without par value.

Stockholders	Common shares
PRMV Participações S.A.	37,298
Alexandre Araújo Elias Veiga	1,049
Heloísa Magalhães Martins Veiga	1,049
Renata Martins Veiga Couto	9,440
Patrícia Martins Veiga	9,440
	58,276

(c) Partial split-off

At an Extraordinary General Meeting held on December 31, 2020, the stockholders decided to carry out a partial split-off of assets with a reduction in the Company's capital by R\$12,429,952.73 (twelve million, four hundred and twenty-nine thousand, nine hundred and fifty and two reais and seventy-three cents),, by canceling 2,250,498 (two million, two hundred and fifty thousand, four hundred and ninety-eight) common shares, of which 378,167 (three hundred and seventy-eight thousand, one hundred and sixty-seven) shares held by stockholder Patrícia Martins Veiga; 378,167 (three hundred and seventy-eight thousand, one hundred and sixty-seven) shares held by stockholder Renata Martins Veiga Couto and 1,494,164 (one million, four hundred and ninety-four, one hundred and sixty-four) shares held by stockholder PRMV Participações S.A., without considering the proportional interest of each stockholder in Patrimar's capital, since the shares held by the other stockholders will not be canceled.



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

Stockholders	%	Common shares
PRMV Participações S.A.	63.92	35,804
Alexandre Araújo Elias Veiga	1.87	1,049
Heloísa Magalhães Martins Veiga	1.87	1,049
Renata Martins Veiga Couto	16.17	9,062
Patrícia Martins Veiga	16.17	9,062
	<u>100 %</u>	<u>56,026</u>
Account		Net effect
Properties for sale		(9,554)
Property and equipment		(2,876)
Capital		<u>12,430</u>
Total:		<u>-</u>

(d) Legal reserve

This reserve is credited annually with 5% of the profit for the year in compliance with article 193 of Law 6,404/76, up to the limit of 20% of capital.

(e) Profit distribution policy

The Company's bylaws establish that 25% of the profit, after deducting the portion transferred to the legal reserve, will be credited as mandatory minimum dividends. The retained portion of the profit will be subsequently allocated as decided by the stockholders.

(f) Dividends

In accordance with the Company's bylaws, 25% of the profit, after the offsetting of losses and appropriation to legal reserve, will be set aside for distribution as mandatory minimum dividends. The mandatory minimum dividend for the year ended December 31, 2020, was calculated as follows:

Mandatory minimum dividends	Amount
Profit for the year	56,389
Legal reserve	(2,819)
Profit for the year - legal reserve	53,570
Mandatory minimum dividends	13,391
Interim dividends (Extraordinary General Meeting of October 5, 2020)	(5,268)
Proposed dividends	8,123



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

23 Earnings per share

The table below presents the data on earnings and number of shares/quotas used in the calculation of basic and diluted earnings per share:

	2020	2019
Basic earnings per share:		
Profit for the year	56,389	5,975
Weighted average number of shares (in thousands) adjusted according to the reverse split described in Note 31 (a)	56,026	56,026
Basic and diluted earnings per share - R\$	1.006479	0.106647

24 Net operating revenue

The reconciliation between gross and net sales revenue is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Gross revenue from the sales of properties	61,047	50,332	457,698	256,786
Service revenue	1,108	9,022	7,544	9,061
Canceled sales	(4,354)	(7,248)	(27,334)	(24,116)
Changes in the provision for canceled sales	-	1,128		1
Adjustment to present value (i)	992	(745)	6,540	(6,121)
Taxes on billings	(1,485)	(759)	(9,221)	(4,552)
Net operating revenue	57,308	51,730	435,227	231,059

- (i) Because the Company believes that the financing to its customers is inherent to its operations, it allocates the reversals of the present value adjustments of trade receivables as operating revenue.

