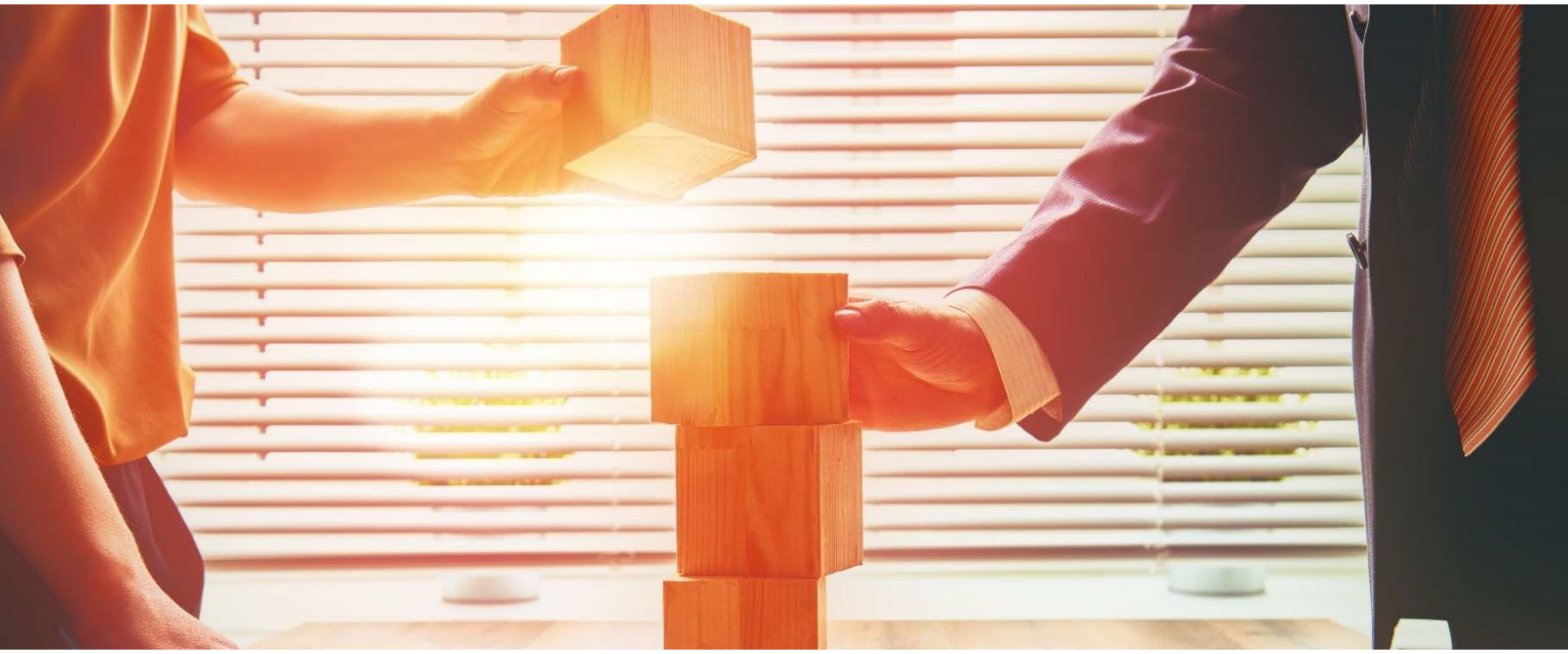

SUGOI S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2019
With the independent auditor's report

SUGOI S.A.

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CONTENTS

SUGOI S.A

Management Report 2019

São Paulo, March 30, 2020 – SUGOI S.A. In compliance with legal and statutory provisions, the Management of Sugoi S.A. ("Sugoi") submits for your consideration the Management Report and the individual and consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and also based on accounting practices adopted in Brazil and standards from the Brazilian Securities and Exchange Commission (CVM). The Company has adopted all standards and amendments that are effective for the financial statements as of December 31, 2019.

MESSAGE FROM MANAGEMENT

In 2019 SUGOI presented solid numbers in line with the company's strategy for growth. Among the highlights we can mention: gross margin of 36%; net revenue of R$ 149.3 million; net profit of R$ 27.5 million. The results confirm that we are on the right track, and improving each year our efficiency in operating activities despite adverse scenarios.

The year 2019 was marked by a great deal of expectation because it was the first year of a government transition, both for the Brazilian economy and for the real estate market that generates jobs and has a significant relevance in the Brazilian GDP. However, some projections, as well as the GDP itself, were not as expected.

