(A free translation of the original in Portuguese)

Patrimar Group

Combined consolidated condensed interim financial statements at June 30, 2020 and report on review

(A free translation of the original in Portuguese)

Report on review of combined consolidated condensed interim financial statements

To the Board of Directors and Stockholders
Patrimar Group

Introduction

We have reviewed the accompanying combined consolidated condensed interim financial statements of Patrimar Engenharia S.A. and its subsidiaries with Construtora Novolar Ltda. and its subsidiaries ("Patrimar Group" or "Group"), which comprise the consolidated condensed balance sheet as at June 30, 2020 and the combined consolidated condensed statements of operations, comprehensive income (loss), changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the preparation and fair presentation of these combined consolidated condensed interim financial statements in accordance with the accounting standard CPC 21, Interim Financial Reporting, of the Brazilian Accounting Pronouncements Committee (CPC), and International Accounting Standard (IAS) 34, Interim Financial Reporting, of the International Accounting Standards Board (IASB), including Circular Letter CVM/SNC/SEP No. 02/2018, related to application of Guidance OCPC 04. Our responsibility is to express a conclusion on these combined consolidated condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Reviews of Interim Financial Information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Brazilian and International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying combined consolidated condensed interim financial statements referred to above have not been prepared, in all material respects, in accordance with CPC 21 and IAS 34, including Circular Letter CVM/SNC/SEP No. 02/2018, related to application of Guidance OCPC 04, applicable to Brazilian real estate development entities registered with the CVM.

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Patrimar Group

Emphasis of matter

We draw attention to Note 1.1 to the combined consolidated condensed interim financial statements, which describes that the companies included in these combined consolidated condensed interim financial statements did not operate as a single legal entity prior to September 30, 2019. These combined consolidated condensed interim financial statements, therefore, do not necessarily represent the results of operations that would have been obtained had these entities operated under a single legal entity during the first nine months of that year. Our conclusion is not qualified in respect of this matter.

As described in Note 2, the accompanying combined consolidated condensed interim financial statements were prepared in accordance with CPC 21 and IAS 34, applicable to Brazilian real estate development entities registered with the CVM. Accordingly, the accounting policies adopted by the Group to recognize revenue from incomplete real estate units under construction, with regards to determining the timing of transfer of control, follow the guidance in CVM's Circular Letter CVM/SNC/SEP/ No. 02/2018 when applying CPC 47 (IFRS 15) and Technical Guidance OCPC 04. Our conclusion is not qualified in respect of this matter.

Other matters

Combined consolidated condensed interim statements of value added

The combined consolidated condensed interim financial statements referred to above include the combined consolidated condensed statements of value added for the six-month period ended June 30, 2020. These statements are the responsibility of the Group's management and are presented as supplementary information. These statements have been subjected to review procedures performed together with the review of the combined consolidated condensed interim financial statements for the purpose of concluding whether they are reconciled with the combined consolidated condensed interim financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in the accounting standard CPC 09 - "Statement of Value Added". Based on our review, nothing has come to our attention that causes us to believe that these combined consolidated condensed interim statements of value added have not been properly prepared, in all material respects, in accordance with the criteria defined in this accounting standard, and in a consistent manner in relation to the combined consolidated condensed interim financial statements taken as a whole.

Belo Horizonte, August 5, 2020

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

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

Patrimar Group
Combined consolidated condensed interim balance sheet
All amounts in thousands of reais (A free translation of the original in Portuguese)

	Note	6/30/2020	12/31/2019
Assets			
Current assets			
Cash and cash equivalents	5	41,351	50,234
Trade receivables	6	143,170	97,389
Properties for sale	7	271,466	266,193
Taxes recoverable		5,799	5,430
Prepaid expenses		10,831	6,373
Other receivables		9,094	6,295
Total current assets		481,711	431,914
Non-current assets			
Long-term receivables			
Restricted financial investments	5	2,226	2,191
Trade receivables	6	37,446	36,287
Properties for sale	7	18,480	10,969
Related parties	8	23,490	27,537
Judicial deposits	17	2,634	2,592
		84,276	79,576
Investments	9	49,700	47,616
Property and equipment	10	21,405	20,337
Intangible assets	11	13,628	15,429
Total non-current assets		169,009	162,958
Total assets		650,720	594,872

	Note	6/30/2020	12/31/2019
Liabilities and equity			
Current liabilities			
Borrowings	12	48,341	38,715
Trade payables	13	25,969	29,623
Salaries and social charges		4,192	1,628
Tax liabilities	14	10,693	8,166
Advances from customers	16	91,067	85,397
Profit distributions payable		80	38
Real estate purchase obligations	15	41,961	46,799
Provision for canceled sales		813	726
Other payables		4,923	5,534
Total current liabilities		228,039	216,626
Non-current liabilities			
Borrowings	12	40,351	32,014
Advances from customers	16	65	-
Real estate purchase obligations	15	5,204	6,580
Related parties	8	17,235	9,539
Provision for contingencies	17	9,662	6,992
Provision for real estate maintenance	18	7,842	7,701
Provision for net capital deficiency	9	2,042	3,056
Total non-current liabilities		82,401	65,882
Total liabilities		310,440	282,508
Equity	19		
Capital		281,602	281,602
Capital reserves		259	259
Accumulated deficit		(525)	(17,301)
		281,336	264,560
Non-controlling interests		58,944	47,804
Total equity		340,280	312,364
Total liabilities and equity		650,720	594,872

The accompanying notes are an integral part of these combined consolidated condensed interim financial statements.

Combined consolidated condensed interim statement of operations

Six-month period ended June 30

All amounts in thousands of reais unless otherwise stated (A free translation of the original in Portuguese)

	Note	6/30/2020	6/30/2019
Net operating revenue	21	155,231	105,985
Cost of properties sold	22	(90,388)	(75,176)
Gross profit		64,843	30,809
Operating expenses			
General and administrative expenses	22	(14,163)	(13,441)
Selling expenses	22	(11,466)	(14,915)
Other operating income (expenses), net	22	(6,270)	(4,759)
Operating profit (loss)		32,944	(2,306)
Finance income	24	5,811	3,963
Finance costs	24	(4,978)	(2,826)
Finance income (costs), net		833	1,137
Equity in the results of investees	9	1,844	(196)
Profit (loss) before income tax and social contribution		35,621	(1,365)
Income tax and social contribution	25	(3,443)	(2,355)
Profit (loss) for the period		32,178	(3,720)
Attributable to:			
Controlling interests		16,776	(9,233)
Non-controlling interests		15,402	5,513
		32,178	(3,720)
Basic earnings per share - R$	20	0.000600	
Diluted earnings per share - R$	20	0.000600	

The accompanying notes are an integral part of these combined consolidated condensed interim financial statements.