25 Costs and expenses by nature

	Parent company		Consolidated	
	2020	2019	2020	2019
Cost of properties sold				
Materials	(9,736)	(7,702)	(81,837)	(27,711)
Land	(7,184)	(7,726)	(71,133)	(44,581)
Completed properties	(7,308)	(5,896)	(27,936)	(42,401)
Personnel expenses	(2,206)	(1,295)	(12,183)	(3,632)
Subcontractors	(6,739)	(4,829)	(54,299)	(22,502)
Other	(1,436)	(3,659)	(19,137)	(8,961)
	(34,609)	(31,107)	(266,525)	(149,788)



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2020	2019	2020	2019
General and administrative expenses				
Personnel expenses	(12,597)	(10,797)	(15,513)	(11,532)
General and administrative expenses	(2,339)	(2,237)	(3,957)	(2,526)
Depreciation and amortization	(4,944)	(3,063)	(6,125)	(2,967)
Third-party services	(3,969)	(4,174)	(5,710)	(5,474)
	<u>(23,849)</u>	<u>(20,271)</u>	<u>(31,305)</u>	<u>(22,499)</u>
	Parent company		Consolidated	
	2020	2019	2020	2019
Selling expenses				
Personnel expenses	(1,600)	(1,264)	(4,315)	(2,047)
Commissions and brokerage	(93)	(547)	(7,618)	(4,271)
Sales stands/model apartments	(19)	(419)	(2,817)	(2,523)
Advertising	(738)	(1,520)	(8,675)	(6,556)
Other selling expenses	(921)	(1,391)	(5,906)	(5,341)
	<u>(3,371)</u>	<u>(5,141)</u>	<u>(29,331)</u>	<u>(20,738)</u>
	Parent company		Consolidated	
	2020	2019	2020	2019
Other operating income (expenses), net				
Expenses with real estate credit	(327)	(162)	(508)	(1,755)
Tax expenses	(258)	(49)	(361)	(320)
Provision for contingencies	(262)	(295)	(2,812)	(4,841)
Other operating income and expenses	(412)	(447)	(8,493)	(1,862)
	<u>(1,259)</u>	<u>(953)</u>	<u>(12,174)</u>	<u>(8,778)</u>

26 Management fees

Management compensation for the years ended December 31, 2020 and 2019 is shown below:

	2020	2019
Parent company	3,504	1,999
Consolidated	3,937	2,429



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

27 Finance income (costs), net

	Parent Company		Consolidated	
	2020	2019	2020	2019
Finance income				
Indexation accruals and interest as per contracts	1,601	827	8,057	3,432
Interest on financial investments	315	343	1,126	1,733
Swap – credit balance	9,984	-	9,984	-
Other finance income	(2,061)	582	(1,885)	1,050
	9,839	1,752	17,282	6,215
Finance costs				
Interest on borrowings	(3,540)	(2,819)	(4,093)	(3,310)
Bank fees and charges	(1,084)	(203)	(1,552)	(586)
Financing expenses	(526)	(32)	(515)	(190)
Swap - debit balance	(7,878)	(496)	(7,878)	(496)
Other finance costs	42	(160)	254	(1,823)
	(12,986)	(3,710)	(13,784)	(6,405)
	(3,147)	(1,958)	3,498	(190)

28 Income tax and social contribution expenses

Corporate income tax and social contribution on net income are calculated on an accrual basis. However, considering that their payment is made on a cash basis the Company records them as deferred taxes up to the time the payment is made. The breakdown of the balances of taxes to be paid according to tax criteria is as follows:

	Parent company		Consolidated	
	2020	2019	2020	2019
Profit before IRPJ and CSLL	57,499	6,669	102,791	31,100
Rate 34%	(19,550)	(2,267)	(34,949)	(10,574)
Effect on exclusions (equity accounting)	22,585	(4,799)	1,156	(422)
Segregated assets structure (RET)	352	(38)	2,691	614
Unrecognized tax credits due to temporary differences (RET)	(4,497)	6,410	22,678	5,821
IRPJ and CSLL expenses	(1,110)	(694)	(8,424)	(4,561)
Effective rate	2 %	10 %	8 %	15 %

Management believes that these deferred tax assets arising from tax losses should not be recognized considering the non-expectation of future taxable income, due to the fact that a substantial part of the Group's operations is carried out through SPEs and SCPs, and also based on the Special Taxation Regime (RET) adopted for certain projects developed by the Group.



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

29 Deferred revenue and deferred costs

Pursuant to the Circular Official Letter No. 02/2018 of December 12, 2018, which addresses revenue recognition by Brazilian companies from agreements for the purchase and sale of uncompleted real estate units, we present the information below, mainly related to deferred revenue and deferred costs of units under construction.

