

(A free translation of the original in Portuguese)

***Patrimar
Engenharia S.A.***
(formerly Patrimar Engenharia Ltda.)
***Parent company and consolidated
financial statements at
December 31, 2019
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.
(formerly Patrimar Engenharia Ltda.)

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. ("Company", formerly Patrimar Engenharia Ltda.), identified as parent company and consolidated, respectively, which comprise the balance sheet as at December 31, 2019 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, 2019, 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.

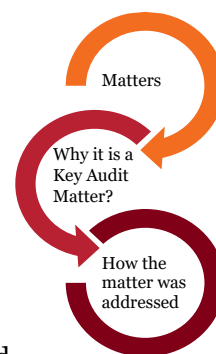
Emphasis of matter

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, 2019 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 22)

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 18)

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, 2019, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the



Patrimar Engenharia S.A.

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, August 5, 2020

A large, stylized handwritten signature in blue ink that reads "PricewaterhouseCoopers".

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

A large, stylized handwritten signature in blue ink that reads "Guilherme Campos e Silva".

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

(A free translation of the original in Portuguese)

MANAGEMENT REPORT

The Management of Patrimar Engenharia S.A. presents its results for the year ended December 31, 2019.

In 2019, the Company consolidated its current phase of growth, with an increase of 27% in net revenue in comparison with the consolidated figures for 2018. We would also point out the merger of the wholly-owned investee Construtora Novolar Ltda. in September 2019, thus adding to the current strategic structure of Patrimar one more important and significant niche of the Brazilian residential market.

The Company's mission is to develop, construct and sell properties for the commercial and high, medium and low-income residential segments, with higher quality and more competitive prices, generating value to its customers and stockholders. In all sectors in which it operates, the Company's goal is to offer products that exceed the expectations of its customers, thus providing a unique experience in the acquisition of a property.

Patrimar's business vision is to be recognized as the best, more creative, bold and sustainable real estate development and construction company.

Historically, the Company has always had a strong generation of cash from operations, partially using it as a source of self-financing of its operations. The financing of its operations using third-party capital, mainly the financing of real estate developments for legal entities, has a positive history of amortization and settlement due to the cash flow provided by the financed real estate developments. The Company believes that, this does not only show the increased degree of marketing assertiveness of its developments, but also discipline in working capital management and use of an appropriate capital structure. As a result of the conscious use of capital sources, the Company developed an excellent long-term relationship with the financial institutions that provide real estate financing, either for real estate developments or for the offering of real estate financing for individuals to acquire their properties.

Recently, the Brazilian market has shown greater volatility as a result, among other factors, of the spread of the COVID-19 pandemic. However, restrictive measures have been adopted in Brazil and in other countries in an attempt to minimize the spread of the disease, thus reducing its impacts on the economy.

As the construction industry was included in the list of essential activities by the Brazilian government, several incentive measures were disclosed, greatly reducing impacts. We are keeping up the pace and all projects have continued without interruption, with no identified risk of delay in the delivery to customers. We are complying with all the requirements and taking the required measures, by ensuring that the health and safety of our employees and service providers are prioritized. The staff of the administrative and commercial areas worked from home for a certain period, and are returning to their workplaces as the flexibility of the social isolation has been adopted in the cities where their offices are located. Our partners in the various chains, both financial and in the performance of works, have been operating without major impacts.

We are positive about the recovery of the economy and we hope that the whole society can work towards our major asset, the social well-being.

By the end of 2019 the Company had 441 employees.

CORPORATE GOVERNANCE

The Executive Board of the Company is mainly responsible for the management and daily monitoring of the general policies and guidelines.

Executive	Position
Alexandre Araujo Elias Veiga	Chief Executive Officer
Heloisa Magalhães Martins Veiga	Vice-president
Lucas Felipe Melo Couto	Chief Sales and Marketing Officer
Renata Martins Veiga Couto	Chief Development Officer
Marcos Rogerio Almeida Dutra	Chief Financial Officer
Alexandre Lara Nicácio	Chief Technical Officer
Ronaldo Rabelo Leitão de Almeida	Chief Construction Officer
Marcos Alexandre Barbosa	Chief Regional Officer

Operating Information

In 2019, the Company's gross sales of 868 units totaled R\$ 332 million (Gross Sales Value (GSV)). Canceled sales represented a GSL of R\$ 50 million (139 units), therefore, net sales amounted to R\$ 282 million, an increase of 6% as compared to 2018. Inventories at the end of the year totaled 1,046 units and a GSV of R\$ 527 million, 3% higher than in 2018.

	2019	2018 ¹
Operating Information		
No. of Launched Real Estate Developments	4	5
Units launched	843	774
GSV launched (R\$ million)	297.3	446.9
Net Sales (R\$ million)	282.1	265.6
Net GSV (Sales over Supply)	35%	31%

¹ Considers the operating data of Novolar, merged in September 2019, for the comparison of operations only.

EBITDA

	Years ended December 31		Changes
(In thousands of R\$, except percentages)	2019	2018	12/31/2019 x 12/31/2018
Profit for the year	26,539	17,165	54.6%
(+) Income tax and social contribution	4,561	3,609	26.4%
(+) Finance income (costs), net	190	(1,732)	n/a
(+) Depreciation and amortization	5,845	3,482	67.9%
EBITDA	37,135	22,524	64.9%
EBITDA margin (%)	16.1%	12.4%	3.7%
Capitalized finance charges	1,774	9,085	-80.5%
Adjusted EBITDA¹	38,909	31,506	23.5%
Adjusted EBITDA margin (%)	16.8%	17.4%	0.6 p.p.

In 2019, Ebitda totaled R\$ 37 million (16.1% Ebitda Margin), an increase of 64.9% in comparison with 2018 (R\$ 23 million).

We thank all stakeholders for their contribution and trust during 2019, and we hope that we can continue accomplishing our mission, focusing on the growth and generation of value to the stockholders, customers, employees and the society.

RELATIONSHIP WITH AUDITORS

In conformity with the Brazilian Securities Commission (CVM) Instruction 381/03, we inform that, during 2017, 2018 and 2019, the independent auditors, PricewaterhouseCoopers Auditores Independentes, did not provide any services other than those related to external audit. The engagement of independent auditors is based on principles that safeguard the independence of the auditor, which are: (a) auditors may not audit their own work; (b) auditors may not exercise managerial functions; and (c) auditors may not provide any services that may be considered prohibited by governing law. The information in the performance report that is not clearly identified as an extract of the information in the parent company, combined and consolidated financial statements, was not audited or reviewed by the independent auditors.

The Management

PATRIMAR ENGENHARIA S.A.

Patrimar Engenharia S.A.

Balance sheet at December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		Parent company		Consolidated	
	Note	2019	2018	2019	2018
Assets					
Current assets					
Cash and cash equivalents	6	11,082	2,699	50,234	19,761
Trade receivables	7	19,812	22,318	97,389	70,422
Properties for sale	8	60,293	82,005	266,193	196,670
Taxes recoverable		1,733	742	5,430	1,271
Prepaid expenses		526	119	6,373	2,587
Other receivables		-	1,884	6,295	2,639
Total current assets		93,446	109,767	431,914	293,350
Non-current assets					
Long-term receivables					
Restricted financial investments	6	2,191	2,082	2,191	2,082
Trade receivables	7	7,735	-	36,287	-
Properties for sale	8	4,544	-	10,969	-
Judicial deposits	18	284	362	2,592	1,849
Related parties	9	14,401	19,042	27,537	14,707
		29,155	21,486	79,576	18,638
Investments	10	231,618	129,098	47,616	45,410
Property and equipment	11	9,851	10,915	20,337	13,967
Intangible assets	12	12,747	9,283	15,429	9,294
Total non-current assets		283,371	170,782	162,958	87,309
Total assets		376,817	280,549	594,872	380,659

Patrimar Engenharia S.A.

Balance sheet at December 31

All amounts in thousands of reais

(continued)

		Parent company		Consolidated	
	Note	2019	2018	2019	2018
Liabilities and equity					
Current liabilities					
Borrowings	13	23,424	3,547	38,715	10,772
Trade payables	14	6,903	1,382	29,623	2,788
Salaries and social charges		1,040	2,615	1,628	2,843
Tax liabilities	15	2,048	1,557	8,166	5,071
Real estate purchase obligations	16	1,976	12,636	46,799	13,775
Profit distributions payable		38	-	38	-
Advances from customers	17	25,214	27,996	85,397	53,393
Provision for canceled sales		-	917	726	1,294
Other payables		573	416	5,534	5,077
Total current liabilities		61,216	51,066	216,626	95,013
Non-current liabilities					
Borrowings	13	27,304	35,488	32,014	35,488
Real estate purchase obligations	16	-	914	6,580	1,085
Provision for contingencies	18	1,451	1,322	6,992	2,889
Provision for real estate maintenance	19	1,566	1,578	7,701	5,453
Related parties	9	19,441	20,131	9,539	24,711
Provision for net capital deficiency	10	1,279	3,661	3,056	2,759
Total non-current liabilities		51,041	63,094	65,882	72,385
Total liabilities		112,257	114,160	282,508	167,398
Equity					
Capital	20	281,602	179,032	281,602	179,032
Capital reserves		259	259	259	259
Accumulated deficit		(17,301)	(12,902)	(17,301)	(12,902)
		264,560	166,389	264,560	166,389
Non-controlling interests		-	-	47,804	46,872
Total equity		264,560	166,389	312,364	213,261
Total liabilities and equity		376,817	280,549	594,872	380,659

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

Patrimar Engenharia S.A.

Statement of income

Years ended December 31

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

	Note	Parent company		Consolidated	
		2019	2018	2019	2018
Net operating revenue	22	51,730	45,967	231,059	181,347
Cost of properties sold	23	(31,107)	(35,792)	(149,788)	(125,184)
Gross profit		20,623	10,175	81,271	56,163
Operating income (expenses)					
General and administrative expenses	23	(20,271)	(16,956)	(22,499)	(17,886)
Selling expenses	23	(5,141)	(4,460)	(20,738)	(15,212)
Equity in the results of investees	10	14,369	18,526	-	-
Other operating income (expenses), net	23	(953)	(2,592)	(8,778)	(8,568)
Operating profit		8,627	4,693	29,256	14,497
Finance income	25	1,752	1,783	6,215	10,444
Finance costs	25	(3,710)	(2,080)	(6,405)	(8,712)
Finance income (costs), net		(1,958)	(297)	(190)	1,732
Equity in the results of investees	10	-	-	2,034	4,545
Profit before income tax and social contribution		6,669	4,396	31,100	20,774
Income tax and social contribution	26	(694)	(506)	(4,561)	(3,609)
Profit for the year		5,975	3,890	26,539	17,165
Attributable to:					
Controlling interests		-	-	5,975	3,890
Non-controlling interests		-	-	20,564	13,275
		-	-	26,539	17,165
Basic earnings per share (in R\$)	20	0.000293			
Diluted earnings per share (in R\$)	20	0.000293			

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

Patrimar Engenharia S.A.

Statement of comprehensive income

Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

		<u>Parent company</u>		<u>Consolidated</u>	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Profit for the year		5,975	3,890	26,539	17,165
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		<u>5,975</u>	<u>3,890</u>	<u>26,539</u>	<u>17,165</u>
Attributable to:					
Owners of the parent company				5,975	3,890
Non-controlling interests				<u>20,564</u>	<u>13,275</u>
				<u>26,539</u>	<u>17,165</u>
Basic earnings per share (in R\$)	20	0.000293			
Diluted earnings per share (in R\$)	20	0.000293			

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

Patrimar Engenharia S.A.

Statement of changes in equity

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Capital	Capital reserve	Retained earnings (accumulated deficit)	Equity	Non-controlling interests	Total equity
At December 31, 2017	<u>179,032</u>	<u>259</u>	<u>(10,948)</u>	<u>168,343</u>	<u>33,325</u>	<u>201,668</u>
Effects of the adoption of the new standards for investees	-	-	(802)	(802)	-	(802)
Changes in contributions to subsidiaries by non-controlling interests	-	-	-	-	680	680
Profit for the year	-	-	3,890	3,890	13,275	17,165
Distributed profits	-	-	(5,042)	(5,042)	(408)	(5,450)
At December 31, 2018	<u>179,032</u>	<u>259</u>	<u>(12,902)</u>	<u>166,389</u>	<u>46,872</u>	<u>213,261</u>
Merger of related company (Note 20)	102,570	-	(10,374)	92,196	-	92,196
Changes in 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	<u>281,602</u>	<u>259</u>	<u>(17,301)</u>	<u>264,560</u>	<u>47,804</u>	<u>312,364</u>

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

Patrimar Engenharia S.A.