Patrimar Group

Combined consolidated condensed interim statement of comprehensive income (loss)

Six-month period ended June 30

All amounts in thousands of reais (A free translation of the original in Portuguese)

	6/30/2020	6/30/2019
Profit (loss) for the period	32,178	(3,720)
Other comprehensive income	-	-
Total comprehensive income (loss) for the period	32,178	(3,720)
Attributable to:		
Controlling interests	16,776	(9,233)
Non-controlling interests	15,402	5,513
	32,178	(3,720)

The accompanying notes are an integral part of these combined consolidated condensed interim financial statements.

Combined consolidated condensed interim statement of changes in equity

Six-month period ended June 30

All amounts in thousands of reais (A free translation of the original in Portuguese)

	Capital	Capital reserve	Accumulated deficit	Equity	Non-controlling interests	Total equity
At December 31, 2018	283,592	259	(3,301)	280,550	50,944	331,494
Changes in contributions to subsidiaries	-	-	-	-	(14,208)	(14,208)
Distributed profits	-	-	(300)	(300)	-	(300)
Profit (loss) for the period	-	-	(9,233)	(9,233)	5,513	(3,720)
At June 30, 2019	283,592	259	(12,834)	271,017	42,249	313,266
At December 31, 2019	281,602	259	(17,301)	264,560	47,804	312,364
Changes in contributions to subsidiaries	-	-			(4,262)	(4,262)
Profit for the period	-	-	16,776	16,776	15,402	32,178
At June 30, 2020	281,602	259	(525)	281,336	58,944	340,280

The accompanying notes are an integral part of these combined consolidated condensed interim financial statements.

Patrimar Group

Combined consolidated condensed interim statement of cash flows

Six-month period ended June 30

All amounts in thousands of reais (A free translation of the original in Portuguese)

	6/30/2020	6/30/2019
Cash flows from operating activities		
Profit (loss) for the period	32,178	(3,720)
Adjustments for non-cash items		
Depreciation and amortization	4,389	4,743
Provision for real estate maintenance	141	802
Present value adjustment of receivables	(2,877)	1,210
Provision for labor, civil, and tax contingencies	2,670	1,837
Equity in the results of investees	(1,844)	196
Provision for losses	(686)	-
Provision for interest on borrowings	1,751	3,577
Loss on disposal of property and equipment	785	
Income tax and social contribution	3,443	2,355
	39,950	11,000
Increase (decrease) in assets and liabilities		
Trade receivables	(43,377)	(23,537)
Properties for sale	(11,095)	23,811
Taxes recoverable	(369)	(934)
Other assets	(7,297)	(3,241)
Trade payables	(3,654)	14,665
Salaries and social charges	2,564	(468)
Tax liabilities	(916)	(3,843)
Real estate purchase obligations	(6,214)	6,035
Advances from customers	5,915	39,378
Other liabilities	(3,255)	(23,139)
	(67,698)	28,727
Net cash provided by (used in) operating activities	(27,748)	39,727
Cash flows from investing activities		
Changes in restricted financial investments	(35)	2,920
Contributions to (return on) investments	1,254	171
Purchases of property and equipment and intangible assets	(4,441)	(9,968)
Advances to related parties	11,720	(2,666)
Net cash provided by (used in) investing activities	8,498	(9,543)
Cash flows from financing activities		
Dividends paid		
Capital and unrealized revenue reserve of non-controlling interests	-	(300)
Distributions to non-controlling interests, net	(4,262)	(14,208)
New borrowings	45,726	30,491
Repayment of borrowings - principal	(31,097)	(32,796)
Net cash provided by (used in) financing activities	10,367	(16,813)
Increase (decrease) in cash and cash equivalents, net	(8,883)	13,371
Changes in cash		
Cash and cash equivalents at the beginning of the period	50,234	34,936
Cash and cash equivalents at the end of the period	41,351	48,307
	(8,883)	13,371

The accompanying notes are an integral part of these combined consolidated condensed interim financial statements.

Combined consolidated condensed interim statement of value added

Six-month period ended June 30
All amounts in thousands of reais

(A free translation of the original in Portuguese)

	6/30/2020	6/30/2019
Revenue:		
Revenue from sales and services	159,336	108,296
Provision for estimated impairment of trade receivables	(253)	-
	159,083	108,296
Inputs acquired from third parties:		
Cost of properties sold	(90,388)	(75,176)
Electricity, third-party services and other expenses	(17,530)	(18,162)
	(107,918)	(93,338)
Gross value added	51,165	14,958
Retentions:		
Depreciation and amortization	(4,389)	(4,743)
Net value added generated by the entity	46,776	10,215
Value added received through transfers:		
Equity in the results of investees	1,844	(196)
Finance income	5,811	3,963
	7,655	3,767
Total value added for distribution	54,431	13,982
Distribution of value added:		
Personnel		
Direct compensation	8,884	8,611
	8,884	8,611
Taxes and contributions		
Federal	7,315	4,835
Municipal	639	797
	7,954	5,632
Remuneration of third-party capital:		
Finance costs	4,978	2,826
Lease expenses	437	633
	5,415	3,459
Remuneration of own capital:		
Profit (loss) for the period	16,776	(9,233)
Non-controlling interests - retained earnings	15,402	5,513
	32,178	(3,720)
Value added distributed	54,431	13,982

The accompanying notes are an integral part of these combined consolidated condensed interim financial statements.

1 Operations

1.1. General information

The combined entities of the Patrimar Group, herein represented by Patrimar Engenharia S.A. and its subsidiaries ("Patrimar") and Construtora Novolar Ltda. and its subsidiaries ("Novolar") (together, the "Patrimar Group", the "Group" or the "Companies"), comprise two limited liability corporate partnerships organized under the Brazilian corporation laws. The two Companies are headquartered in the city of Belo Horizonte, state of Minas Gerais, Brazil, at Rodovia Stael Mary Bicalho Motta Magalhães, 521, 17th floor, Belvedere District. The Group operates in the real estate development and construction industry, with a focus on residential developments; it primarily operates in Belo Horizonte, São Paulo and Rio de Janeiro.

Up to September 30, 2019, Patrimar's stockholders were also the owners and members of the management of Novolar. Both companies perform the same activity and management controls their businesses on a joint basis. Although the Companies do not operate as a single entity because they are different legal entities, they are managed within the same economic group environment, where the costs of the operating and administrative structure are borne by the Companies, as most practical in the circumstances.

On September 30, 2019, Patrimar merged with RPMV Participações Ltda. ("RPMV") (Note 19(b)), and started to include Novolar accounting balances in its consolidated accounts. Therefore, Patrimar's combined consolidated balance sheet accounts at June 30, 2020, include Novolar; statements of operations and cash flows before the merger have been combined.

The Companies 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 financial and accounting control of the projects. The Patrimar Group operates exclusively in the real estate sector and, in most cases, the SCPs and SPEs are associated with a specific venture.

The issue of these combined consolidated condensed interim financial statements was authorized by management on August 5, 2020.

1.2. Impacts of COVID-19

On March 2, 2020, the World Health Organization (WHO) declared the novel Coronavirus (COVID-19) a pandemic. This contagion has affected Brazil and countries worldwide, posing risks to public health and impacting the global economy.