	<u>Parent company</u>	<u>Consolidated</u>
Developments under construction		
(i) Deferred revenue from units sold		
(a) Developments under construction:		
Revenue from contracted sales	58,451	1,039,606
Revenue from recognized sales	(45,003)	(592,500)
Canceled sales - reversed revenue	561	25,912
	<u> </u>	<u> </u>
(b) Revenue from recognized sales, net	<u>(44,442)</u>	<u>(566,588)</u>
Deferred revenue (a+b)	<u>14,009</u>	<u>473,018</u>
(ii) Budgeted deferred cost of sold units		
(a) Developments under construction:		
Budgeted costs	31,326	610,220
Construction costs	(24,253)	(334,155)
	<u> </u>	<u> </u>
(b) Incurred costs, net	<u>(24,253)</u>	<u>(334,155)</u>
Deferred costs of units sold (a+b)	<u>7,073</u>	<u>276,065</u>
(iii) Budgeted deferred costs of units in inventory		
Developments under construction:		
(a) Budgeted costs	8,786	300,025
(b) Incurred costs	(6,802)	(138,469)
	<u> </u>	<u> </u>
Deferred costs of units in inventory (a+b)	<u>1,984</u>	<u>161,556</u>

30 Commitments

(a) Commitments for purchase of land

Commitments have been undertaken by the Group for purchases of land, which have not yet been reflected in the accounting records, as there are matters pending resolution by the sellers before the formalization of the final deed and transfer of the related title to Patrimar, its subsidiaries or partners. These commitments total R\$ 1,231,400 (R\$ 1,266,777 in 2019) of which: R\$ 1,138,566 (R\$ 1,186,262 in 2019) will be settled by transfers of real estate units to be constructed and/or by using a portion of the proceeds from the sale of the related developments, and R\$ 92,835 (R\$ 80,515 in 2019) will be settled as a balancing payment.

(b) Lease commitments

At December 31, 2020, Patrimar had R\$ 1,715 (R\$ 2,025 in 2019) in the Parent company and R\$ 3,869 (R\$ 4,346 in 2019) in Consolidated in commitments related to the lease of big-sized equipment and real estate.



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

31 Segment reporting

The main revenue of the Group is derived from real-estate development. The chief operating decision-maker analyzes information by development for the purposes of allocating resources and assessing its performance. The management of activities relating to strategic planning, finance, purchases, the investment of resources and the assessment of the performance of developments is centralized and there is no segregation by type of development (residential - high and middle standard and commercial) that could indicate management by segment, or other factors that could identify a set of components as operating segments of the entity.

32 Insurance

At December 31, 2020, the Company has the following insurance policies:

- (a) Engineering risk insurance - civil works in progress: it offers a coverage for all the risks involved in the construction of real estate, such as fire, theft and damage resulting from construction works, among others. This type of insurance permits additional coverage considering the risks inherent to construction works, including civil liability and cross liability insurance, special expenses, riots, employer's civil liability and moral damages.
- (b) Business risk insurance - coverage for sales stands and model apartments against damage caused by fire, theft, lightning and explosion, among others.
- (c) Multiple peril insurance - coverage for electronic equipment against possible theft or electrical damage.
- (d) Civil liability insurance (management)



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

At December 31, 2020, the insurance coverage was as follows:

		Insured amount
Items	Type of coverage	Consolidated
Commercial multiple peril and general civil liability - Multiple peril insurance	It assures, after completion of the construction of the development, compensation for damages caused by fire, lightning strike, windstorm, electrical damage and glass breakage	20,643
Contractor - Completion bond (SGTO)	It assures to the financing agent of the development the completion of the construction in the event of technical and financial unavailability by the Company.	26,802
Civil liability (management)	It assures the coverage of moral damages to the Company's management (D&O)	20,000
Insurance - construction (engineering risk)/Civil liability	It assures, during the construction period of the project, indemnity resulting from damages caused to the works, such as fire, lightning strike, theft, among other specific coverings of facilities and assemblies in the place covered by the insurance. It assures indemnity up to the maximum limit of the insured amount, of the amounts for which the Company may have civil liability related to repairs for involuntary personal and/or material damages caused to third parties.	634,986
Commercial multiple peril insurance	Typically, it assures indemnity for three risks: fires, lightning strikes and explosions. In addition to these risks, these plans combine several additional coverages, such as: windstorm, aircraft crashes, loss of rent, among several others. Also, they may include civil liability coverage (of family members, of the building manager and/or condominium, material damages to third-party vehicles), medical/hospital/dental expenses of individuals, etc.	57,904
Guarantee insurance - contractual obligations	The Contractual Guarantee Insurance is designed to ensure companies and public agencies of the fulfillment of contracts, by indemnifying the insured for breaches of contracts (contractual obligations) of several types.	38,382
Post-completion bond – maintenance bond (SGPE)	It ensures maintenance and troubleshooting in units delivered for up to five years, with respect to the damages provided for in the consumer code.	5,138
Equipment	It guarantees indemnity for the losses directly resulting from the occurrence of risks related to machines, equipment and implements, of fixed or mobile types, for non-agricultural use.	1,999
House	It guarantees indemnity for the damages caused by fire, lightning strike and explosion, however, there are other additional coverages that can also be contracted, aiming at supplementing the insurance and protecting the property against other risks, including theft, collapse, vehicle impact, aircraft crash, windstorm, hurricane, cyclone, hailstorm, electrical damages, etc.	7,671
Legal guarantee	The Legal Guarantee Insurance is a type of insurance that was created as an alternative to judicial deposits and the attachment of assets in litigation. This insurance has been widely accepted at the judicial level, either as a new guarantee in the case or as a substitute of the guarantees given.	152
Contractor - Completion bond - Infrastructure not included	It guarantees the execution of the external infrastructure works up to the maximum guarantee amount established in the policy, for the losses resulting from failure to honor the obligations assumed by the provider in relation to the obligation to complete the construction of the external infrastructure of the property in question.	2,655



**Notes to the financial statements
at December 31, 2020**

All amounts in thousands of reais unless otherwise stated

33 Transactions not involving cash or cash equivalents

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Investing activities				
Transfers of property and equipment – Leases IFRS 16 (Note 12)	18	-	2,170	-
Transfers of intangible assets – Leases IFRS 16 (Note 13)	(18)	-	(2,170)	-

34 Events after the reporting period

At the Extraordinary General Meeting held on January 19, 2021, stockholders decided to distribute interim dividends in the amount of R\$ 1,000,000.00 (one million reais) to the owners of the Company, which were paid in full to the stockholders registered in the Company's registers on that date.

* * *

Conclusions and Representations / Officers' Representation on the Financial Statements

Officers' Representation on the Financial Statements

Pursuant to the provisions of Article 25, paragraph 1, items V and VI, of the Brazilian Securities and Exchange Commission Instruction No. 480 of December 7, 2009, the officers represent that they have reviewed, discussed and are in agreement with the parent company and consolidated financial statements for the year ended December 31, 2020.

Belo Horizonte, February 23, 2021.

Chief Executive Officer – ALEXANDRE ARAÚJO ELIAS VEIGA

Chief Financial and Investor Relations Officer - FELIPE ENCK GONÇALVES

Conclusions and Representations / Officers' Representation on the Independent Auditor's Report

Officers' Representation on the Independent Auditor's Report

Pursuant to the provisions of Article 25, paragraph 1, items V and VI, of the Brazilian Securities and Exchange Commission Instruction No. 480 of December 7, 2009, the officers represent that they have reviewed, discussed and are in agreement with the conclusions expressed in the Independent Auditor's Report dated February 23, 2021, on the parent company and consolidated financial statements for the year ended December 31, 2020.

Belo Horizonte, February 23, 2021.

Chief Executive Officer – ALEXANDRE ARAÚJO ELIAS VEIGA

Chief Financial and Investor Relations Officer - FELIPE ENCK GONÇALVES

EXECUTIVE BOARD

ALEXANDRE ARAÚJO ELIAS VEIGA
Chief Executive Officer

FELIPE ENCK GONÇALVES
Chief Financial and Investor Relations Officer

RESPONSIBLE ACCOUNTANT

ROGER TADEU VILELA FERREIRA
Contador

CRC - MG 122.560/O