Statement of cash flows

Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2019	2018	2019	2018
Cash flows from operating activities				
Profit for the year	5,975	3,890	26,539	17,165
Adjustments for non-cash items				
Depreciation and amortization	3,454	2,182	5,845	3,482
Provision for real estate maintenance	(12)	721	1,452	(1,348)
Present value adjustment of receivables	745	(1,191)	6,121	2,606
Provision for expected losses	-	1,105	2,294	1,105
Provision for labor, civil and tax contingencies	1,427	1,298	3,795	2,102
Equity in the results of investees	(14,369)	(18,526)	(2,034)	(4,545)
Provision for interest on borrowings	2,819	1,323	3,310	6,567
Loss on disposal of property and equipment	588	851	596	1,274
Income tax and social contribution	694	506	4,561	3,609
	<u>1,321</u>	<u>(7,841)</u>	<u>52,479</u>	<u>32,017</u>
Increase (decrease) in assets and liabilities				
Trade receivables	(6,134)	14,124	(34,419)	82,673
Properties for sale	17,168	7,484	(6,060)	26,013
Taxes recoverable	(991)	(160)	(2,741)	(339)
Other assets	1,715	(869)	(6,494)	(6,033)
Trade payables	5,521	(3,088)	12,948	(5,270)
Salaries and social charges	(1,575)	(83)	(4,139)	(467)
Tax liabilities	(203)	(1,089)	(3,459)	(6,216)
Real estate purchase obligations	(11,574)	1,600	25,853	2,910
Advances from customers	(2,782)	(19,016)	18,334	6,248
Amounts paid for civil, labor and tax contingencies		(23)	(632)	(23)
Other liabilities	<u>(13,646)</u>	<u>1,257</u>	<u>(14,935)</u>	<u>(1,197)</u>
	<u>(12,501)</u>	<u>137</u>	<u>(15,744)</u>	<u>98,299</u>
Net cash provided by (used in) operating activities	<u>(11,180)</u>	<u>(7,704)</u>	<u>36,735</u>	<u>130,316</u>
Cash flows from investing activities				
Changes in restricted financial investments	(109)	(128)	(109)	(128)
Contributions to (return on) investments	21,237	24,708	125	10,293
Net assets - RPMV Merger	10		10	
Purchases of property and equipment and intangible assets	(6,442)	(12,406)	(10,939)	(14,780)
Advances to related parties	<u>(1,932)</u>	<u>(11,450)</u>	<u>30,667</u>	<u>(9,169)</u>
Net cash provided by (used in) investing activities	<u>12,764</u>	<u>724</u>	<u>19,754</u>	<u>(13,784)</u>
Cash flows from financing activities				
Dividends paid	-	(5,192)	(2,867)	(5,192)
Non-controlling interests - contributions (distribution), net	-	-	(19,632)	272
New borrowings	35,922	31,184	38,437	39,784
Repayment of principal of borrowings	<u>(29,123)</u>	<u>(18,732)</u>	<u>(41,954)</u>	<u>(148,754)</u>
Net cash provided by (used in) financing activities	<u>6,799</u>	<u>7,260</u>	<u>(26,016)</u>	<u>(113,890)</u>
Increase in cash and cash equivalents, net	<u>8,383</u>	<u>280</u>	<u>30,473</u>	<u>2,642</u>
Changes in cash				
Cash and cash equivalents at the beginning of the year	2,699	2,419	19,761	17,119
Cash and cash equivalents at the end of the year	<u>11,082</u>	<u>2,699</u>	<u>50,234</u>	<u>19,761</u>
	<u>8,383</u>	<u>280</u>	<u>30,473</u>	<u>2,642</u>

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

Patrimar Engenharia S.A.

Statement of value added

Years ended December 31

All amounts in thousands of reais

(A free translation of the original in Portuguese)

	Parent company		Consolidated	
	2019	2018	2019	2018
Revenue:				
Revenue from sales and services	52,489	46,978	235,611	185,329
	52,489	46,978	235,611	185,329
Inputs acquired from third parties:				
Cost of properties sold	(31,107)	(35,792)	(149,788)	(125,184)
Electricity, third-party services and other expenses	(10,800)	(5,788)	(32,272)	(21,356)
	(41,907)	(41,580)	(182,060)	(146,540)
Gross value added	10,582	5,398	53,551	38,789
Retentions:				
Depreciation and amortization	(3,454)	(2,182)	(5,845)	(3,482)
Net value added generated by the Company	7,128	3,216	47,706	35,307
Value added received through transfers:				
Equity in the results of investees	14,369	18,526	2,034	4,545
Finance income	1,752	1,783	6,215	10,444
	16,121	20,309	8,249	14,989
Total value added for distribution	23,249	23,525	55,955	50,296
Distribution of value added:				
Personnel				
Compensation	12,062	10,295	13,578	10,525
	12,062	10,295	13,578	10,525
Taxes and contributions				
Federal / State / Municipal	1,502	1,887	9,433	8,113
	1,502	1,887	9,433	8,113
Remuneration of third-party capital				
Finance costs	3,710	2,080	6,405	8,712
Lease expenses	-	334	-	334
	3,710	2,414	6,405	9,046
Remuneration of own capital:				
Dividends	-	5,039	-	5,447
Profit for the year	5,975	3,890	5,975	3,890
Non-controlling interests - retained earnings	-	-	20,564	13,275
	5,975	8,929	26,539	22,612
Value added distributed	23,249	23,525	55,955	50,296

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

(A free translation of the original in Portuguese)

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

1 Operations

Patrimar Engenharia S.A. ("Patrimar" or the "Company"), formerly Patrimar Engenharia Ltda., is a privately-held corporation. 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 primarily operates in Belo Horizonte, Rio de Janeiro and São Paulo. In 2000, Construtora Novolar Ltda. (Novolar) was established to serve the middle class and currently it operates in the development, construction and sale of real estate developments in Minas Gerais, Rio de Janeiro and São Paulo. Novolar, a related company of Patrimar up to September 30, 2020, has been its wholly-owned subsidiary since October 1, 2020, when its parent company RPMV Participações Ltda. was merged (Note 20). Therefore, the statements of income and comprehensive income at December 31, 2019 include a three-month period of profit or loss of Novolar.

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, thereby permitting it to accompany projects individually, facilitate the obtaining of financing for production and improve the financial and accounting control of the projects. The Company and its subsidiaries are jointly designated as the "Group". Both its 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 August 5, 2020.

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.

Aspects related to the transfer of ownership for recognition of revenue upon sale of real estate properties are consistent with the guidance issued by the CVM in Circular Letter CVM/SNC/SEP/No. 02/2018 for adoption of Technical Pronouncement CPC 47 (IFRS 15).

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

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

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 statements 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 10.

(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 assumed and the equity instruments issued by the Group. The purchase consideration 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 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 the 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 "Adjustments of equity evaluation".

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

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 impairment of the asset transferred. The accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

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 Real/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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of 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 gains (losses), net".

2.4. Financial assets

2.4.1. 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 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.

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

2.4.2. 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 substantially transferred all the risks and rewards of ownership.

2.4.3. 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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

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 rate 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 uncertainties are identified regarding the receipt of future cash flows by the entity. These adjustments are linked to revenue recognition when there a degree of uncertainty regarding the receipt by the Company of the cash flows for a recognized revenue.

Contracts are monitored to determine the time these conditions are mitigated. Absent being mitigated, 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 their 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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

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. The amount 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 portion 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 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

Investment arising from equity interests in subsidiaries, jointly-controlled investees and associates are recorded on the equity method of accounting in the parent company financial statements.

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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

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 and intangible assets and, where applicable, other non-financial assets, are reviewed annually by management for impairment, primarily evaluating internal and external indicators that affecting 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 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 affecting the recovery of these assets for the years ended December 31, 2019 and 2018.

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 rate 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 that 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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

2.15. Income tax and social contribution on net income

The income tax and social contribution expenses for the period comprise 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 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 using 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 R\$ 240 annually for income tax and 9% on taxable income for social contribution.
- Deemed profit method - IRPJ and CSLL for each entity is computed by applying to revenues from real estate development the tax rates set for this activity at the rates of 8% and 12%, respectively. 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 annually for IRPJ and 9% on taxable income for CSLL).

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

- 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.

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 reserve and revenue reserve

The legal reserve is credited annually with 5% of profit for the year, up to the limit of 20% of the capital, as determined by Law 6,404/76. This legal 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 within the Company.

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

For sales of units under construction the guidance Circular Letter/CVM/SNC/SEP No. 02/2018 for adoption of Technical Pronouncement CPC 47 (IFRS 15) was followed.

This standard, coupled with the applicable accounting procedures established by Guideline OCPC 01 (R1) - "Real Estate Development Companies", was used as a parameter for 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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

- 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.
- The amounts of the sales revenues determined, including indexation accruals on trade receivables based on the change in 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/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 construction management services 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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

When the unit is completed, trade receivables are subject to interest/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. Leases

The Group applied CPC 06(R2)/IFRS 16 using the modified retrospective approach, and, therefore, the 2018 comparative information was not restated and continues to be presented in conformity with CPC 06(R1)/IAS 17 and ICPC 03/IFRIC 4.

On transition to CPC 06(R2)/IFRS 16, the Group elected to apply the practical expedient related to the definition of lease, which evaluates which transactions are leases. The Group reassessed all contracts in force, including those already classified as leases under CPC 06(R1)/IAS 17 and ICPC 03/IFRIC 4, as well as those related to sundry rentals and rendering of subcontracting services with the use of equipment, applying the CPC 06(R2)/IFRS 16 parameters to identify lease components.

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

This policy is applied to contracts entered into as from January 1, 2019.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the date of lease inception. The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments to-date, plus any initial direct costs incurred by the lessee and an estimate of the costs to be incurred by the lessee for dismounting and removal of the underlying asset, restoring the location where it is located or restoring the underlying asset to the condition required by the lease terms and conditions, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the initial date to the end of the lease term, unless the lease transfers the 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 indicates that the lessee will exercise the purchase option. In such 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 the property and equipment. Furthermore, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain lease liability remeasurements.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

The lease liability is initially measured at the present value of the future payment flow (contracted and estimated), discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Group's incremental borrowing rate for borrowings of a similar nature, other than borrowings related to associations and support to production, since such borrowings are subject to specific and non comparable rates due to their nature and the guarantees linked to them. Usually, the Group uses the incremental rate on its working capital borrowings and the financing of equipment and vehicles, plus the inflation index rate agreed as the discount rate.

The Group determines its incremental rate on borrowings based on interest rates from various external sources of financing and, mainly, by assessing the current borrowing arrangements, measuring the weighted average cost (annual interest divided by the principal debt balance), plus the estimated inflation rate, adjusted for the terms of the contract and the type of the leased asset. The weighted average of the incremental and nominal borrowing rate of the lessee on lease liabilities at January 1, 2019 was 9.76% p.a.

The lease liability is measured at amortized cost using the effective interest rate method. It is remeasured when future lease payments are changed as a result of a change in the index or rate; if there is any change in the amounts expected to be paid in accordance with the residual value guarantee; if the Group changes its assessment as to whether it will exercise a purchase, extension or termination option or if there is a fixed revised lease payment.

Once the lease liability is remeasured, a corresponding adjustment is made to the carrying value of the right-of-use asset or charge to income if the carrying amount of the right-of-use asset has been reduced.

Short-term leases and leases of low-value assets

As permitted by the standard exemptions, the Group has elected not to recognize short-term leases, that is, leases of 12 months or less as from the initial date (and which do not include a purchase option). Also, it has not recognized leases of low-value assets, such as office and IT equipment. Short-term lease and low-value asset lease payments are recognized as expenses on the straight-line method over the lease term.

Determining the lease period

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

For the lease of its headquarters, the factors listed below were taken into consideration to determine a 60-month lease term, extrapolating the contract provision that determined a 42-month lease term.

- The Company is in process of raising funds, which may significantly increase its production capacity and, consequently, increase its need for larger facilities.
- The facility improvements made and expectation of return;
- The period the Company occupied its former headquarters;
- The location of the headquarters, which is close to various Company real estate developments.

Most extension options in real estate 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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(ii) As a lessor

At December 31, 2019, the Group does not have any lease agreement in which it is the lessor, sub lessor or the like.

These encompass possible legal structures under which the Group assigns/transfers its capacity of generating financial flow from an asset to another entity, through a formal agreement and cash considerations, without substantially transferring the risks and rewards of ownership of the asset. Otherwise these are operating leases and revenue is recognized under the straight-line method during the lease term. Initial direct costs incurred in the negotiation of operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent leases are recognized as revenue over the period in which they are earned.

2.22. Adoption of new accounting pronouncements

The following amendments and interpretations to existing standards became effective for the year beginning on January 1, 2019:

(i) The group initially applied CPC 06(R2)/IFRS 16 from January 1, 2019.

In applying IFRS 16/CPC 06 (R2) for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- using previous assessments on whether leases are onerous;
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The disclosure requirements in CPC 06(R2)/IFRS 16, in general, were not provided for comparative information, as below:

	Parent company	Consolidated
Right-of-use assets- intangible assets - first-time adoption	2,375	5,063
Amortization of right-of-use - lease - in the year	(475)	(1,039)
At December 31, 2019	<u>1,900</u>	<u>4,024</u>
Lease liability - first-time adoption	2,375	5,063
Lease payments in the year	(162)	(330)
Financial charges incurred in the year	(188)	(387)
At December 31, 2019	<u>2,025</u>	<u>4,346</u>

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

- (ii) IFRIC 23 / ICPC 22 - "Uncertainty over Income Tax Treatments", the Group applies significant judgment in the identification of uncertainties over income tax treatments. Considering that the Group operates in an environment subject to the Special Taxation Regime (RET), management has assessed the main tax treatments adopted during the periods open to inspection by the tax authorities and concluded that there are no adjustments to be recorded in the financial statements.