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

(a) Analysis of estimated impairment of trade receivables

Management analyzed the potential risk of default on trade receivables by contacting individual customers and, based on credit analyses and quality of real guarantees, evaluated the need for renegotiations to lengthen payment terms, as well as intensifying collections.

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

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

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

A review of the main supplier and customer contracts concluded that the contractual obligations are being fulfilled, and there is no evidence of insolvency or contract interruptions.

(d) Analysis of performance of contractual obligations - covenants

The Group has no contracts subject to covenants.

(e) Analysis of the Group's liquidity

Several initiatives were made to preserve cash including a review of strategic investment priorities for 2020, rationalization of operating expenses, reduction of working hours and salaries for selected employees, in addition to measures, consistent with the Company's operations, for an organizational restructuring, reduction of consulting expenses and strategic planning review.

These analyses did not identify significant adjustments required to the interim accounting information in the quarterly information for the period ended June 30, 2020.

2 Combined consolidated condensed interim financial statement presentation and summary of significant accounting policies

2.1. Financial statement presentation

The Group's interim financial statements comprise:

The combined consolidated condensed interim financial statements for the six-month period ended June 30, 2020 have been prepared and are being presented in accordance with CPC 21 - Interim Financial Reporting, issued by the Brazilian Accounting Pronouncements Committee (CPC), and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), in a manner consistent with the standards issued by the Brazilian Securities Commission (CVM).

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) in conformity with CVM standards.

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

All amounts in thousands of reais unless otherwise stated

In the preparation of these combined consolidated condensed interim financial statements the principles, estimates, accounting practices, measurement methods, and standards are consistent with those presented in the financial statements at December 31, 2019, except when otherwise disclosed. This interim accounting information for the six-month period ended June 30, 2020, should be read together with the Group's combined consolidated financial statements for the year ended December 31, 2019.

As there were no material changes in the composition and nature of the balances compared to the combined consolidated financial statements for the year ended December 31, 2019, the following Notes are presented in a condensed format.

Note	
2	Presentation of the quarterly information and summary of significant accounting policies
9	Investments
10	Property and equipment
11	Intangible assets
19	Equity

2.2. The process of combination

The Group presents its financial statements in a combined consolidated condensed format, considering the consolidated balances of the balance sheets at June 30, 2020 and December 31, 2019 and the consolidated balances of the statements of operations, comprehensive income, changes in equity, cash flows and value added for the six-month period ended June 30, 2020, and the combined consolidated condensed balances of the statements of operations, comprehensive income, changes in equity, cash flows and value added for the six-month period ended June 30, 2019, considering the effects of the corporate restructuring carried out on September 30, 2019, whereby Patrimar became the parent company of Novolar. Also, these combined consolidated condensed interim financial statements have been prepared and are presented in accordance with CPC 44 - "Combined financial statements".

To calculate the combined balances, the balances of the Companies were summed and intercompany balances and transactions were eliminated. Therefore, the combined financial statements do not include any balance or transaction between Patrimar and Novolar.

The combined financial statements have been presented for the purpose of disclosing the information as if the Group companies, which are under a common control and management, were a single entity, without changing the historical accounting records. Furthermore, the Group's management considers the business as a whole. In this regard, the presentation of the combined financial statements of the parent company and consolidated financial statements of the Group's companies alone.

The combined financial statements are being presented solely to provide additional information to third parties, and do not represent the parent company or consolidated financial statements of the entities and their subsidiaries, jointly-controlled investees and associates. These combined financial statements should not be used as a basis for the calculation of dividends or taxes or for any other corporate purposes.

All amounts in thousands of reais unless otherwise stated

The consolidated statements of operations that of Novolar and Patrimar that were used as a basis for the combination are summarized below:

	6/30/2020	6/30/2019	
Statement of operations	**Patrimar**	**Patrimar**	**Novolar**
Net operating revenue	157,980	76,285	30,578
Cost of properties sold	(90,388)	(54,120)	(21,056)
Gross profit	67,592	22,165	9,522
Operating expenses			
General and administrative expenses	(14,163)	(10,472)	(2,969)
Selling expenses	(11,466)	(7,556)	(7,359)
Other operating income (expenses), net	(6,270)	(1,162)	(3,597)
Operating profit (loss)	35,693	2,975	(4,403)
Finance income	3,062	2,130	955
Finance costs	(4,978)	(2,074)	(752)
Finance income (costs), net	(1,916)	56	203
Equity in the results of investees	1,844	2,579	(2,775)
Profit (loss) before income tax and social contribution	35,621	5,610	(6,975)
Income tax and social contribution	(3,443)	(1,657)	(698)
Profit (loss) for the period	32,178	3,953	(7,673)
Attributable to:			
Controlling interests	16,776	(1,590)	(7,643)
Non-controlling interests	15,402	5,543	(30)
	32,178	3,953	(7,673)

2.3. New accounting pronouncements

In the six-month period ended June 30, 2020, no new standards, amendments to or interpretations of existing standards were issued.

3 Financial risk management

3.1 Financial risk factors

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

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

All amounts in thousands of reais unless otherwise stated

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

(a) Credit risk

This is 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 rating scale are accepted.

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

Credit quality of financial assets

The credit quality of financial assets can be assessed by reference to external credit ratings (when available) or to historical information about counterparty default rates. The Group considers that its cash and cash equivalents have low credit risk based on external credit ratings of the counterparties and the related internal reviews.

Trade receivables

	6/30/2020	12/31/2019
Completed units (Note 6)		
With real guarantee	77,911	64,201
Without real guarantee	12,463	5,714
	90,374	69,915
Units under construction (Note 6)		
With real guarantee	109,108	88,116
	199,482	158,031

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by the counterparties in excess of the amounts already provisioned.

All amounts in thousands of reais unless otherwise stated

(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 are made by the Group’s Treasury department, which monitors the continuous forecasts of the liquidity requirements to ensure that it has sufficient cash at an amount that is higher than the required cash outflows to settle the financial liabilities (except for “Trade payables”) for the following 30 days.

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

	Less than one year	Between one and two years	Between two and three years	Over three years	Total
At June 30, 2020					
Borrowings (Note 12)	48,341	19,871	15,829	4,651	88,692
Trade payables (Note 13)	25,969	-	-	-	25,969
Real estate purchase obligations (Note 15)	41,961	5,204	-	-	47,165

	Less than one year	Between one and two years	Between two and three years	Over three years	Total
At December 31, 2019					
Borrowings (Note 12)	38,715	12,997	12,188	6,829	70,729
Trade payables (Note 13)	29,623	-	-	-	29,623
Real estate purchase obligations (Note 15)	46,799	6,580	-	-	53,379

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

(c) Market risk

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

All amounts in thousands of reais unless otherwise stated

(i) Interest rate and foreign exchange risk exposure

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 Group calculates the impact on profit or loss of a defined interest rate shift.

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

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 June 30, 2020, the Group's management carried out a sensitivity analysis for a 12-month scenario, as required by CVM Instruction 475 of December 17, 2008, which did not necessarily reflect management's expectations.