2.23. Amendments to new standards that are not yet effective

The following new standards and interpretations were issued by IASB which are not yet effective. The early adoption of these standards, even though encouraged by IASB, has not permitted by the Brazilian Accounting Pronouncements Committee (CPC). The Group intends to adopt these new and amended standards and interpretations, if appropriate, when they become effective.

- (i) Changes in the references to the conceptual framework in IFRS standards.

In March 2018, the IASB issued the Conceptual Framework for Financial Reporting, which replaced its previous version, issued in 2010. Key changes were as follows: (a) increasing the prominence of stewardship in the objective of financial reporting; (b) reinstating prudence as a component of neutrality; (c) defining an entity; (d) revising the definitions of an asset and a liability; (e) removing the probability parameter for recognition and adding guidance on derecognition; (f) adding guidance on different measurement bases; and (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

- (ii) Amendments to CPC 15/IFRS 3, "Business Combinations"

In October 2018, the IASB issued an amendment to IFRS 3 regarding the definition of "business", with effective date on January 1, 2020. The amendment made (i) confirms that a business must consist of inputs and relevant processes which, together, significantly contribute to create outputs; (ii) provides a test that may be used to analyze whether an entity acquired a group of assets, instead of a business; and (iii) provides more specific definitions for outputs, whose focus is now the generation of return via products sold and services rendered to customers, excluding the returns in the form of cost reduction and other economic benefits.

Amendments to CPC 26/IAS 1 "Presentation of Financial Statements" and CPC 23/IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

In October 2018, the IASB issued an amendment to IAS 1 and IAS 8 regarding the definition of "material", with effective date of the revised version on January 1, 2020. The definition of "material" helps entities to determine whether information about any item, transaction, or other event should be provided to the financial statement users. However, such definition may not always be objective and judgment may be required regarding the materiality in the preparation of the financial statements. The amendments were made to align the wording of the definition of "material" throughout the IFRS standards, including in the Conceptual Framework.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

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.

(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

Long-term monetary assets and liabilities are adjusted to present value taking into consideration the contracted cash flows, the express interest rate of the respective assets and liabilities and the market rates for similar transactions.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

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. The 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 overall 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, to define the risk limits and proper controls, and to monitor risks and adherence to defined limits.

Risk management policies 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 the 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 internal evaluation of the Company and with a minimum market exposure risk.

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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

At December 31, 2019 and 2018, the Group had "Cash and cash equivalents" with banks and financial institutions with a "Satisfactory" rating, based on the internal and external credit ratings.

The Company 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

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Completed units (Note 7)				
With real guarantee	13,404	844	64,201	45,090
Without real guarantee	-	-	5,714	-
	<u>13,404</u>	<u>844</u>	<u>69,915</u>	<u>45,090</u>
Units not completed (Note 7)				
With real guarantee	<u>18,021</u>	<u>27,470</u>	<u>88,116</u>	<u>35,863</u>
	<u>31,425</u>	<u>28,314</u>	<u>158,031</u>	<u>80,953</u>

In 2019 and 2018, no credit limits were exceeded, and management does not expect any losses due to 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 requirements of liquidity 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.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

The cash flows at present value of financial liabilities based on the approximate date of settlement of the related obligations are as follows:

	Parent company				
	2020	2021	2022	2023 onwards	Total
At December 31, 2019					
Borrowings (Note 13)	23,424	11,502	10,693	5,109	50,728
Trade payables (Note 14)	6,903	-	-	-	6,903
Real estate purchase obligations (Note 16)	1,976	-	-	-	1,976
	Consolidated				
	2020	2021	2022	2023 onwards	Total
At December 31, 2019					
Borrowings (Note 13)	38,715	12,997	12,188	6,829	70,729
Trade payables (Note 14)	29,623	-	-	-	29,623
Real estate purchase obligations (Note 16)	46,799	6,580	-	-	53,379
	Parent company				
	2019	2020	2021	2022 onwards	Total
At December 31, 2018					
Borrowings (Note 13)	3,547	5,470	4,233	25,785	39,035
Trade payables (Note 14)	1,382	-	-	-	1,382
Real estate purchase obligations (Note 16)	12,636	914	-	-	13,550
	Consolidated				
	2019	2020	2021	2022 onwards	Total
At December 31, 2018					
Borrowings (Note 13)	10,772	5,470	4,233	25,785	46,260
Trade payables (Note 14)	2,788	-	-	-	2,788
Real estate purchase obligations (Note 16)	13,775	1,085	-	-	14,860

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 developments. 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:

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(i) Cash flow or fair value interest rate and foreign exchange risk

The Group analyzes its interest rate exposure on a continuous basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Company 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 indexed to the CDI rate and the Reference Rate (TR).

The Group's borrowing denominated in U.S. dollars includes, in the same contract, a swap that exchanges the foreign currency for the local currency at a fixed interest rate of 7.8% p.a. Accordingly, the Group is not exposed to the foreign exchange rate volatility.

The balances of financial investments are exposed to the fluctuations in interest rates, more specifically, the CDI rate. At December 31, 2019, the management of the Company and its subsidiaries carried out a sensitivity analysis for a 12-month scenario, as required by CVM Instruction 475, of December 17, 2008.

Decreases of 25% and 50% in interest rates were considered, based on a CDI rate of 3.15% p.a. on the balances of financial investments and borrowings:

Indicators	Index	Rate	Parent company					Consolidated			
			Base Scenario	Scenario I Probable	Scenario II (25%)	Scenario III (50%)	Rate	12/31/2019	Scenario I Probable	Scenario II (25%)	Scenario III (50%)
Assets											
Financial investments	CDI	3.15%	11,426	359	270	180	3%	33,429	1,052	789	526
Liabilities											
Borrowings for working capital (in Reais - R\$)	CDI	3.15%	22,058	694	520	347	3%	26,056	820	615	410

For the swap transaction and borrowing in U.S. dollars (US\$), increases of 25% and 50% in the U.S. dollar exchange rate were considered:

	Index	Quotation	Parent company					Consolidated			
			Base Scenario	Scenario I Probable	Scenario II (25%)	Scenario III (50%)	Rate	12/31/2019	Scenario I Probable	Scenario II (25%)	Scenario III (50%)
Assets											
Swap	US\$	5.75	2,374	13,653	17,066	20,480	-	13,653	13,653	17,066	20,480
Liabilities											
Borrowings for working capital (In U.S. dollars - US\$)					(17,880)						
	US\$	5.75	2,488	(14,304)		(21,455)	-	(14,304)	(14,304)	(17,880)	(21,455)
Net effect on profit or loss				(651)	(814)	(975)	-	(651)	(651)	(814)	(975)

4.2 Capital management

The Company'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 Company, management can make, or may propose to the stockholders when their approval is required, adjustments to the amount of profit distributed to stockholders, return capital to stockholders, make payments of new shares or sell assets to reduce, for example, debt.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

In common with others in the sector, the Company 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.

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Total borrowings (Note 13)	50,728	39,035	70,729	46,260
Less: cash and cash equivalents (Note 6)	(11,082)	(2,699)	(50,234)	(19,761)
Net debt	<u>39,646</u>	<u>36,336</u>	<u>20,495</u>	<u>26,499</u>
Total equity	<u>264,560</u>	<u>166,389</u>	<u>312,364</u>	<u>213,261</u>
Total capitalization	<u>304,206</u>	<u>202,725</u>	<u>332,859</u>	<u>239,760</u>
Gearing ratio - %	13%	18%	6%	11%

4.3 Fair value estimation

Financial assets and liabilities are measured at fair value based on estimated market value based on participant assumptions for assets and liabilities. To increase consistency 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/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.

All the Group's financial assets at fair value through profit or loss are swap derivative instruments (Note 13), which are measured considering Level 2.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. If all significant inputs required to fair value an asset or liability are observable, it is included in Level 2. The Group does not have financial assets measured at Levels 1 and 3.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

5 Financial instruments by nature

	Parent company		Consolidated	
	2019	2018	2019	2018
Financial assets				
Measured at amortized cost				
Cash and banks (Note 6)	1,847	2,543	18,996	5,184
Highly liquid financial investments (Note 6)	9,235	156	31,238	14,577
Restricted financial investments (Note 6)	2,191	2,082	2,191	2,082
Trade receivables (Note 7)	27,547	22,318	133,676	70,422
Judicial deposits (Note 18)	284	362	2,592	1,849
Related parties (Note 9)	14,401	19,042	27,537	14,707
	<u>55,505</u>	<u>46,503</u>	<u>216,230</u>	<u>108,821</u>
Financial liabilities				
Measured at amortized cost				
Borrowings (Note 13)	50,232	39,035	70,233	46,260
Trade payables (Note 14)	6,903	1,382	29,623	2,788
Real estate purchase obligations (Note 16)	1,976	13,550	53,379	14,860
Related parties (Note 9)	19,441	20,131	9,539	24,711
Measured at fair value				
Financial Instrument - Swap (Note 13)	496	-	496	-
	<u>79,048</u>	<u>74,098</u>	<u>163,270</u>	<u>88,619</u>

6 Cash and cash equivalents and restricted financial investments

Cash and cash equivalents

	Parent company		Consolidated	
	2019	2018	2019	2018
Cash	40	44	68	47
Banks	1,807	2,499	18,928	5,137
Highly liquid financial investments	9,235	156	31,238	14,577
	<u>11,082</u>	<u>2,699</u>	<u>50,234</u>	<u>19,761</u>

The yields on financial investments are linked to bank deposits and other short-term highly liquid investments with immaterial risk of change in value, and range from 95% to 106% of the CDI rate (from 95% to 106% of the CDI rate at December 31, 2018).

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

Restricted financial investments

	Parent company		Consolidated	
	2019	2018	2019	2018
Restricted financial investments - non-current	2,191	2,082	2,191	2,082
	<u>2,191</u>	<u>2,082</u>	<u>2,191</u>	<u>2,082</u>

The Company's restricted financial investments in Bank Deposit Certificates (CDB), redeemable in periods over one year, are 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 (2019: 108% of the CDI rate).

7 Trade receivables

	Parent company		Consolidated	
	2019	2018	2019	2018
<u>Trade receivables from real estate development</u>				
Completed units	13,404	844	69,915	45,090
Units under construction	<u>18,021</u>	<u>27,470</u>	<u>88,116</u>	<u>35,863</u>
	31,425	28,314	158,031	80,953
Provision for canceled sales	-	(3,593)	(7,828)	(4,259)
Provision for losses	(2,161)	(1,431)	(3,725)	(1,431)
Adjustments to present value	<u>(1,717)</u>	<u>(972)</u>	<u>(12,802)</u>	<u>(4,841)</u>
	(3,878)	(5,996)	(24,355)	(10,531)
	<u>27,547</u>	<u>22,318</u>	<u>133,676</u>	<u>70,422</u>
Current assets	19,812	22,318	97,389	70,422
Non-current assets	7,735	-	36,287	-

The revenue recognition criteria (Note 2.18) determines that, the balance of receivables from the sale of units not yet completed is not fully recognized in the financial statements, because the amount of revenue recorded is limited to the portion of revenue recognized, net of 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.

Supplemental information: Balances not yet recognized in the financial information are as follows:

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

Maturities of trade receivables from real estate developments

Trade receivables from real estate units sold do not correspond directly to revenue recorded under the percentage of completion method.

	Parent company		Consolidated	
	2019	2018	2019	2018
Falling due in up to 1 year	24,037	23,093	134,150	77,909
Falling due from 1 to 2 years	10,138	9,336	115,125	47,634
Falling due from 2 to 3 years	21,140	8,415	56,854	58,918
Falling due from 3 to 4 years	-	8	89,726	453
Falling due in more than 4 years	-	60	465	68
	<u>55,315</u>	<u>40,912</u>	<u>396,320</u>	<u>184,982</u>
Overdue for up to 1 year	3,004	2,826	29,980	18,232
Overdue from 1 to 2 years	66	-	3,072	978
Overdue from 2 to 3 years	-	-	1,438	84
Overdue from 3 to 4 years	-	-	95	366
Overdue for over 4 years	<u>2,161</u>	<u>1,431</u>	<u>3,078</u>	<u>2,498</u>
	<u>5,231</u>	<u>4,257</u>	<u>37,663</u>	<u>22,158</u>
	<u>60,546</u>	<u>45,169</u>	<u>433,983</u>	<u>207,140</u>
Trade receivables (Note 7)	27,547	22,318	133,676	70,422
Deferred revenue (Note 27)	33,613	24,130	326,030	157,615
Advances from customers (Note 17)	(4,492)	(7,275)	(50,078)	(31,428)
Provision for canceled sales/losses	2,161	5,024	11,553	5,690
Present value adjustment	<u>1,717</u>	<u>972</u>	<u>12,802</u>	<u>4,841</u>
	<u>60,546</u>	<u>45,169</u>	<u>433,983</u>	<u>207,140</u>

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

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 begin.