The Group considered a fluctuation of 25% and 50% in the balances, reducing financial assets and increasing financial liabilities:

Indicators	Index	Rate	Base Scenario	Scenario I Probable	Scenario II (25%)	Scenario III (50%)
Assets						
Financial investments	CDI	3.15%	29,125	916	687	458
Liabilities						
Swap	CDI	3.15%	(36,701)	(1,155)	(866)	(577)

Indicators	Index	Rate	Base Scenario	Scenario I Probable	Scenario II (25%)	Scenario III (50%)
Assets						
Swap	US$	5.75	1,608	9,247	11,559	13,871
Liabilities						
Borrowings for working capital (In US dollars - US$)	US$	5.75	(1,650)	(9,490)	(11,862)	(14,234)
Net effect on profit or loss				(243)	(303)	(363)

All amounts in thousands of reais unless otherwise stated

3.2 Capital management

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

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

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

	6/30/2020	**12/31/2019**
Total borrowings (Note 12)	88,692	70,729
Less: cash and cash equivalents (Note 5)	(41,351)	(50,234)
Net debt	47,341	20,495
Total equity	340,280	312,364
Total capitalization	387,621	332,859
Gearing ratio - %	12%	6%

3.3 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.

All amounts in thousands of reais unless otherwise stated

- **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.

The Group's financial assets, which are all measured at fair value through profit or loss, are comprised of derivative financial instruments (swap, as disclosed in Note 12), classified in Level 2.

The fair value of financial instruments that are not traded in an active market (such as over-the-counter derivatives) is determined through the use of valuation techniques. If all significant inputs required to determine the fair value of an asset or liability are observable, the asset or liability is included in Level 2.

The Group does not have financial assets classified in Levels 1 and 3.

4 Financial instruments by nature

	6/30/2020	12/31/2019
Financial assets		
Measured at amortized cost		
Cash and banks (Note 5)	14,452	18,996
Highly liquid financial investments (Note 5)	26,899	31,238
Restricted financial investments (Note 5)	2,226	2,191
Trade receivables (Note 6)	180,616	133,676
Judicial deposits (Note 17)	2,634	2,592
Related parties (Note 8)	23,490	27,537
Measured at fair value		
Derivative financial instrument - Swap (Note 12)	1,453	-
	251,770	216,230
Financial liabilities		
Measured at amortized cost		
Borrowings (Note 12)	90,145	70,233
Trade payables (Note 13)	25,969	29,623
Real estate purchase obligations (Note 15)	47,165	53,379
Related parties (Note 8)	17,235	9,539
Measured at fair value		
Derivative financial instrument - Swap (Note 12)	-	496
	180,514	163,270

5 Cash and cash equivalents and financial investments

Cash and cash equivalents

	6/30/2020	12/31/2019
Cash	56	68
Banks	14,396	18,928
Highly liquid financial investments	26,899	31,238
	41,351	50,234

All amounts in thousands of reais unless otherwise stated

In the period ended June 30, 2020, the yields on financial investments were linked to bank deposits and other short-term highly liquid investments with immaterial risk of change in value, and ranged from 95% to 106% of the CDI rate (from 95% to 106% of the CDI rate at December 31, 2019).

Restricted financial investments

	6/30/2020	12/31/2019
Restricted financial investments - non-current	2,226	2,191
	2,226	2,191

The Group'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).

6 Trade receivables

	6/30/2020	12/31/2019
Trade receivables from real estate developments		
Completed units	90,374	69,915
Units under construction	109,108	88,116
	199,482	158,031
Provision for canceled sales	(5,902)	(7,828)
Provision for estimated impairment of trade receivables	(3,039)	(3,725)
Adjustments to present value	(9,925)	(12,802)
	(18,866)	(24,355)
	180,616	133,676
Current assets	143,170	97,389
Non-current assets	37,446	36,287

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

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

All amounts in thousands of reais unless otherwise stated

Maturities of trade receivables from real estate developments

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

	6/30/2020	12/31/2019
Falling due in up to 1 year	152,873	134,150
Falling due from 1 to 2 years	161,717	115,125
Falling due from 2 to 3 years	124,923	56,854
Falling due from 3 to 4 years	1,323	89,726
Falling due in more than 4 years	413	465
	441,249	396,320
Overdue for up to 1 year	16,925	29,980
Overdue from 1 to 2 years	2,587	3,072
Overdue from 2 to 3 years	2,997	1,438
Overdue from 3 to 4 years	691	95
Overdue for more than 4 years	2,446	3,078
	25,646	37,663
	466,895	433,983
Trade receivables - accounting	180,616	133,676
Deferred revenue (Note 26)	318,389	330,761
Advances from customers (Note 16)	(50,976)	(50,078)
Present value adjustment	9,925	12,802
Provision for canceled sales	5,902	7,828
Provision for estimated impairment of trade receivables	3,039	3,725
	466,895	438,714

All amounts in thousands of reais unless otherwise stated

7 Properties for sale

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

	6/30/2020	12/31/2019
Inventories of land	91,842	76,092
Properties under construction	150,304	146,723
Antônio de Albuquerque SPE Ltda. (Epic)	1,449	1,363
Ápia	11,742	11,608
Avignon	4,968	3,904
Ed. Duo - Alameda do Morro	27,207	28,293
Inovatto	6,352	5,092
Jardim das Mangabeiras	75,981	54,577
Jardinaves	10,119	7,163
Mirataia	9,518	9,751
Saint Tropez	-	20,616
SPE Axis (Porto Fino)	-	2,755
Villaggio Verona	2,968	1,601
Completed properties	43,663	48,788
Acqua Galleria	3,331	8,802
Bernardo Vasconcelos (Brooklyn)	-	1,846
Holliday Inn	5,575	5,575
Manhattan Square	3,830	5,921
Maura Valadares	60	60
Mayffair Offices	160	160
Mia Felicita		1,360
Olga Chiari	5,672	7,084
Palo Alto	1,798	1,829
Park Residence	2,968	2,997
Saint Tropez	8,926	-
SPE Axis (Porto Fino)	949	-
Quintas do Morro	3,637	3,637
Ruth Silveira	254	1,874
The Plaza	2,913	3,702
Villagio Ventura	94	94
Stand-alone properties	3,496	3,847
Provision for canceled sales	4,137	5,559
	289,946	277,162
Current assets	271,466	266,193
Non-current assets	18,480	10,969

(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.

At June 30, 2020, interest capitalized within real estate in inventory totaled R$ 2,102 (R$ 3,851 at December 31, 2019).

All amounts in thousands of reais unless otherwise stated

8 Related parties

	6/30/2020	12/31/2019
(a) Intercompany loans receivable	5,238	3,372
Construtora Real	-	13
PRMV S.A.	5,238	3,359
(b) Receivables from developments	18,252	24,165
Patrimar Somattos Gasparini	1,833	4,396
Jardinaves Empreendimentos Imobiliários SPE	3,502	333
Saint Tropez	1,124	1,319
Acaba Mundo	-	840
Villagio Gutierrez	-	852
Bernardo Vasconcelos Empreendimentos Imobiliários - SPE	517	671
Ed. Duo - Alameda do Morro	315	562
Union Square	-	920
SPE Axis 1 Empreendimento Imobiliário	8	513
SPE Barbacena Empreendimentos Imobiliários S.A.	-	364
Jardim das Mangabeiras	2,555	2,127
Park Residences	241	234
Palo Alto	481	994
Ruth Silveira	271	461
Mia Felicita	-	1,633
Quintas do Morro	-	173
Direcional Patrimar Maragogi Empreendimentos Imobiliários	131	127
SPE Mirataia Incorporadora e Construtora	-	38
Jota Patrimar Engefor Empreendimentos Imobiliários SPE	63	42
Patrimar Engefor	671	-
Campo Grande	-	69
Tavares Bastos	-	26
Gioia Del Colle	32	28
Safira	675	26
Jornalista Oswaldo Nobre	17	26
Danilo Ambrosio	25	21
Vila Carioca (Ambev)	778	302
Joao Xxiii	59	53
Mayfair Offices	22	18
RPMV Participações S.A.	-	686
The Plaza	-	22
Villagio Novita	-	125
Villagio Verona	-	983
Campo Grande – Campinas	6	6
MRV Patrimar Galleria Incorporações SPE	-	8
MRV MRL Novolar II Incorporações SPE.	75	1,854
Residencial Estoril	-	1,217
Avignon	875	-
Baleares	325	-
Residencial Portos	270	-
Manhattan Square	-	836
Ápia Edificações	214	-
Aporuna	496	268
Alta Vila	1,002	-
Other developments	1,669	992
	23,490	27,537
(c) Trade receivables – Construtora Real (i)	9,693	

All amounts in thousands of reais unless otherwise stated

	6/30/2020	12/31/2019
(a) Intercompany loans payable	2,611	2,611
Somattos Engenharia Comércio Ltda.	2,611	2,611
(b) Payables for developments	14,624	6,928
Manhattan Square	1,801	11
Olga Chiari	2,172	198
Holiday Inn	1,406	-
Terreno Tratex	-	-
SCP Silva Lobo	-	98
Colina Engefor	-	55
MRV Engenharia e Participações	-	391
Neuchatel	219	17
Priorato Residences	-	-
SCP Portal do Bosque	-	10
Naples	8	6
Engefor Engenharia e Construções	-	-
Villagio Florença	-	2,400
Santa Cecilia Empreendimento	829	829
Jardim das Mangabeiras	-	-
Mia Felicita	2,920	-
Villagio Novita	1,525	-
SPE Barbacena Empreendimentos Imobiliários S.A.	1,484	-
Other developments	2,260	2,913
	17,235	9,539

	6/30/2020	6/30/2019
(c) Related-party transactions with effects on profit or loss	9,232	(259)
Sales of apartments (i)	9,793	
Lease of the headquarters' building (ii)	(561)	(259)
(d) Deferred revenue (i)	4,707	-

(a) Intercompany loans receivable and payable

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

(b) Receivables from and payables for developments

Refer to:

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

All amounts in thousands of reais unless otherwise stated

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

(i) Sale of an apartment

In June 2020, an Apogée building apartment of SPE Patrimar Somattos Jardim das Mangabeiras, was sold to Construtora Real for R$ 14,500 thousand. The proportional revenue recognized based on the POC method up to June 30, 2020 amounted to R$ 9,793, and R$ 9,693 was in trade receivables.

(ii) Lease of the headquarters' building

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

9 Investments

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

	6/30/2020	12/31/2019
Investments	49,700	47,616
Provision for net capital deficiency	(2,042)	(3,056)
	47,658	44,560

Changes in the balance of investments at June 30, 2020 and December 31, 2019 were as follows:

At December 31, 2019	44,560
Changes in investments - assets and liabilities (i)	1,254
Equity in the results of investees	1,844
At June 30, 2020	47,658
At December 31, 2018	45,163
Changes in investments - assets and liabilities (i)	(349)
Equity in the results of investees	(254)
At December 31, 2019	44,560

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

All amounts in thousands of reais unless otherwise stated

(a) An analysis of investments in the combined accounts at June 30, 2020 follows:

	Ownership interest (%)		Profit (loss) for the year	Equity	Equity in the results of investees in the year	Investment (net capital deficiency)	Investment (net capital deficiency)
Companies	**2020**	**2019**	**6/30/2020**	**6/30/2020**	**6/30/2020**	**6/30/2020**	**12/31/2019**
Jointly-controlled investees							
SCP RJ 04	50%	50%	(81)	767	(40)	383	382
SPE Mirante do Ibituruna Ltda.	34%	34%	(1)	8,028	(1)	2,711	2,729
SCP Portal do Bosque	50%	50%	(2)	159	(1)	80	91
SCP Park Ritz	48%	48%	(33)	959	(16)	460	466
SCP Recanto das Águas	51%	51%	(19)	275	(10)	140	147
SCP MRV Belo Campo	50%	50%	(95)	8	(38)	30	23
SCP MRV Rec. Pássaros (Rouxinol)	40%	40%	(204)	513	(72)	292	191
SCP MRV Res. Beija Flor	40%	40%	(160)	(63)	(60)	(60)	8
SPE Padre Marinho	50%	50%	1,447	15,036	723	7,518	6,795
SCP Rívoli 1 and 2	40%	40%	(170)	135	(34)	107	32
SPE Acaba Mundo E. Imob. Ltda.	50%	50%	7	1,628	4	814	811
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1 and 2	40%	40%	5	466	(1)	138	224
SPE Barbacena Empr. Imob. S.A.	50%	50%	2,130	48,118	1,065	24,057	25,911
SPE Patrimar Somattos Gasparini Ltda.	50%	50%	4,280	17,308	2,147	8,611	8,119
Ponctuel	50%	50%	-	84	-	42	42
SPE Direcional Patrimar Maragogi Ltda.	45%	45%	(33)	15	(15)	(7)	(3)
			7,071	93,436	3,651	45,316	45,968
Associates							
SPE Manchete	40%	40%	(938)	1,786	(375)	645	(940)
SCP Pacuare	50%	50%	(61)	(761)	(31)	(394)	(412)
SCP Park Rossete	51%	51%	(45)	2,127	(23)	1,085	1,085
SCP Parque Araras	50%	50%	(11)	87	(6)	31	24
SCP Bem te vi	50%	50%	(21)	176	(10)	69	68
SCP Parque das Gaivotas	50%	50%	(47)	91	(24)	66	43
SCP Parque Sabia	50%	50%	(3)	56	(2)	30	30
SCP Realiti e Renovare	50%	50%	(871)	336	(456)	164	136
SCP Recanto do Tingui	35%	35%	(94)	(215)	(33)	(75)	(65)
SCP Riviera da Costa e Sol	48%	48%	(653)	501	(313)	223	241
SCP Riversul	35%	35%	(313)	(65)	(110)	29	18
SCP Recreio do Bandeirantes	35%	35%	(91)	(839)	(32)	(262)	(247)
SCP Recreio Pontal	35%	35%	(344)	(3,221)	(120)	(1,127)	(982)
SCP Recreio Gaveas	35%	35%	(216)	5,559	(75)	1,975	-
Other investments			-	-	(197)	(117)	(407)
			(3,708)	5,618	(1,807)	2,342	(1,408)
			3,363	99,054	1,844	47,658	44,560