	Parent company		Consolidated	
	2019	2018	2019	2018
Inventories of land	35,922	42,326	76,092	42,326
Properties under construction	24,520	25,945	146,723	78,713
Acqua Galleria	-	-	-	10,369
Antônio De Albuquerque SPE Ltda. (Epic)	-	-	1,363	-
Ápia	-	-	11,608	-
Avignon	3,904	8,231	3,904	8,233
Ed Duo - Alameda Do Morro	-	-	28,293	-
Inovatto	-	-	5,092	-
Jardim Das Mangabeiras	-	-	54,577	33,931
Jardinaves	-	-	7,163	3,301
Manhattan Square	-	-	-	571
Mirataia	-	-	9,751	-
Olga Chiari	-	-	-	959
Quintas Do Morro	-	-	-	3,637
Saint Tropez	20,616	13,797	20,616	13,795
SPE Axis (Porto Fino)	-	-	2,755	-
Union Square	-	122	-	122
Villaggio Verona	-	-	1,601	-
Villagio Gutierrez	-	3,601	-	3,601
Other	-	194	-	194
Completed properties	4,395	10,352	48,788	71,252
Acqua Galleria	-	-	8,802	31,970
Bernardo Vasconcelos (Brooklyn)	-	-	1,846	-
Holliday Inn	-	-	5,575	6,658
Manhattan Square	-	-	5,921	11,677
Maura Valadares	-	-	60	60
Mayffair Offices	-	-	160	160
Mia Felicita	-	-	1,360	-
Olga Chiari	-	-	7,084	10,375
Palo Alto	-	-	1,829	-
Park Residence	-	-	2,997	-
Quintas Do Morro	-	-	3,637	-
Ruth Silveira	-	-	1,874	-
The Plaza	3,702	3,702	3,702	3,702
Union Square	-	3,404	-	3,404
Villagio Gutierrez	-	2,553	-	2,553
Villagio Ventura	-	-	94	-
Stand-alone properties	693	693	3,847	693
Provision for canceled sales	-	3,382	5,559	4,379
	64,837	82,005	277,162	196,670
Current assets	60,293	82,005	266,193	196,670
Non-current assets	4,544	-	10,969	-

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(a) 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 to each real estate development, ranging from 7% to 10.8% p.a. (from 8.8% to 10.8% p.a. at December 31, 2018).

The amount of capitalized interest under "Properties for sale" in Consolidated was R\$ 3,851 at December 31, 2019 (Parent company - R\$ 770 thousand). At December 31, 2018, it was R\$ 11,612 in Consolidated (Parent company - R\$ 599 thousand).

9 Related parties

	Parent company		Consolidated	
	2019	2018	2019	2018
(a) Intercompany loans receivable	3,359	10,348	3,372	10,422
Construtora Real	-	8,506	13	8,506
PRMV S.A.	3,359	1,842	3,359	1,842
Somattos Engenharia e Comercio Ltda.	-	-	-	74
(b) Receivables from developments	11,042	8,694	24,165	4,285
Patrimar Somattos Gasparini	4,662	89	4,396	89
Jardinaves Empreendimentos Imobiliários SPE	-	1,522	333	-
Saint Tropez	1,301	-	1,319	-
Acaba Mundo	-	-	840	-
Villagio Gutierrez	844	-	852	-
Bernardo Vasconcelos Empr Imob SPE	671	168	671	168
Ed Duo - Alameda Do Morro	562	415	562	415
Union Square	470	-	920	-
SPE Axis 1 Empreendimento Imobiliario	449	-	513	-
SPE Barbacena Empreendimentos Imobiliários S.A.	364	119	364	119
Jardim das Mangabeiras	246	2,127	2,127	1,217
Park Residences	234	-	234	-
Palo Alto	221	-	994	-
Ruth Silveira	193	104	461	104
Mia Felicity	178	-	1,633	-
Quintas Do Morro	158	-	173	-
Direcional Patrimar Maragogi Empr. Imob.	124	1,731	127	1,734
SPE Mirataia Incorporadora e Construtora	38	-	38	-
Jota Patrimar Engefor Empr. Imob. SPE	34	-	42	-
Campo Grande	33	-	69	-
Tavares Bastos	30	-	26	-
Gioia Del Colle	28	-	28	-
Safira	26	-	26	-
Jornalista Oswaldo Nobre	26	-	26	-
Danilo Ambrosio	21	-	21	-
Residencial Inovatto	20	-	-	-
Vila Carioca (Ambev)	20	-	302	-
João XXIII	20	-	53	-
Mayfair Offices	18	-	18	-
RPMV Participações S.A.	17	-	686	-
The Plaza	12	-	22	-
Villagio Novita	11	-	125	-
Villagio Verona	7	-	983	-
Campo Grande - Campinas	4	-	6	-
MRV Patrimar Galleria Incorp. SPE	-	1,982	8	3
MRV Mrl Novolar Ii Incorporações SPE	-	436	1,854	436
Residencial Estoril	-	-	1,217	-
Manhattan Square	-	-	836	-
Aporuna I	-	-	268	-
Other developments	-	1	992	-
	14,401	19,042	27,537	14,707

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

	Parent company		Consolidated	
	2019	2018	2019	2018
(a) Intercompany loans payable	13,965	18,069	2,611	20,753
Construtora Novolar S.A.	13,938	18,069	-	18,069
Somattos Engenharia Comercio Ltda.	27	-	2,611	2,684
(b) Payables for developments	5,476	2,062	6,928	3,958
Manhattan Square	2,104	1,900	11	-
Olga Chiari	1,819	-	198	-
Holiday Inn	1,161	-	-	-
Tratex Land	168	-	-	-
SCP Silva Lobo	98	-	98	-
Colina Engefor	45	96	55	96
MRV Engenharia e Participações	34	-	391	1,981
Neuchatel	14	-	17	-
Priorato Residences	12	-	-	-
SCP Portal do Bosque	10	-	10	-
Naples	7	-	6	-
Engefor Engenharia e Construções	4	-	-	-
Villagio Florença	-	-	2,400	-
Santa Cecilia Empreendimento	-	-	829	-
Jardim das Mangabeiras	-	-	-	1,217
Other developments	-	66	2,913	664
	<u>19,441</u>	<u>20,131</u>	<u>9,539</u>	<u>24,711</u>
(c) Related-party transactions with effects on profit or loss	588	50	1,177	50
Construtora Real	588	50	1,177	50

(a) Intercompany loans receivable and payable

These refer to interest-free loans made and obtained from related parties with prearranged maturities.

(b) Receivables from and payables for developments

Refer to:

- 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 quotaholders' interests.
- Routine transactions carried out between the Parent company and SCPs and SPEs, mainly for expenses to be reimbursed.

(c) Related-party transactions with effects on profit or loss

Payment to Construtora Real of the property lease related to the Company's principal offices.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

10 Investments

The Company recognizes a "Provision for net capital deficiency" when investees present a net capital deficiency.

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Investments	231,618	129,098	47,616	45,410
Provision for net capital deficiency	(1,279)	(3,661)	(3,056)	(2,759)
	<u>230,339</u>	<u>125,437</u>	<u>44,560</u>	<u>42,651</u>

Changes in the balance of investments were as follows:

	<u>Parent company</u>	<u>Consolidated</u>
At December 31, 2018	<u>125,437</u>	<u>42,651</u>
Changes in investments - assets and liabilities (i)	(21,237)	(125)
Equity in the results of investees	14,369	2,034
Merger of RPMV (Note 20)	<u>111,770</u>	<u>-</u>
At December 31, 2019	<u>230,339</u>	<u>44,560</u>

- (i) Refers to changes in contributions and redemptions of funds related to projects established as Special Partnerships (SCP).

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(a) An analysis of the parent company's investments at December 31, 2019 follows:

	Ownership interest (%)		Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment and net capital deficiency	Investment and net capital deficiency
Companies	2019	2018	2019	2019	2019	2019	2018
Subsidiaries							
Construtora Novolar	100%	-	(7,896)	100,619	(7,896)	100,619	-
Álamo Patrimar Incorp. Imob. Ltda.	98%	98%	(4)	1	(4)	1	1
SPE Patrimar Engefor Imóveis Ltda.	50%	50%	(390)	186	(195)	93	388
SPE Maura Valadares	50%	50%	(96)	116	(48)	58	93
SPE Engefor Patrimar V.S. E. Imob Ltda.	50%	50%	(158)	(284)	(79)	(142)	(189)
SCP Professor Danilo Ambrósio	95%	95%	(21)	(13)	(20)	(13)	7
SCP Jornalista Oswaldo Nobre	90%	90%	(7)	(216)	(6)	(194)	(218)
SCP Gioia dell Colle	90%	90%	(29)	(20)	(26)	(18)	8
SCP Olga Chiari	85%	85%	1,620	14,254	1,377	12,112	13,292
SCP Manhattan Square	90%	90%	(1,767)	9,189	(1,590)	8,177	7,394
SCP Priorato Residences	90%	90%	22	1,677	20	1,509	1,672
SCP Holiday Inn	80%	80%	105	24,072	84	19,295	20,257
SCP Mayfair Offices	90%	90%	(18)	193	(16)	174	190
SCP Quintas do Morro	69%	69%	(442)	3,261	(305)	2,243	2,840
SCP Neuchatel	90%	90%	(162)	519	(146)	466	388
SPE MRV Galleria	50%	50%	13,666	20,536	6,833	10,268	22,823
SPE Jardinaves	50%	50%	(164)	360	(81)	180	261
SPE Jota Patrimar Engefor	50%	40%	(104)	(720)	(52)	(360)	(495)
SPE Colina Engefor Patrimar E. Imob Ltda.	50%	-	(173)	(2)	(87)	(1)	-
SPE Patrimar Somattos Jardim das Mangabeiras	50%	50%	16,102	44,233	8,051	22,117	14,074
Antônio de Alb. SPE LTDA (EPIC)	50%	-	9,596	9,646	4,798	4,823	-
ED. DUO - Alameda do Morro	40%	-	1,865	5,300	746	2,120	-
			31,545	232,907	11,358	183,527	82,786
Jointly-controlled investees							
SCP RJ 04	50%	50%	(802)	764	(401)	382	502
SPE Mirante do Ibituruna Ltda.	34%	34%	(6)	8,027	(2)	2,709	2,729
SCP Portal do Bosque	50%	50%	(70)	181	(35)	91	26
SCP Park Ritz	48%	48%	(69)	970	(33)	466	432
SCP Recanto das Águas	51%	51%	(47)	289	(24)	147	60
SCP MRV Belo Campo	50%	50%	(680)	46	(340)	23	16
SCP MRV Rec. Pássaros (Rouxinol)	40%	40%	(828)	478	(331)	191	227
SCP MRV Res. Beija Flor	40%	40%	(348)	21	(139)	8	(20)
SPE Padre Marinho	50%	50%	6,362	13,589	3,181	6,795	3,614
SCP Rívoli 1 and 2	40%	40%	(365)	79	(146)	32	64
SPE Acaba Mundo E. Imob Ltda.	50%	50%	-	1,621	-	810	815
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1 and 2	40%	40%	46	455	18	182	201
SPE Colina Engefor Patrimar E. Imob Ltda.	-	50%	-	-	-	-	52
SPE Barbacena Empr Imob. S/A	50%	50%	(1,172)	51,822	(586)	25,911	24,733
SPE Patrimar Somattos Gasparini Ltda.	50%	50%	3,210	16,238	1,605	8,119	9,839
Ponctuel	50%	-	(6)	84	(3)	42	45
SPE Direcional Patrimar Maragogi Ltda.	45%	45%	11	17	5	(3)	(1,604)
			5,236	94,681	2,769	45,905	41,731
Associates							
SCP Safira (Decaminada 10)	24%	24%	(942)	(714)	(226)	(161)	(13)
SCP João XXIII	24%	24%	(355)	(140)	(85)	(15)	(13)
SCP Naples	20%	20%	(2)	23	-	5	2
SCP Palo Alto	10%	10%	477	2,076	48	208	344
SCP Park Residences	10%	10%	1,271	3,900	127	384	1,017
SCP Silva Lobo	15%	15%	16	571	2	86	94
SCP Tavares Bastos	25%	25%	(84)	(5)	(21)	-	8
SPE Novo Lar Greenport	20%	20%	(37)	(584)	(7)	(116)	(110)
SPE Campo Grande	-	40%	-	-	-	-	(7)
SPE Axis 1 Porto Fino	10%	10%	4,120	6,417	328	772	590
Other investments			-	-	76	(256)	(992)
			4,464	11,544	242	907	920
			41,245	339,132	14,369	230,339	125,437

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(b) An analysis of the parent company's investments at December 31, 2018 follows:

Companies	Ownership interest (%)		Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment and net capital deficiency	Investment and net capital deficiency
	2018	2017	2018	2018	2018	2018	2017
Subsidiaries							
Álamo Patrimar Incorp. Imob. Ltda.	98%	98%	6	1	6	1	6
SPE Patrimar Engefor Imóveis Ltda.	50%	50%	(416)	776	(208)	388	377
SPE Maura Valadares	50%	50%	(50)	186	(25)	93	(38)
SPE Engefor Patrimar V.S. E. Imob Ltda.	50%	50%	(402)	(378)	(201)	(189)	(47)
SCP Professor Danilo Ambrósio	95%	95%	33	7	31	7	1,581
SCP Jornalista Oswaldo Nobre	90%	90%	(57)	(242)	(51)	(218)	391
SCP Gioia dell Colle	90%	90%	31	9	28	8	248
SCP Olga Chiari	85%	85%	3,314	15,638	2,817	13,292	20,000
SCP Manhattan Square	90%	90%	(3,994)	8,212	(3,595)	7,394	9,318
SCP Priorato Residences	90%	90%	(38)	1,858	(34)	1,672	1,938
SCP Holiday Inn	80%	80%	943	25,321	754	20,257	20,951
SCP Mayfair Offices	90%	90%	171	211	154	190	2,731
SCP Quintas do Morro	69%	69%	1,118	4,116	771	2,840	2,336
SCP MG 02 Chopin	50%	50%	(2)	-	(1)	-	(2)
SCP Neuchatel	90%	90%	(107)	431	(96)	388	2,292
SPE MRV Galleria	50%	50%	10,768	46,080	5,384	22,823	17,814
SPE Jardinaves	50%	50%	(38)	522	(19)	261	280
SPE Jota Patrimar Engefor	40%	40%	(391)	(1,238)	(156)	(495)	(485)
SPE Patrimar Somattos Jardim das Mangabeiras	50%	50%	16,844	28,148	8,422	14,074	3,529
			27,733	129,658	13,981	82,786	83,220
Jointly-controlled investees							
SCP RJ 04	50%	50%	(966)	1,004	(483)	502	452
SPE Mirante do Ibituruna Ltda.	34%	34%	(3)	8,027	(1)	2,729	2,714
SCP Portal do Bosque	50%	50%	(260)	52	(130)	26	(24)
SCP Park Ritz	48%	48%	(165)	900	(79)	432	558
SCP Recanto das Águas	51%	51%	(192)	118	(98)	60	(51)
SCP MRV Belo Campo	50%	50%	(468)	32	(234)	16	(90)
SCP MRV Rec. Pássaros (Rouxinol)	40%	40%	(748)	568	(299)	227	221
SCP MRV Res. Beija Flor	40%	40%	(690)	(50)	(276)	(20)	88
SPE Padre Marinho	50%	50%	2,014	7,227	1,007	3,614	2,935
SCP Rívoli 2	40%	40%	(335)	160	(134)	64	71
SPE Acaba Mundo E. Imob Ltda.	50%	50%	(6)	1,630	(3)	815	800
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1	40%	40%	180	503	72	201	336
SPE Colina Engefor Patrimar E. Imob Ltda.	50%	50%	(630)	104	(315)	52	1,527
SPE Barbacena Empr Imobiliários S/A	50%	50%	3,478	49,466	1,739	24,733	23,796
SPE Patrimar Somattos Gasparini Ltda.	50%	50%	7,000	19,678	3,500	9,839	11,028
Ponctuel	50%	-	1,946	90	973	45	-
SPE Direcional Patrimar Maragogi Ltda.	45%	45%	(542)	(3,564)	(244)	(1,604)	428
			9,613	85,945	4,995	41,731	44,789
Associates							
SCP Safira (Decaminada 10)	24%	24%	(5,096)	(54)	(1,223)	(13)	1,082
SCP João XXIII	24%	24%	50	(54)	12	(13)	(188)
SCP Naples	20%	20%	(30)	10	(6)	2	73
SCP Palo Alto	10%	10%	580	3,440	58	344	421
SCP Park Residences	10%	10%	1,210	10,170	121	1,017	1,482
SCP Silva Lobo	15%	15%	67	627	10	94	93
SCP Tavares Bastos	25%	25%	(152)	32	(38)	8	429
SPE Novo Lar Greenport	20%	20%	25	(550)	5	(110)	(143)
SPE Campo Grande	40%	40%	(290)	(18)	(116)	(7)	(8)
SPE Axis Porto Fino	10%	-	7,270	5,901	727	590	-
Other investments			-	-	-	(992)	369
			3,634	19,504	(450)	920	3,610
			40,980	235,107	18,526	125,437	131,619

Investments in companies that have recorded net capital deficiency are recognized in non-current liabilities within "Provision for net capital deficiency".

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(c) At December 31, 2019, the balances of asset and liability accounts, net revenue and profit of subsidiaries, jointly-controlled investees and associates, considered in the financial statements, follows:

Companies	Current assets 2019	Non-current assets 2019	Current liabilities 2019	Non-current liabilities 2019	Equity 2019	Net revenue 2019	Profit (loss) 2019
Subsidiaries							
Construtora Novolar	40,404	105,968	26,514	19,239	100,619	64,576	(7,896)
Álamo Patrimar Incorp. Imob. Ltda.	1	14	14	0	1	0	(4)
SPE Patrimar Engefor Imóveis Ltda.	437	22	158	115	186	96	(390)
SPE Maura Valadares	82	246	3	209	116	(7)	(96)
SPE Engefor Patrimar V.S. E.Imob Ltda.	57	5	260	86	(284)	8	(158)
SCP Professor Danilo Ambrósio	9	0	9	13	(13)	0	(21)
SCP Jornalista Oswaldo Nobre	14	1	13	218	(216)	0	(7)
SCP Gioia dell Colle	3	7	4	26	(20)	0	(29)
SCP Olga Chiari	10,469	4,044	(88)	347	14,254	6,413	1,620
SCP Manhattan Square	8,394	3,180	1,095	1,290	9,189	6,907	(1,767)
SCP Priorato Residences	989	794	103	2	1,677	62	22
SCP Holiday Inn	16,050	9,671	1,174	476	24,072	144	105
SCP Mayfair Offices	175	38	3	16	193	-	(18)
SCP Quintas do Morro	4,244	15	294	704	3,261	41	(442)
SCP Neuchatel	607	108	137	59	519	(1)	(162)
SPE MRV Galleria	25,211	22,915	2,523	25,067	20,536	53,823	13,666
SPE Jardinaves	5,694	100	2,998	2,437	360	-	(164)
SPE Jota Patrimar Engefor	79	344	1,034	109	(720)	-	(104)
SPE Colina Engefor Patrimar E. Imob Ltda.	179	48	228	1	(2)	-	(174)
SPE Patrimar Somattos Jardim das Mangabeiras	80,777	22,505	40,799	18,250	44,233	51,137	16,102
Antônio de Albuquerque SPE LTDA (EPIC)	22,613	0	12,958	8	9,646	38,272	9,596
ED. DUO - Alameda do Morro	40,470	1,407	36,416	162	5,300	14,109	1,866
	256,958	171,432	126,649	68,834	232,907	235,580	31,545
Jointly-controlled investees							
SCP RJ 04	725	151	109	3	764	-	(802)
SPE Mirante do Ibituruna Ltda.	8,022	7	1	0	8,027	0	(6)
SCP Portal do Bosque	33	185	14	22	181	-	(70)
SCP Park Ritz	1,097	28	86	70	970	-	(69)
SCP Recanto das Águas	127	169	4	3	289	-	(47)
SCP MRV Belo Campo	152	37	62	81	46	(283)	(680)
SCP MRV Rec. Pássaros (Rouxinol)	537	213	15	257	478	(350)	(828)
SCP MRV Res. Beija Flor	378	118	147	328	21	(261)	(348)
SPE Padre Marinho	47,473	0	20,444	13,440	13,589	6,127	6,362
SCP Rivoli 1 and 2	224	145	81	209	79	(273)	(365)
SPE Acaba Mundo E. Imob Ltda.	1,631	0	10	0	1,621	0	0
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1 and 2	158	353	31	25	455	44	45
SPE Barbacena Empr Imobiliários S.A.	55,652	73	3,460	443	51,822	18,999	(1,172)
SPE Patrimar Somattos Gasparini Ltda.	18,180	18	415	1,545	16,238	3,727	3,210
Ponctuel	3	81	0	0	84	0	(6)
SPE Direcional Patrimar Maragogi Ltda.	72	10	65	0	17	(12)	12
	134,464	1,588	24,944	16,426	94,681	27,718	5,236
Associates							
SCP Safira (Decaminada 10)	24	141	271	608	(714)	-	(942)
SCP João XXIII	24	61	122	104	(140)	-	(355)
SCP Naples	27	0	3	0	23	0	(2)
SCP Palo Alto	3,351	126	889	512	2,076	1,411	477
SCP Park Residences	4,885	398	797	586	3,900	7,128	1,271
SCP Silva Lobo	345	248	22	0	571	19	16
SCP Tavares Bastos	34	0	36	4	(5)	0	(84)
SPE Axis I Porto Fino	17,948	1,698	12,686	543	6,417	21,390	4,120
SPE Novo Lar Greenport	14	4	184	418	(584)	-	(37)
	26,652	2,676	15,010	2,775	11,544	29,948	4,464
	418,074	175,696	166,603	88,035	339,132	293,246	41,245

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(d) At December 31, 2018, asset and liability, net revenue and profit of subsidiaries, jointly-controlled investees and associates, in the financial statements, follows:

	Current assets	Non- current assets	Current liabilities	Non- current liabilities	Equity	Net revenue	Profit (loss)
Companies	2018	2018	2018	2018	2018	2018	2018
Associates							
Álamo Patrimar Incorp. Imob. Ltda.	3	14	16	-	1	-	6
SPE Patrimar Engefor Imóveis Ltda.	893	13	130	-	776	(3)	(416)
SPE Maura Valadares	95	243	3	149	186	-	(50)
SPE Engefor Patrimar V.S. E.Imob Ltda.	25	25	260	168	(378)	(97)	(402)
SCP Professor Danilo Ambrósio	8	-	1	-	7	-	33
SCP Jornalista Oswaldo Nobre	9	-	4	247	(242)	-	(57)
SCP Gioia dell Colle	2	7	-	-	9	-	31
SCP Olga Chiari	14,416	1,750	279	249	15,638	15,213	3,314
SCP Manhattan Square	16,274	2,155	9,499	718	8,212	(250)	(3,994)
SCP Priorato Residences	901	1,077	80	40	1,858	(2)	(38)
SCP Holiday Inn	15,497	11,416	1,033	559	25,321	(29)	943
SCP Mayfair Offices	174	38	1	-	211	-	171
SCP Quintas do Morro	4,950	-	834	-	4,116	2,244	1,118
SCP MG 02 Chopin	-	-	-	-	-	-	(2)
SCP Neuchatel	546	-	27	88	431	156	(107)
SPE MRV Galleria	63,061	7,338	21,656	2,663	46,080	59,283	10,768
SPE Jardinaves	3,721	50	3,249	-	522	-	(38)
SPE Jota Patrimar Engefor	2,311	303	3,475	377	(1,238)	(16)	(391)
SPE Patrimar Somattos Jardim das Mangabeiras	53,392	7,277	19,218	13,303	28,148	58,997	16,844
	176,278	31,706	59,765	18,561	129,658	135,496	27,733
Jointly-controlled investees							
SCP RJ 04	1,059	-	55	-	1,004	(1)	(966)
SPE Mirante do Ibituruna Ltda.	8,021	6	-	-	8,027	-	(3)
SCP Portal do Bosque	153	-	101	-	52	-	(260)
SCP Park Ritz	1,118	6	85	139	900	15	(165)
SCP Recanto das Águas	275	-	7	150	118	2	(192)
SCP MRV Belo Campo	115	45	76	52	32	9	(468)
SCP MRV Rec. Pássaros (Rouxinol)	751	113	47	249	568	85	(748)
SCP MRV Res. Beija Flor	576	76	306	396	(50)	175	(690)
SPE Padre Marinho	35,928	-	1,709	26,992	7,227	11,085	2,014
SCP Rívoli 2	224	103	110	57	160	11	(335)
SPE Acaba Mundo E. Imob Ltda.	1,631	-	1	-	1,630	-	(6)
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas)							
1	333	259	39	50	503	(5)	180
SPE Colina Engefor Patrimar E. Imob Ltda.	236	18	150	-	104	982	(630)
SPE Barbacena Empr Imobiliários S.A.	80,614	57	7,318	23,885	49,466	-	3,478
SPE Patrimar Somattos Gasparini Ltda.	21,659	18	456	1,543	19,678	8,081	7,000
Ponctuel	90	-	-	-	90	-	1,946
SPE Direcional Patrimar Maragogi Ltda.	169	65	3,761	39	(3,564)	-	(542)
	152,952	766	14,221	53,552	85,945	20,439	9,613
Associates							
SCP Safira (Decaminada 10)	28	-	42	40	(54)	-	(5,096)
SCP João XXIII	21	-	53	22	(54)	-	50
SCP Naples	11	-	1	-	10	(20)	(30)
SCP Palo Alto	3,675	327	502	60	3,440	4,150	580
SCP Park Residences	10,540	722	871	221	10,170	6,636	1,210
SCP Silva Lobo	354	298	25	-	627	(1)	67
SCP Tavares Bastos	37	-	5	-	32	705	(152)
SPE Novo Lar Greenport	13	-	180	383	(550)	(8)	25
SPE Campo Grande	59	-	41	36	(18)	24	(290)
SPE Axis 1 Porto Fino	21,672	4,280	1,816	18,235	5,901	28,626	7,270
Other investments	-	-	-	-	-	-	-
	36,410	5,627	3,536	18,997	19,504	40,112	3,634
	365,640	38,099	77,522	91,110	235,107	196,047	40,980