All amounts in thousands of reais unless otherwise stated

(b) At June 30, 2020, the balances of asset and liability accounts, net revenue and profit of subsidiaries, jointly-controlled investees and associates considered in the financial statements, were as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Equity	Net revenue	Profit (loss) for the period
Companies	**6/30/2020**	**6/30/2020**	**6/30/2020**	**6/30/2020**	**6/30/2020**	**6/30/2020**	**6/30/2020**
Jointly-controlled investees							
SCP RJ 04	724	110	64	3	767	-	(81)
SPE Mirante do Ibituruna Ltda.	8,025	6	3	-	8,028	-	(1)
SCP Portal do Bosque	31	151	1	22	159	-	(2)
SCP Park Ritz	1,091	28	89	71	959	-	(33)
SCP Recanto das Águas	114	169	5	3	275	-	(19)
SCP MRV Belo Campo	121	46	81	78	8	7	(95)
SCP MRV Rec. Pássaros (Rouxinol)	524	218	15	214	513	(16)	(204)
SCP MRV Res. Beija Flor	381	74	188	330	(63)	(49)	(160)
SPE Padre Marinho	30,635	-	15,599	-	15,036	-	1,447
SCP Rívoli 1 and 2	204	147	95	121	135	-	(170)
SPE Acaba Mundo E. Imob Ltda.	1,631	-	3	-	1,628	-	7
SPE MRV Patrimar RJ Ix Ltda. (Andorinhas) 1 and 2	131	375	25	15	466	(14)	5
SPE Barbacena Empr Imob. S/A	49,787	73	1,386	356	48,118	16,276	2,130
SPE Patrimar Somattos Gasparini Ltda.	19,278	18	446	1,542	17,308	-	4,280
Ponctuel	3	81	-	-	84	-	-
SPE Direcional Patrimar Maragogi Ltda.	72	7	64	-	15	-	(33)
	112,752	1,503	18,064	2,755	93,436	16,204	7,071
Associates							
SPE Manchete	1,392	882	146	342	1,786	(271)	(938)
SCP Pacuare	22	6	170	619	(761)	-	(61)
SCP Park Rossete	2,282	11	165	1	2,127	-	(45)
SCP Parque Araras	113	11	30	7	87	-	(11)
SCP Bem te vi	108	86	(3)	21	176	-	(21)
SCP Parque das Gaivotas	103	21	33	-	91	-	(47)
SCP Parque Sabia	75	(4)	3	12	56	-	(3)
SCP Realiti e Renovare	275	181	73	47	336	-	(871)
SCP Recanto do Tingui	(85)	4	(46)	180	(215)	-	(94)
SCP Riviera da Costa e Sol	408	145	29	23	501	-	(653)
SCP Riversul	96	103	81	183	(65)	(12)	(313)
SCP Recreio do Bandeirantes	141	16	943	53	(839)	(5)	(91)
SCP Recreio Pontal	434	121	3,437	339	(3,221)	11	(344)
SCP Recreio Gaveas	1,775	217	(3,674)	107	5,559	(102)	(216)
	7,139	1,800	1,387	1,934	5,618	(379)	(3,708)
	119,891	3,303	19,451	4,689	99,054	15,825	3,363

All amounts in thousands of reais unless otherwise stated

10 Property and equipment

Property and equipment items are depreciated as below:

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

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

An analysis of property and equipment for the six-month period ended June 30, 2020 follows:

	12/31/2019	Additions	Transfers	6/30/2020
Cost				
Leasehold improvements	6,736	-	-	6,736
Machinery and equipment	4,290	1,800	1	6,091
Vehicles	1,007	-	-	1,007
Furniture and fittings	1,958	-	-	1,958
Sales stands and model apartments	12,599	-	(2)	12,597
IT equipment	220	93	-	313
Construction in progress	-	1,599	1	1,600
Land	46	-	-	46
Aircraft	3,097	-	-	3,097
Total cost	29,953	3,492	-	33,445
Depreciation				
Leasehold improvements	(2,666)	(660)	-	(3,326)
Machinery and equipment	(2,844)	(298)	-	(3,142)
Vehicles	(603)	(61)	-	(664)
Furniture and fittings	(391)	(102)	-	(493)
Sales stands and model apartments	(2,864)	(1,226)	-	(4,090)
IT equipment	(76)	(25)	-	(101)
Aircraft	(172)	(52)	-	(224)
Total depreciation	(9,616)	(2,424)	-	(12,040)
Total property and equipment, net	20,337	1,068	-	21,405

All amounts in thousands of reais unless otherwise stated

11 Intangible assets

	Balance 12/31/2019	Additions	Disposals	Balance 6/30/2020
Cost				
Computer software license	12,301	43	-	12,344
Right-of-use - lease	5,063	906	(1,036)	4,933
Total cost	17,364	949	(1,036)	17,277
Amortization				
Computer software license	(896)	(1,233)	-	(2,129)
Right-of-use - lease	(1,039)	(732)	251	(1,520)
Total amortization	(1,935)	(1,965)	251	(3,649)
Total intangible assets, net	15,429	(1,016)	(785)	13,628

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

12 Borrowings

	6/30/2020	12/31/2020
Financing for construction - Financial Housing System (SFH) In Reais - R$	43,053	29,806
Borrowings for working capital (in Reais - R$)	36,701	26,056
Borrowings for working capital (in US Dollars US$) (i)	6,651	10,025
Derivative financial instrument - Swap (i)	(1,453)	496
	84,952	66,383
Lease	3,740	4,346
	88,692	70,729
Current liabilities	48,341	38,715
Non-current liabilities	40,351	32,014

(i) In December 2019, the Group contracted a working capital loan from Bradesco denominated in U.S. dollars, in the original amount of US$2,365, bearing interest of 3.27% per annum. A swap instrument was contracted in connection with the borrowing, in order to exchange the foreign currency for Brazilian Real/Reais (R$) at a fixed interest rate of 7.8% p.a. The swap maturity date is the same as that of the borrowing (December 2020). The swap instrument is an integral part of the borrowing contract. Foreign exchange gains/losses are offset against swap gains/losses.