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

(e) An analysis of investments in Consolidated at December 31, 2019 follows:

Companies	Ownership interest (%)		Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment and net capital deficiency
	2019	2018	2019	2019	2019	2019
Jointly-controlled investees - Direct						
SCP RJ 04	50%	50%	(1,276)	764	(638)	382
SPE Mirante do Ibituruna Ltda.	34%	34%	(6)	8,027	(2)	2,729
SCP Portal do Bosque	50%	50%	(68)	181	(35)	91
SCP Park Ritz	48%	48%	(69)	970	(33)	466
SCP Recanto das Águas	51%	51%	(47)	289	(24)	147
SCP MRV Belo Campo	50%	50%	(680)	46	(340)	23
SCP MRV Rec. Pássaros (Rouxinol)	40%	40%	(828)	478	(331)	191
SCP MRV Res. Beija Flor	40%	40%	(348)	21	(139)	8
SPE Padre Marinho	50%	50%	6,362	13,589	3,181	6,795
SCP Rivoli 1 and 2	40%	40%	(1,108)	79	(443)	32
SPE Acaba Mundo E. Imob Ltda.	50%	50%	-	1,621	-	811
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1 and 2	40%	40%	45	455	18	224
SPE Barbacena Empr Imobiliários S.A.	50%	50%	(1,172)	51,822	(586)	25,911
SPE Patrimar Somattos Gasparini Ltda.	50%	50%	3,210	16,238	1,605	8,119
Ponctuel	50%	50%	(6)	84	(3)	42
SPE Direcional Patrimar Maragogi Ltda.	45%	45%	21	17	(5)	(3)
			4,030	94,681	2,225	45,968
Associates						
SCP Safira (Decaminada 10) (i)	24%	24%	(668)	(714)	(165)	-
SCP João XXIII (i)	24%	24%	(238)	(140)	(57)	-
SCP Naples (i)	20%	20%	-	23	-	-
SCP Palo Alto (i)	10%	10%	540	2,076	54	-
SCP Park Residences (i)	10%	10%	2,100	3,900	211	-
SCP Silva Lobo (i)	15%	15%	13	571	2	-
SCP Tavares Bastos (i)	25%	25%	(76)	(5)	(19)	-
SPE Novo Lar Greenport (i)	20%	20%	(435)	(584)	(87)	-
SPE Manchete	40%	40%	(2,798)	(2,350)	(170)	(940)
SCP Pacuare	50%	50%	-	(824)	12	(412)
SCP Park Rossete	51%	51%	24	2,127	6	1,085
SCP Parque Araras	50%	50%	12	48	10	24
SCP Bem te vi	50%	50%	20	136	(9)	68
SCP Parque das Gaivotas	50%	50%	(18)	86	(2)	43
SCP Parque Sabia	50%	50%	(4)	60	175	30
SCP Realiti e Renovare	50%	50%	350	272	-	136
SCP Recanto do Tingui	35%	35%	-	(186)	(9)	(65)
SCP Riviera da Costa e Sol	48%	48%	(19)	502	-	241
SCP Riversul	35%	35%	-	51	-	18
SCP Recreio do Bandeirantes	35%	35%	-	(706)	(204)	(247)
SCP Recreio Pontal	35%	35%	(583)	(2,806)	-	(982)
SCP MRV MRL Novolar X	40%	40%	-	-	-	-
SPE High Line	50%	50%	-	(500)	-	(252)
SPE Axis I - Porto Fino	10%	10%	-	-	433	-
SCP Campo Grande	40%	40%	(9)	-	-	-
Other investments					(372)	(155)
			(1,789)	1,037	(191)	(1,408)
			2,241	95,718	2,034	44,560

- (i) The related investees controlled by Novolar, became a subsidiaries of Patrimar on September 30, 2019 with intercompany transactions eliminated in the consolidated financial statements; recorded as equity in the results of investees for the period from January to September 2019.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

- (f) The analysis of the assets and liabilities of the investments indirectly controlled by the wholly-owned subsidiary Construtora Novolar at December 31, 2019, was as follows:

		Current assets	Non- current assets	Current liabilities	Non- current liabilities	Equity	Net revenue	Profit (loss)
Companies	%	2019	2019	2019	2019	2019	2019	2019
Controlled by Novolar								
Ruth Silveira	80%	2,943	180	402	260	2,461	2,715	73
Brooklin Bernardo Vasconcelos	85%	5,255	(439)	1,010	324	3,482	4,663	1,381
Novo Apia	70%	16,187	6,344	8,438	621	13,472	12,938	1,877
Mirataia	90%	17,357	11,448	7,453	5,706	15,646	4,893	(1,042)
Other		67	-	63	-	4	-	-
		<u>41,809</u>	<u>17,533</u>	<u>17,366</u>	<u>6,911</u>	<u>35,065</u>	<u>25,209</u>	<u>2,289</u>

11 Property and equipment

Property and equipment items are depreciated as below:

	Depreciation rate % (p.a.)
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%
Works	33.33%
Management	20.00%
Aircraft	3.33%

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

An analysis of property and equipment at December 31, 2019 follows:

Patrimar Engenharia S.A.

Notes to the financial statements at December 31, 2019

All amounts in thousands of reais unless otherwise stated

	Parent company					Consolidated					
	Balance 2018	Additions	Write-offs	Transfers	Balance 2019	Balance 2018	Additions	Merger (i)	Write-offs	Transfers	Balance 2019
Cost											
Improvements	6,782	-	-	(46)	6,736	6,782	-		-	(46)	6,736
Machinery and equipment	3,469	-	-	254	3,723	3,890	-	568	-	(168)	4,290
Vehicles	1,609	-	(348)	(254)	1,007	1,934	-		(348)	(579)	1,007
Furniture and fittings	1,958	-	-	-	1,958	2,117	-		-	(159)	1,958
Sales stand and model apartment	2,379	-	(650)	(804)	925	12,862	-	3,854	(1,547)	(2,570)	12,599
IT equipment	78	113	-	-	191	244	120	23	-	(167)	220
Construction in progress	-	1,638	-	11	1,649	-	3,393	987	-	(4,380)	-
Land	-	-	-	46	46	-	-		-	46	46
Aircraft	-	-	-	-	-	-	-	3,097	-	-	3,097
Telephone equipment	-	-	-	-	-	157	-		-	(157)	-
Other assets	-	-	-	-	-	906	-	-	-	(906)	-
Total cost	16,275	1,751	(998)	(793)	16,235	28,892	3,513	8,529	(1,895)	(9,086)	29,953
Depreciation											
Depreciation - Improvements	(1,346)	(1,324)	-	-	(2,670)	(1,347)	(1,324)	-	-	5	(2,666)
Depreciation - Machinery and equipment	(1,858)	(368)	-	(254)	(2,480)	(2,279)	(695)	(41)	-	171	(2,844)
Depreciation - Vehicles	(1,064)	(142)	348	255	(603)	(1,388)	(142)		348	579	(603)
Depreciation- Furniture and fittings	(184)	(206)	-	-	(390)	(344)	(206)		-	159	(391)
Depreciation - Sales stands and model apartments	(851)	(170)	62	792	(167)	(8,281)	(1,553)	(935)	963	6,942	(2,864)
Depreciation - IT equipment	(57)	(17)	-	-	(74)	(223)	(19)	(1)	-	167	(76)
Depreciation - Aircraft	-	-	-	-	-	-	(26)	(146)	-	-	(172)
Depreciation - Telephone equipment	-	-	-	-	-	(158)	-		-	158	-
Other assets	-	-	-	-	-	(905)	-	-	-	905	-
Total depreciation	(5,360)	(2,227)	410	793	(6,384)	(14,925)	(3,965)	(1,123)	1,311	9,086	(9,616)
Total property and equipment, net	10,915	(476)	(588)	-	9,851	13,967	(452)	7,406	(584)	-	20,337

- (i) In 2019 RPMV was merged with the Company (Note 20), which started to include Construtora Novolar information in its Consolidated accounts, thus recognizing the balance of property and equipment of this investee.

Patrimar Engenharia S.A.

Notes to the financial statements at December 31, 2019

All amounts in thousands of reais unless otherwise stated

An analysis of property and equipment for the year ended December 31, 2018 follows:

	Parent company				Consolidated			
	Balance 2017	Additions	Write- offs	Balance 2018	Balance 2017	Additions	Write-offs	Balance 2018
Cost								
Improvements	5,203	1,579	-	6,782	5,202	1,580	-	6,782
Machinery and equipment	3,983	-	(514)	3,469	4,404	-	(514)	3,890
Vehicles	1,204	600	(195)	1,609	1,529	600	(195)	1,934
Furniture and fittings	2,530	190	(762)	1,958	2,695	190	(768)	2,117
Sales stands and model apartments	1,703	1,346	(670)	2,379	11,164	2,783	(1,085)	12,862
IT equipment	676	11	(609)	78	846	11	(613)	244
Sundry facilities	111	-	(111)	-	111	-	(111)	-
Telephone equipment	51	-	(51)	-	212	-	(55)	157
Addition of property and equipment acquired in investee (i)	-	-	-	-	-	906	-	906
Total cost	15,461	3,726	(2,912)	16,275	26,163	6,070	(3,341)	28,892
Depreciation								
Improvements	(120)	(1,226)	-	(1,346)	(121)	(1,226)	-	(1,347)
Machinery and equipment	(1,755)	(506)	403	(1,858)	(2,175)	(506)	402	(2,279)
Vehicles	(1,118)	(140)	194	(1,064)	(1,442)	(140)	194	(1,388)
Furniture and fittings	(698)	(207)	721	(184)	(862)	(208)	726	(344)
Sales stands and model apartments	(788)	(63)	-	(851)	(7,843)	(438)	-	(8,281)
IT equipment	(642)	(24)	609	(57)	(809)	(24)	610	(223)
Sundry facilities	(109)	(1)	110	-	(109)	(1)	110	-
Telephone equipment	(41)	(3)	44	-	(200)	(3)	45	(158)
Addition of property and equipment acquired in investee (i)	-	-	-	-	-	(905)	-	(905)
Total depreciation	(5,271)	(2,170)	2,081	(5,360)	(13,561)	(3,451)	2,087	(14,925)
Total property and equipment, net	10,190	1,556	(831)	10,915	12,602	2,619	(1,254)	13,967

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

12 Intangible assets

An analysis of intangible assets for the year ended December 31, 2019 follows:

	Parent company				Consolidated					
	Balance 2018	Additions	Write- offs	Balance 2019	Balance 2018	Additions	Merger (i)	Write- offs	Transfers	Balance 2019
Intangible assets										
Software licenses	9,295	2,363	-	11,658	9,295	2,363	645	(32)	30	12,301
Right-of-use - lease	-	2,328	-	2,328	-	5,063	-	-	-	5,063
Other	-	-	-	-	30	-	-	-	(30)	-
Total cost	9,295	4,691	-	13,986	9,325	7,426	645	(32)	-	17,364
Amortization										
Amortization of software license	(12)	(799)	-	(811)	(12)	(841)	(44)	20	(19)	(896)
Amortization right-of-use - lease	-	(428)	-	(428)	-	(1,039)	-	-	-	(1,039)
Other	-	-	-	-	(19)	-	-	-	19	-
Total amortization	(12)	(1,227)	-	(1,239)	(31)	(1,880)	(44)	20	-	(1,935)
Total intangible assets, net	9,283	3,464	-	12,747	9,294	5,546	601	(12)	-	15,429

Patrimar Engenharia S.A.

Notes to the financial statements at December 31, 2019

All amounts in thousands of reais unless otherwise stated

An analysis of intangible assets for the year ended December 31, 2018 follows:

	Parent company				Consolidated			
	Balance 2017	Additions	Disposals/ Transfers	Balance 2018	Balance 2017	Additions	Disposals/ Transfers	Balance 2018
Cost								
Software licenses	20	163	9,112	9,295	27	163	9,105	9,295
Software under development (i)	615	8,517	(9,132)	-	615	8,517	(9,132)	-
Other	-	-	-	-	-	30	-	30
Total cost	<u>635</u>	<u>8,680</u>	<u>(20)</u>	<u>9,295</u>	<u>642</u>	<u>8,710</u>	<u>(27)</u>	<u>9,325</u>
Amortization								
Amortization of software license	-	(12)	-	(12)	(7)	(12)	7	(12)
Other	-	-	-	-	-	(19)	-	(19)
Total amortization	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(12)</u>	<u>(7)</u>	<u>(31)</u>	<u>7</u>	<u>(31)</u>
Total intangible assets, net	<u>635</u>	<u>8,668</u>	<u>(20)</u>	<u>9,283</u>	<u>635</u>	<u>8,679</u>	<u>(20)</u>	<u>9,294</u>

(i) Acquisition of an Integrated Business Management System (SAP S4 for Hana), with a defined useful life of 10 years. Reviewed at least annually. The software license amortization rate is 20% p.a.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

13

Borrowings

	Parent company		Consolidated	
	2019	2018	2019	2018
Financing for construction - Financial Housing System (SFH) - In R\$	16,124	22,669	29,806	29,894
Borrowings for working capital (R\$)	22,058	16,150	26,056	16,150
Borrowings for working capital (US\$) (i)	10,025	-	10,025	-
Financial Instrument - Swap (i)	496	-	496	-
Other borrowings		216		216
	<u>48,703</u>	<u>39,035</u>	<u>66,383</u>	<u>46,260</u>
Leases	2,025	-	4,346	-
	<u>50,728</u>	<u>39,035</u>	<u>70,729</u>	<u>46,260</u>
Current liabilities	23,424	3,547	38,715	10,772
Non-current liabilities	27,304	35,488	32,014	35,488

- (i) In December 2019, the Company contracted a working capital loan from Bradesco denominated in U.S. dollars for working capital purposes. Its original amount was US\$2,365 thousand, plus interest of 3.27% p.a. A swap instrument was contracted in connection with the borrowing, in order to exchange the foreign currency for Brazilian Real/Reais (R\$) at a fixed interest rate of 7.8% p.a. The maturities of the swap and the borrowing are the same (December 2020), and the swap instrument cannot be separated from the borrowing agreement. Therefore, foreign exchange gain (loss) is presented net of marked-to-market swap gain/loss.

The reconciliation between the transaction contracted and the swap instrument is as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Borrowing in US\$ + interest, converted into Reais	10,025	-	10,025	-
Swap contracted - assets	(9,569)	-	(9,569)	-
Swap contracted - liabilities	10,065	-	10,065	-
Net debt	<u>10,521</u>	<u>-</u>	<u>10,521</u>	<u>-</u>

Changes in borrowings were as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Opening balance	39,035	22,855	46,260	145,642
Draw downs	35,426	31,184	38,437	39,784
Lease - First-time adoption	2,375	-	5,063	-
Swap	496	-	496	-
Interest	3,401	3,728	4,631	9,588
Foreign exchange gains/losses	(532)	-	(532)	-
Amortization	(29,123)	(18,732)	(41,954)	(148,754)
Amortization - Lease	(538)	-	(1,104)	-
Financial charges - Lease	188	-	387	-
Merger of RPMV (i)	-	-	19,045	-
Closing balance	<u>50,728</u>	<u>39,035</u>	<u>70,729</u>	<u>46,260</u>

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

- (i) Following the merger of RPMV (Note 20), the Company started to include Construtora Novolar information in its Consolidated accounts, including its borrowings.

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

	Parent company		Consolidated	
	2019	2018	2019	2018
2019	-	3,547	-	10,772
2020	23,424	5,470	38,715	5,470
2021	11,502	4,233	12,997	4,233
2022	10,693	17,056	12,188	17,056
After 2022	5,109	8,729	6,829	8,729
	<u>50,728</u>	<u>39,035</u>	<u>70,729</u>	<u>46,260</u>

Financing for construction: The applicable interest rates range, depending on the operation, from 7% to 10.8% p.a. plus indexation based on the Reference Rate (TR) (from 8.3% to 10.8% p.a. plus indexation based on the TR at December 31, 2018). These financing arrangements are secured by the underlying real estate development.

Working capital: The average interest rate applicable to borrowings of this type is the CDI rate ranging from 2.95% to 3.50% p.a. The guarantees for this type of borrowings are sureties by the Company's stockholders.

Lease: Substantially, a 42-month lease agreement related to the property where the headquarters of the Company are located, discounted at present value at the rate of 0.85% p.m.

14 Trade payables

	Parent company		Consolidated	
	2019	2018	2019	2018
Trade payables	6,320	610	26,908	1,276
Technical retentions	<u>583</u>	<u>772</u>	<u>2,715</u>	<u>1,512</u>
	<u>6,903</u>	<u>1,382</u>	<u>29,623</u>	<u>2,788</u>

The balance of trade payables represents commitments by the Company and its subsidiaries for the acquisition of the inputs required to perform the contracted services or for the purchase of equipment with their own funds. These liabilities mature from 30 to 90 days as from the delivery date and are recorded when the significant risks and rewards of ownership of goods, products and services rendered are transferred to the Group.

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 contract) is withheld from the amounts payable to the contractor to cover non-compliance with the contract provisions.

At the end of the contract, if all requirements are met, the amount is refunded to the service provider.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

15 Tax liabilities

These comprise the provision for current taxes, the taxable event of which is the realization of trade receivables, and also of the provision for deferred through recognition of revenue based on the POC method, under which the receipt of receivables is deferred over the flow of payments of each contract:

	Parent company		Consolidated	
	2019	2018	2019	2018
Current taxes				
Withheld taxes	846	293	1,463	575
RET	158	38	814	661
PIS	20	43	88	61
COFINS	83	201	339	283
IRPJ	1	1	303	162
CSLL	-	-	226	5
Services Tax (ISS)	223	-	109	-
	<u>1,331</u>	<u>576</u>	<u>3,342</u>	<u>1,747</u>
Deferred taxes				
RET	710	306	4,594	1,047
CSLL	-	161	43	548
PIS	-	90	23	306
COFINS	7	424	164	1,423
	<u>717</u>	<u>981</u>	<u>4,824</u>	<u>3,324</u>
	<u>2,048</u>	<u>1,557</u>	<u>8,166</u>	<u>5,071</u>

16 Real estate purchase obligations

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

	Parent company		Consolidated	
	2019	2018	2019	2018
SPE Axis	-	-	1,956	-
SPE Mirataia	-	-	6,580	-
Porto Venere	-	-	43	-
Villagio Novita	-	-	144	-
Jardinaves	800	800	1,756	800
Avignon	113	387	113	387
Jardim das Mangabeiras	-	-	2,451	1,084
Manhattan	-	-	171	227
Land - Connection Street	63	-	-	-
Jambreiro (Ouro Velho Country Club)	-	-	2,118	-
Alameda do Morro	-	10,800	34,901	10,800
Antônio de Albuquerque	1,000	-	1,000	-
Other (i)	-	1,563	2,146	1,562
	<u>1,976</u>	<u>13,550</u>	<u>53,379</u>	<u>14,860</u>
Current liabilities	1,976	12,636	46,799	13,775
Non-current liabilities	-	914	6,580	1,085

Lower and highly dispersed amounts.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

17 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	
	2019	2018	2019	2018
Manhattan Square	-	-	-	450
Jardim das Mangabeiras	-	-	31,203	24,174
Jardinaves	-	-	1,130	773
Villagio Gutierrez	44	-	-	-
Alta Vila	20,722	20,650	20,722	20,650
Avignon	4,314	4,055	4,314	4,055
Saint Tropez	134	3,220	134	3,220
Apia (SPE Novo Apia - Jaraguá)	-	-	8,044	-
Antônio de Alburquerque (EPIC)	-	-	7,907	-
Solar Da Penha	-	-	4,000	-
Reserva Do Mirataia II	-	-	3,944	-
Inovato	-	-	2,432	-
Jota Patrimar (Soho Square)	-	-	6	-
Duo - Alameda Do Morro	-	-	773	-
Palo Alto	-	-	363	-
Ruth Silveira	-	-	6	-
SPE Axis - Porto Fino	-	-	329	-
Mia Felicita	-	-	78	-
Villaggio Verona	-	-	12	-
Other	-	71	-	71
	<u>25,214</u>	<u>27,996</u>	<u>85,397</u>	<u>53,393</u>
Advances from customers	907	-	23,342	1,243
Barters made for land	<u>24,307</u>	<u>27,996</u>	<u>62,055</u>	<u>52,150</u>
	<u>25,214</u>	<u>27,996</u>	<u>85,397</u>	<u>53,393</u>
Construction in progress	4,492	7,275	50,078	31,428
Advance from customized units	-	-	4,731	-
Developments not launched	<u>20,722</u>	<u>20,721</u>	<u>30,588</u>	<u>21,965</u>
	<u>25,214</u>	<u>27,996</u>	<u>85,397</u>	<u>53,393</u>

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

18 Provision for contingencies and judicial deposits

	Parent company		Consolidated	
	2019	2018	2019	2018
Provision for contingencies				
Civil	-	-	1,001	925
Tax	1,427	1,298	4,443	1,298
Labor	24	24	1,548	666
	<u>1,451</u>	<u>1,322</u>	<u>6,992</u>	<u>2,889</u>
	Parent company		Consolidated	
	2019	2018	2019	2018
Judicial deposits				
Civil	16	-	1,789	1,372
Tax	-	15	-	15
Labor	268	347	803	462
	<u>284</u>	<u>362</u>	<u>2,592</u>	<u>1,849</u>

Changes in judicial deposits and provisions for contingencies in 2019 were as follows:

	Parent company	Consolidated
Provision for contingencies		
Opening balance	1,322	2,889
Additions	129	2,497
Write-offs	-	(1,228)
Merger (i)	-	2,834
Closing balance	<u>1,451</u>	<u>6,992</u>
	Parent company	Consolidated
Judicial deposits		
Opening balance	362	1,849
Additions	-	72
Write-offs	(78)	-
Merger (i)	-	671
Closing balance	<u>284</u>	<u>2,592</u>

- (i) Following the merger of RPMV (Note 20), Construtora Novolar information was consolidated including balances of contingencies and judicial deposits.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

Changes in judicial deposits and provision for contingencies in 2018 were as follows:

Legal contingencies	Parent company	Consolidated
Opening balance	47	787
Additions	1,298	2,526
Write-offs	(23)	(424)
Closing balance	1,322	2,889
Judicial deposits	Parent company	Consolidated
Opening balance	67	190
Additions	295	1,659
Closing balance	362	1,849

The Group companies are party 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 provisions for contingencies are estimated and recorded by management, under the advice of legal counsel, when it considers a probable loss is expected to arise based on the historical information and statistical data for the proceedings.

Management believes that the resolution of these issues will not be significantly different from the amounts estimated.

There was no offset of the balances of judicial deposits and the provision for contingencies because the nature of the asset and liability balances were not the same, thus precluding offset of balances.

Possible loss contingencies

At December 31, 2019, the Group companies are party to other legal proceedings of a tax, civil and labor nature arising in the normal course of business, for which the likelihood of loss, in the opinion of the Company's management, under the advice of its legal counsel, is considered to be possible, amounting to approximately to R\$ 2,188 for labor, R\$ 34,403 for tax and R\$ 7,588 for civil proceedings, totaling R\$ 44,179 (R\$ 41,516 at December 31, 2018). Accordingly, no provision was recorded to cover possible losses arising from unfavorable outcomes.

Possible loss contingencies include the "physical exchange" of land. As part of the process for purchase and sale of properties, the Company 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 2017 and 2018 tax assessment notices were issued against the Group in the amount of R\$28,718.

Based on the advice of its legal counsel, the Group filed a protest letter claiming that the assessment has no merit since the recognition of the fair value from the barter transactions cannot affect the calculation bases of these taxes. The probability of loss in this case has been classified as possible and the estimated risk involved at December 31, 2019 amounts to R\$33,299.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

19 Provision for real estate maintenance

The Company and its subsidiaries offer a five-year warranty against construction problems, as required by the Brazilian legislation.

In order to fulfill this commitment, mitigating potential future effects, and to adequately match revenues and costs, for each real estate under construction an amount corresponding to 1.5% of the construction cost was provided for, on an estimated basis.

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

The provision is recorded as the work progresses, by applying this percentage mentioned to actual costs incurred.

Changes in the provision for maintenance were as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Opening balance	1,578	857	5,453	6,801
Additions	285	2,898	1,452	1,929
Disposals	(297)	(2,177)	(3,048)	(3,277)
Merger	-	-	3,844	-
Closing balance	1,566	1,578	7,701	5,453

20 Equity

(a) Capital

At December 31, 2019, capital amounted to R\$281,602 (R\$179,032 at December 31, 2018) and is divided into 27,972,479,422 common shares (17,903,150,656 quotas at December 31, 2018).

(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 privately-held corporation. Accordingly, a Quotaholders' Meeting and subsequently an Extraordinary General Meeting were held.

In addition, the Company merged with RPMV Participações S.A., which held a 99.99% interest in the quotas of Construtora Novolar Ltda. and received by assignment the remaining quota of Construtora Novolar Ltda. held by PRMV Participações S.A.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

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. at September 30, 2019, Patrimar has merged with RPMV and the net assets of R\$ 102,570 were contributed as a capital increase in Patrimar. After the merger, Patrimar identified the need to adjust the opening balance of the merger with a charge to retained earnings (accumulated deficit). Adjustments basically arise from the recognition of provisions for canceled sales in prior years (2018 and 2017) and capitalized interest in investments in completed developments.