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

	6/30/2020	12/31/2019
Borrowing in US$ + interest, converted into Reais	6,651	10,025
Swap contracted - assets	(6,481)	(9,569)
Swap contracted - liabilities	5,028	10,065
Net debt	5,198	10,521

All amounts in thousands of reais unless otherwise stated

Changes in borrowings were as follows:

	6/30/2020	12/31/2019
Opening balance	70,729	46,260
Drawdowns	44,786	38,437
Lease	940	5,063
Swap	(1,949)	496
Interest	3,183	4,631
Foreign exchange gains/losses	1,945	(532)
Amortization	(29,396)	(41,954)
Amortization - Lease	(1,701)	(1,104)
Financial charges - Lease	155	387
Merger of RPMV (i)	-	19,045
Closing balance	88,692	70,729

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

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

	6/30/2020	12/31/2019
2020	48,341	38,715
2021	19,871	12,997
2022	15,829	12,188
After 2022	4,651	6,829
	88,692	70,729

Financing for construction: The applicable interest rates range from 7% to 10.8 % p.a., depending on the operation, plus the Reference Rate (TR). 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 borrowing are sureties by Patrimar's stockholders.

Lease: Substantially a 42-month lease agreement related to the building where the headquarters of the Company are located, discounted at present value at the rate of 1.06% p.m. (0.85% p.m. at December 31, 2019).

13 Trade payables

	6/30/2020	12/31/2019
Trade payables	22,632	26,908
Technical retentions	3,337	2,715
	25,969	29,623

All amounts in thousands of reais unless otherwise stated

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

Technical retentions correspond to a contractual agreement, which aims to ensure that all existing technical details in the construction contracts are fully complied with. Accordingly, a specific percentage (provided for in the contract) is withheld from the amounts payable to the contractor so that, in case of any non-compliance with the contract provisions, the customer is preserved. At the end of the contract, if all requirements are met, the amount is refunded to the service provider.

14 Tax liabilities

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

Current taxes	**6/30/2020**	**12/31/2019**
INSS	783	658
RET	-	814
PIS	31	88
COFINS	84	339
IRPJ	272	303
CSLL	206	226
ISS	437	109
Other withheld taxes	-	805
	1,813	3,342

Deferred taxes	**6/30/2020**	**12/31/2019**
RET	8,650	4,594
CSLL	43	43
PIS	23	23
COFINS	164	164
	8,880	4,824
	10,693	8,166

All amounts in thousands of reais unless otherwise stated

15 Real estate purchase obligations

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

	6/30/2020	12/31/2019
SPE Axis	496	1,956
SPE Mirataia	-	6,580
Porto Venere	43	43
Villagio Novita	145	144
Jardinaves	1,757	1,756
Alameda do Morro	33,215	34,901
Avignon	-	113
Jardim das Mangabeiras	1,903	2,451
Manhattan	144	171
Terreno Via de Ligação	63	-
Jambreiro (Ouro Velho Country Club)	2,118	2,118
Other liabilities for acquisition of developments	7,281	3,146
	47,165	53,379
Current liabilities	41,961	46,799
Non-current liabilities	5,204	6,580

16 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.

	6/30/2020	12/31/2019
Jardim das Mangabeiras	34,146	31,203
Jardinaves	1,651	1,130
Alta Vila	20,721	20,722
Avignon	5,142	4,314
Saint Tropez	-	134
Apia (SPE Novo Apia - Jaraguá)	7,797	8,044
Antônio de Alburqueque (EPIC)	7,127	7,907
Solar da Penha	4,000	4,000
Reserva do Mirataia II	4,289	3,944
Inovato	1,575	2,432
Jota Patrimar (Soho Square)	-	6
Duo - Alameda do Morro	4,672	773
Palo Alto	-	363
Ruth Silveira	-	6
SPE Axis - Porto Fino	-	329
Mia Felicita	-	78
Villaggio Verona	12	12
	91,132	85,397

All amounts in thousands of reais unless otherwise stated

Advances from customers	37,432	23,342
Barters made for land	53,700	62,055
	91,132	85,397
Construction in progress	50,976	50,078
Advances from customers for customized units	13,800	4,731
Not launched developments	26,356	30,588
	91,132	85,397
Current liabilities	91,067	85,397
Non-current liabilities	65	-

17 Provision for contingencies and judicial deposits

Provision for contingencies	**6/30/2020**	**12/31/2019**
Civil	3,249	1,001
Tax	4,443	4,443
Labor	1,970	1,548
	9,662	6,992

Judicial deposits	**6/30/2020**	**12/31/2019**
Civil	1,789	1,789
Labor	845	803
	2,634	2,592

Changes in the six-month period ended June 30, 2020:

Contingencies	
Opening balance	6,992
Additions	2,670
Closing balance	9,662
Judicial deposit	
Opening balance	2,592
Additions	42
Closing balance	2,634

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 estimate by management under the advice of the legal counsel when it considers a proceedings involving probable loss will arise from proceedings, and on historical information and statistical data.

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 an unfavorable outcome is considered as possible by management and its legal counsel. The approximate amounts of R$ 4,798 (labor claims), R$ 34,013 (tax claims), and R$ 5,725 (civil claims) total R$ 44,536 (R$ 44,179 at December 31, 2019). Accordingly, no provision was recorded to cover possible losses.

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

Based on 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 June 30, 2020 amounted to R$ 33,881 (R$ 33,299 at December 31, 2019). As a result, no provision for contingencies with respect to this matter has been recorded in the combined consolidated financial statements.

18 Provision for real estate maintenance

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

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

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

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

All amounts in thousands of reais unless otherwise stated

Changes in the provision for real estate maintenance were as follows:

	6/30/2020	12/31/2019
Opening balance	7,701	5,453
Additions	1,037	1,452
Disposals	(896)	(3,048)
Merger	-	3,844
Closing balance	7,842	7,701

19 Equity

(a) Capital

At June 30, 2020, Patrimar's capital was R$281,602 (R$281,602 at December 31, 2019), divided into 27,972,479,422 common shares.

(b) Corporate structure

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

In addition, Patrimar 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.

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

Based on the special balance sheet prepared by RPMV Participações S.A. on September 30, 2019, Patrimar was merged with RPMV and the net assets of R$ 102,570 were contributed as a capital increase in Patrimar.

Special balance sheet prepared on September 30, 2019

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

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

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

(c) Legal reserve

The legal reserve is credited annually with 5% of profit for the year, after offsetting losses, in accordance with Law 6,404/76.

(d) Profit distribution policy

In accordance with the Company's Bylaws, 25% of the profit, after deducting the portion transferred to the Legal Reserve, will be credited as minimum mandatory dividends. The retained portion of the profit will be subsequently allocated as decided by the stockholders.

20 Earnings per share

The following table presents data on the result and number of shares used in the calculation of basic and diluted earnings per share:

	6/30/2020
Basic earnings per share:	
Profit for the period	16,776
Weighted average number of shares (in thousands)	27,972,479
Basic earnings per share - R$	0.000600
Diluted earnings per share:	
Profit for the period	16,776
Weighted average number of shares (in thousands)	27,972,479
Basic earnings per share - R$	0.000600

Patrimar was a limited liability corporate partnership up to October 30, 2019, when its transformation into a corporation was approved (Note 19). Accordingly, the Company does not present earnings per share for the quarter ended June 30, 2019.

All amounts in thousands of reais unless otherwise stated

21 Net operating revenue

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

	6/30/2020	6/30/2019
Gross revenue from the sales of properties	168,045	132,579
Service revenue	303	1,063
Canceled sales	(13,257)	(16,877)
Changes in the provision for canceled sales	1,115	(7,259)
Adjustment to present value (i)	2,877	(1,210)
Taxes on billings	(3,852)	(2,311)
Net operating revenue	155,231	105,985

(i) Based on the understanding that the financing arrangement provided to its customers is an inherent part of its operations, the Company recognizes the reversals of present value adjustments of trade receivables as operating revenue.

All amounts in thousands of reais unless otherwise stated

22 Costs and expenses by nature

	6/30/2020	6/30/2019
Cost of properties sold		
Materials	(28,698)	(18,261)
Land	(14,081)	(15,125)
Completed properties	(15,828)	(26,416)
Personnel expenses	(4,100)	(2,459)
Subcontractors	(20,650)	(12,851)
Housing loan costs	(3,104)	(2,024)
Other	(3,927)	1,960
	(90,388)	(75,176)
Administrative and general expenses		
Personnel expenses	(6,882)	(7,210)
General and administrative expenses	(2,129)	(2,596)
Depreciation and amortization	(2,932)	(920)
Third-party services	(2,220)	(2,715)
	(14,163)	(13,441)
Selling expenses		
Personnel expenses	(2,002)	(1,401)
Commissions and brokerage	(2,161)	(1,930)
Sales stands and model apartments	(1,429)	(1,735)
Advertising	(3,620)	(5,082)
Other selling expenses	(2,254)	(4,767)
	(11,466)	(14,915)
Other operating income (expenses), net		
Real estate financing expenses	(258)	(225)
Tax expenses	(263)	(169)
Provision for contingencies	(3,827)	(3,740)
Other operating income and expenses	(1,922)	(625)
	(6,270)	(4,759)
	(122,287)	(108,291)

23 Management fees

For the six-month period ended June 30, 2020, management fees totaled R$ 1,556 (R$ 1,282 at June 30, 2019).

All amounts in thousands of reais unless otherwise stated

24 Finance income (costs), net

	6/30/2020	6/30/2019
Finance income		
Indexation accruals and interest as per contracts	2,808	2,790
Interest on financial investments	609	804
Swap gains	2,394	-
Other finance income	-	369
	5,811	3,963
Finance costs		
Interest on borrowings	(1,751)	(2,417)
Bank fees and charges	(647)	(350)
Financing expenses	(111)	(96)
Other finance costs, mainly Swap losses	(2,469)	37
	(4,978)	(2,826)
Finance income (costs), net	833	1,137

25 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:

	6/30/2020	6/30/2019
Profit (loss) before IRPJ and CSLL	35,621	(1,365)
Nominal statutory rate - 34%	(12,111)	464
Equity accounting	(627)	67
Unrecognized tax credits due to temporary differences (RET)	9,295	(2,886)
IRPJ and CSLL expenses	(3,443)	(2,355)
Effective rate	10%	(173%)

Management has not recorded deferred assets as the confirmation of 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.

All amounts in thousands of reais unless otherwise stated

26 Deferred revenue and deferred costs

Pursuant to the Circular Letter No. 02/2018 of December 12, 2018, which addresses revenue recognition for purchase and sale of uncompleted real estate units under construction, the table below presents, deferred revenue and deferred costs of units under construction.

Developments under construction		
(i)	**Deferred revenue from units sold**	
	Developments under construction:	
(a)	Revenue from contracted sales	648,257
	Revenue from recognized sales	(344,183)
	Canceled sales - reversed revenue	14,315
(b)	Revenue from recognized sales, net	(329,868)
	Deferred revenue (a+b)	318,389
(ii)	**Budgeted deferred cost of sold units**	
	Developments under construction:	
(a)	Budgeted costs	367,909
	Construction costs	(183,209)
(b)	Incurred costs, net	(183,209)
	Deferred costs of units sold (a+b)	184,700
(iii)	**Budgeted deferred costs of units in inventory**	
	Developments under construction:	
(a)	Budgeted costs	276,832
(b)	Incurred costs	(123,828)
	Deferred costs of units in inventory (a+b)	153,004

27 Commitments

(a) Commitments for purchase of land.

Commitments have been undertaken by the Group for purchases of land, which have not yet been reflected in the accounting records, as there are matters pending resolution by the sellers before the formalization of the final deed and transfer of the related title to the Company, its subsidiaries or partners. These commitments total R$ 1,181,441 (R$ 1,266,777 in 2019) of which: R$ 1,105,046 (R$ 1,186,262 in 2019) will be settled upon delivery of transfers of real estate units to be constructed and/or from a portion of the proceeds from the sale of the related developments, and R$ 76,395 (R$ 80,515 in 2019) will be settled as a balancing payment.

(b) Lease commitments

In the six-month period ended June 30, 2020, the Group had R$3,740 (R$4,346 in 2019) in lease commitments related exclusively to real estate leased by the Group companies.

28 Segment reporting

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

29 Insurance

As at June 30, 2020, 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 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).

All amounts in thousands of reais unless otherwise stated

	Cover		Insured amount		
Items	**Begin-ning**	**End**	**Novolar**	**Patrimar**	**Consolidated**
Aircraft	2019	2020	3,763	-	3,763
Commercial multiple peril and General civil liability - Multiple peril insurance	2019	2020	-	2,060	2,060
Equipment	2019	2020	-	300	300
Contractor - Completion bond (SGTO)	2018	2021	4,318	-	4,318
Contractor - Completion bond (SGTO)	2019	2022	7,293	-	7,293
Contractor - Completion bond (SGTO)	2019	2023	5,946	-	5,946
Contractor - Completion bond - Infrastructure not included	2019	2022	535	-	535
Residential - Apartment	2019	2020	2,860	2,020	4,880
Residential - Apartment	2020	2021	1,000	-	1,000
Civil liability (management) D&O	2019	2020	-	10,000	10,000
Engineering risk and civil risk	2017	2021	-	28,000	28,000
Engineering risk and civil risk	2018	2021	28,784	-	28,784
Engineering risk and civil risk	2020	2022	1,170	-	1,170
Engineering risk and civil risk	2018	2023	-	169,625	169,625
Engineering risk and civil risk	2019	2023	54,653	-	54,653
Engineering risk and civil risk	2020	2023	-	112,274	112,274
Engineering risk and civil risk	2020	2024	39,638	-	39,638
Commercial multiple peril insurance	2019	2020	2,680	2,060	4,740
Commercial multiple peril insurance	2020	2021	4,228	12,980	17,208
Insurance for barter transactions	2017	2020	-	8,590	8,590
Insurance for barter transactions	2018	2021	-	10,160	10,160
Post-completion bond – maintenance bond (SGPE)	2018	2023	539	-	539
Post-completion bond – maintenance bond (SGPE)	2019	2024	590	-	590
Post-completion bond – maintenance bond (SGPE)	2020	2025	699	-	699

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