Special balance sheet at September 30, 2019

Assets	Merged balance	Adjustment	Adjusted balance	Liabilities	Merged balance	Adjustment	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				Total		(10,374)	
	122,154	(10,374)	111,780		122,154	)	111,780

Upon completion of the merger, all the common and registered shares issued by Patrimar, with no par value, are divided 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

(c) Profit distribution policy

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

At December 31, 2018, profit distributions in the amount of R\$ 5,039 were approved based on the financial statements as originally presented by the Company, before the accounting adjustments and restatements (Note 2.3). The financial statements at December 31, 2018, disclosed on the same date. Based on the financial statements originally presented for the year ended December 31, 2018, had presented a balance of retained earnings.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

21 Earnings per share

The table below presents information on profit or loss and the number of shares/quotas used in the basic and diluted earnings per share computations:

		<u>2019</u>
Basic earnings per share:		
	Profit for the year	5,975
	Weighted average number of shares	20,420,482,848
	Basic earnings per share (in R\$)	0.000293
Diluted earnings per share:		
	Profit for the year	5,975
	Weighted average number of shares	20,420,482,848
	Diluted earnings per share (in R\$)	0.000293

Patrimar was first incorporated as limited liability partnership when in October 30, 2019 it transformed into a privately-held corporation (Note 20). Therefore, earnings per share are not disclosed for the year ended December 31, 2019.

22 Operating revenue

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

	<u>Parent company</u>		<u>Consolidated</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Gross revenue from the sales of properties	50,332	44,197	256,786	203,828
Service revenue	9,022	2,531	9,061	2,718
Canceled sales	(7,248)	-	(24,116)	(20,319)
Changes in the provision for canceled sales	1,128	(941)	1	1,708
Adjustment to present value (i)	(745)	1,191	(6,121)	(2,606)
Taxes on billings	(759)	(1,011)	(4,552)	(3,982)
Net operating revenue	<u><u>51,730</u></u>	<u><u>45,967</u></u>	<u><u>231,059</u></u>	<u><u>181,347</u></u>

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

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

23 Costs and expenses by nature

	Parent company		Consolidated	
	2019	2018	2019	2018
Cost of properties sold				
Materials	(7,702)	(5,067)	(27,711)	(12,152)
Land	(7,726)	(10,722)	(44,581)	(39,993)
Completed properties	(5,896)	(12,236)	(42,401)	(46,692)
Personnel expenses	(1,295)	(1,408)	(3,632)	(2,501)
Subcontractors	(4,829)	(5,256)	(22,502)	(12,287)
Other	(3,659)	(1,103)	(8,961)	(11,559)
	<u>(31,107)</u>	<u>(35,792)</u>	<u>(149,788)</u>	<u>(125,184)</u>
	Parent company		Consolidated	
	2019	2018	2019	2018
Operating expenses				
Administrative and general expenses				
Personnel expenses	(10,797)	(9,038)	(11,532)	(9,112)
Travel, lodging and other expenses	(2,237)	(3,416)	(2,526)	(3,554)
Depreciation and amortization	(3,063)	(2,115)	(2,967)	(2,118)
Third-party services	(4,174)	(2,387)	(5,474)	(3,102)
	<u>(20,271)</u>	<u>(16,956)</u>	<u>(22,499)</u>	<u>(17,886)</u>
Selling expenses				
Personnel expenses	(1,264)	(1,258)	(2,047)	(1,415)
Commissions and brokerage	(547)	(609)	(4,271)	(2,033)
Sales stands/Model apartment	(419)	(1,711)	(2,523)	(4,651)
Advertising	(1,520)	(495)	(6,556)	(5,306)
Other	(1,391)	(387)	(5,341)	(1,807)
	<u>(5,141)</u>	<u>(4,460)</u>	<u>(20,738)</u>	<u>(15,212)</u>
Other operating income (expenses), net				
Expenses with real estate financing (i)	(162)	(8)	(1,755)	(1,204)
Tax expenses	(49)	(369)	(320)	(522)
Provision for contingencies	(295)	(1,354)	(4,841)	(3,647)
Other (ii)	(447)	(861)	(1,862)	(3,195)
	<u>(953)</u>	<u>(2,592)</u>	<u>(8,778)</u>	<u>(8,568)</u>
	<u>(26,365)</u>	<u>(24,008)</u>	<u>(52,015)</u>	<u>(41,666)</u>

- (i) The significant increase in 2019 real estate financing expenses reflects the merger of Construtora Novolar and its allowance for impairment of trade receivables;
- (ii) In 2018, inventory counts resulted write-offs; additional expenses were incurred to cover commitments not honored by contractors.

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

24 Management fees

During 2019, management fees totaled R\$ 1,999 in the Parent company and R\$ 2,429 in Consolidated (R\$ 2,128 in the Parent company and R\$ 2,968 in Consolidated at December 31, 2018).

25 Finance income (costs), net

	Parent company		Consolidated	
	2019	2018	2019	2018
Finance income				
Indexation accruals and interest as per contracts	827	1,040	3,432	6,549
Interest on financial investments	343	362	1,733	1,238
Other finance income	582	381	1,050	2,657
	<u>1,752</u>	<u>1,783</u>	<u>6,215</u>	<u>10,444</u>
Finance costs				
Interest on borrowings	(2,819)	(1,323)	(3,310)	(6,567)
Bank fees and charges	(203)	(652)	(586)	(1,489)
Financing expenses	(32)	(93)	(190)	(531)
Derivative transactions	(496)	-	(496)	-
Other finance costs	(160)	(12)	(1,823)	(125)
	<u>(3,710)</u>	<u>(2,080)</u>	<u>(6,405)</u>	<u>(8,712)</u>
Finance income (costs), net	<u>(1,958)</u>	<u>(297)</u>	<u>(190)</u>	<u>1,732</u>

26 Income tax and social contribution expenses

Corporate income tax and social contribution on net income are calculated on an accrual basis. However, as these taxes are measured on a cash basis, the Company records them as deferred taxes. Balances of taxes due under this tax criteria are as follows:

	Parent company		Consolidated	
	2019	2018	2019	2018
Profit before IRPJ and CSLL	6,669	4,396	31,100	20,774
Nominal statutory rate - 34%	(2,267)	(1,495)	(10,574)	(7,063)
Equity accounting	(4,799)	(6,299)	(422)	(1,545)
Unrecognized tax credits due to temporary difference - RET	6,372	7,288	6,435	4,999
IRPJ and CSLL expenses	<u>(694)</u>	<u>(506)</u>	<u>(4,561)</u>	<u>(3,609)</u>
%	<u>11%</u>	<u>12%</u>	<u>15%</u>	<u>17%</u>

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

The Company has a total accumulated balance of income tax and social contribution losses of R\$ 12,465 (R\$ 6,984 at December 31, 2018).

Management has not recorded deferred assets as the generation of future taxable income cannot be reliably estimated as a substantial part of the Group's operations are carried out through SPEs and SCPs, in addition to the use of the Special Taxation Regime (RET) adopted for certain projects developed by the Company and its subsidiaries.

27 Deferred revenue and deferred costs

Pursuant to the Circular Letter No. 02/2018 of December 12, 2018, which addresses revenue recognition by Brazilian companies on purchase and sale of incomplete real estate units under construction, the table below presents 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		
Developments under construction:		
(a) Revenue from contracted sales	84,687	645,755
Revenue from recognized sales:		
Revenue from recognized sales	(53,258)	(336,053)
Canceled sales - reversed revenues	<u>2,184</u>	<u>16,328</u>
(b) Revenue from recognized sales, net	<u>(51,074)</u>	<u>(319,725)</u>
Deferred revenue (a+b)	<u>33,613</u>	<u>326,030</u>
(ii) Budgeted deferred cost of sold units		
Developments under construction:		
(a) Budgeted costs	52,257	381,392
Incurring costs:		
Construction costs	<u>(33,706)</u>	<u>(182,532)</u>
(b) Incurred costs, net	<u>(33,706)</u>	<u>(182,532)</u>
Deferred costs of units sold (a+b)	<u>18,551</u>	<u>198,860</u>
(iii) Budgeted deferred costs of units in inventory		
Developments under construction:		
(a) Budgeted costs	29,424	342,420
(b) Incurred costs	<u>(23,529)</u>	<u>(131,397)</u>
Deferred costs of units in inventory (a+b)	<u>5,895</u>	<u>211,023</u>

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

28 Commitments

Commitments for purchase of land

Commitments have been undertaken by the Company 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\$ 1,266,777 (R\$ 651,979 - 2018), of which: R\$ 931,438 (R\$ 634,700 - 2018) will be settled upon delivery of transfers of real estate units to be constructed, R\$ 254,824 (R\$ 17,279 - 2018) from a portion of the proceeds from the sale of the related developments and R\$ 80.515 will be settled as a balancing payment (Novolar, merged on September 30, 2019, Note 20 (b)).

29 Segment reporting

The main source of revenue of the Group is derived from real estate development activities. 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.

30 Insurance

As at December 31, 2019, the Group had contracted the following insurance coverage:

- a) Engineering risk insurance - civil works in progress: an all risk coverage for 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 the sales stands and model apartments, against damage caused by fire, theft, lightning and explosion, among others.
- c) Multiple risk insurance - coverage for electronic equipment against possible theft or electrical damage.
- d) Civil liability insurance (management).

Patrimar Engenharia S.A.

Notes to the financial statements at

December 31, 2019

All amounts in thousands of reais unless otherwise stated

Items	Cover		Insured amount		
	Beginning	End	Novolar	Patrimar	Combined
Aircraft	2019	2020	-	2,080	2,080
Commercial multiple peril and General civil liability - Multiple peril insurance	2019	2020	-	2,060	2,060
Contractor - Completion bond (SGTO)	2017	2020	2,787	-	2,787
Contractor - Completion bond (SGTO)	2018	2020	2,462	-	2,462
Contractor - Completion bond (SGTO)	2018	2021	4,318	-	4,318
Contractor - Completion bond (SGTO)	2019	2022	1,967	-	1,967
Contractor - Completion bond (SGTO) - Infrastructure not included	2019	2022	-	-	522
Civil liability (management) D&O	2019	2020	-	10,000	10,000
Engineering risk and Civil risk	2017	2020	21,512	-	21,512
Engineering risk and Civil risk	2017	2021	-	28,000	28,000
Engineering risk and Civil risk	2018	2020	16,412	-	16,412
Engineering risk and Civil risk	2018	2021	28,784	-	28,784
Engineering risk and Civil risk	2018	2023	-	169,625	169,625
Engineering risk and Civil risk	2019	2020	-	-	-
Engineering risk and Civil risk	2019	2023	13,112	-	13,112
Post-completion bond - maintenance bond - SGPE	2018	2023	539	-	539
Post-completion bond - maintenance bond - SGPE	2019	2024	591	-	591
Insurance for barter transactions	2017	2021	-	18,751	18,751

31 Effects after the reporting period

Effects of the COVID-19 pandemic on the Company's business

The Brazilian market has evidenced increased volatility as a result, among other factors, of the spread of the coronavirus (Covid-19) pandemic and the restrictive measures that have been adopted in Brazil and worldwide in an attempt to contain the contagion, which may result in a slowdown in the global economy.

The Company has been monitoring development and possible impacts on its operations. As the construction industry was included in the list of essential activities by the Brazilian government, several incentive measures were provided greatly reducing impacts. Work on projects continue unabated and without interruption, with no identified risk of delay of delivery to customers. All requirements are being met and every effort is being made to ensure the health and safety of employees and service providers. Administrative and commercial areas staff are working from home as are partners across the supply chains. Financial performance metrics of works are operating without major incident. No impairment of financial and non-financial assets have been identified to-date.

No cases of significant customer delinquencies have been forthcoming and the medium and long-term fundamentals of the business remain unchanged.

* * *

Opinions and Statements / Officers' Statement on the Financial Statements

Officers' Statement on the Financial Statements

Pursuant to the provisions of Article 25, paragraph 1, items V and VI, of the Brazilian Securities Commission Instruction No. 480 of December 7, 2009, the Executive Board states that it has reviewed, discussed and agreed with the parent presentation of the company and consolidated financial statements for the year ended December 31, 2019.

Belo Horizonte, August 5, 2020.

Chief Executive Officer - ALEXANDRE ARAÚJO ELIAS VEIGA

Chief Administrative and Financial Officer - MARCOS ROGÉRIO ALMEIDA DUTRA

Opinions and Statements / Officers' Statement on the Independent Auditor's Report

Officers' Statement on the Independent Auditor's Report

Pursuant to the provisions of Article 25, paragraph 1, items V and VI, of the Brazilian Securities Commission Instruction No. 480 of December 7, 2009, the Executive Board states that it has reviewed, discussed and agreed with the opinion expressed in the Independent Auditor's Report dated August 5, 2020, on the parent company and consolidated financial statements for the year ended December 31, 2019.

Belo Horizonte, August 5, 2020.

Chief Executive Officer - ALEXANDRE ARAÚJO ELIAS VEIGA

Chief Administrative and Financial Officer - MARCOS ROGÉRIO ALMEIDA DUTRA

EXECUTIVE BOARD

ALEXANDRE ARAÚJO ELIAS VEIGA
Chief Executive Officer

MARCOS ROGÉRIO ALMEIDA DUTRA
Chief Administrative and Financial Officer

RESPONSIBLE ACCOUNTANT

ROGER TADEU VILELA FERREIRA
Contador
CRC - MG 122.560/O