In the economic real estate segment, as an adverse effect on the segment, it is worth highlighting: the insufficient supply of credit under the MCMV (Minha Casa Minha Vida) versus the latent demand for this resource by the segment; the restriction of the subsidy through the reduction in the income brackets of families, as well as the decision of the Federal Government to contingent the Federal General Budget. In addition, Caixa Economica Federal went through an internal restructuring, resulting from changes in its organization chart. All this scenario, and changes, led to the lengthening of the deadlines for contracting financing in the projects, causing the company to cease its cycle of growth in VGV launches, to mitigate problems and future risks, especially in relation to district and default, seeking to preserve, mainly, the satisfaction of its customers. This decision, despite having interrupted the growing cycle of VGV launches, proved adequate and right.

The positive economic scenario, due to falling interest rates, falling unemployment, growing confidence index, has provided the real estate segment with the search for other forms of financing, taking advantage of low real estate interest rates, at its lowest historical level. SUGOI studies other forms of financing for its projects, although focused on 1st homes, and we are constantly reviewing our pipe-line to meet this demand for new forms of financing that the market has provided. We believe that financial institutions will focus their efforts again on the real estate segment, and will seek innovative and efficient financing alternatives for a more solid recovery of the real estate market.

Sugoi remains strong in its purpose that can contribute to reduce the housing deficit and consequently improve the lives of Brazilians, we continue to develop works that make viable decent real estate for first homes, generating jobs, contributing to a country more economically solid, fair and with less social inequality.

Highlights

- Net revenue for the year totaled R$ 149.3 million;
- The Company ended 2019 with a Gross Margin of 36%;
- Profit for the year totaled R$ 27.5 million;
- The VGV of the projected launched in 2019 totaled R$ 68.5 million;
- The Company’s land bank presented an estimated VGV of R$ 3.5 billion.

Operational and Financial Performance

Launches and contracted sales

In 2019 the Company carried out launches as described in the table below:

Project	Unit	VGV Estimated	City
VIDA & ALEGRIA - Condomínio 07	224	32.256.000	São Paulo - SP
MIRAI PARQUE DO CARMO - Condomínio 01	246	36.291.770	São Paulo - SP

Due to the lengthening of the terms for contracting real estate financing, reflecting the increasing demands and bureaucracies, we strategically represented the launches in 2019, and began to adopt a more conservative stance, of only launching the project with the financing contract issued, or in the imminence of being issued.

Completed projects and projects under construction

For the 2019 fiscal year, no projects were concluded, a reflection of the almost 2-year gap that the company had not launched projects, from January 2016 to November 2017, a period that Sugoi, like the entire segment, suffered with the licensing and approval of the projects, especially in the city of São Paulo. The year 2020 will be relevant in terms of project deliveries to Sugoi.

Land bank

At December 31, 2019, the Company’s land bank presented an estimated VGV of R$ 3.5 billion, with expected launches in the next 5 years.

Operating revenue

Operating revenue totaled R$ 149.3 million in 2019, a significant increase compared to R$ 84.8 million in 2018, such increase was caused by the recognition of revenues from development projects launched in 2017 and 2018.

Cost of real estate units

In 2019, the cost of real estate units totaled R$ 95.9 million, compared to a cost of R$ 57.2 million in 2018, fact due to the increase in launches and to the recognition of costs of projects under construction.

Selling, general and administrative expenses

In 2019, selling expenses totaled R$ 7.6 million, an increase of 67% in relation to 2018, due to the fact that the Company increased its operating volume due to the increase in launches in 2018.

Net general and administrative expenses totaled R$ 10.8 million in 2019, an increase of 104% over the same period in 2018. These expenses are in accordance with the Company's planning, aimed at sustaining the demand for launches and works that will occur in the coming years.

Gross profit

In 2019, gross profit was R$ 53.4 million, higher if compared with 2018 when we reported gross profit of R$ 27.6 million. This increase is justified by the volume of work in progress.

Profit for the year

In 2019, we reported profit of R$ 27.5 million. The positive result is especially attributed to the Company's recovery in relation to launches occurred in 2018.

Reinvestment of profits and distribution of dividends

In accordance with the provisions of article 189 of Law 6,404/76, no payment of dividends was proposed.

Independent Auditors

Pursuant to CVM Ruling 381/03 of January 14, 2003, we inform that the Company engaged Crowe Macro Auditores Independentes S.S. to provide services related to the audit of its financial statements. Still in accordance with CVM Ruling 381/03 of January 14, 2003, we inform that the Company did not hire other services from the independent auditor responsible for the audit of its financial statements, other than those related to audit work.

São Paulo, March 30, 2020.

Relationship with investors

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www.sugoisa.com.br/ri

Crowe

Crowe Macro Auditoria e Consultoria

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São Paulo - SP - Brasil
CEP: 01311-300
Office: 11 5632.3733
www.crowe.com.br

INDEPENDENT AUDITOR'S REPORT

To the
Management and shareholders
SUGOI S.A.
São Paulo - SP

Opinion

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

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

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of Sugoi S.A. as at December 31, 2019, and its individual financial performance and its individual cash flows for the year then ended in accordance with accounting practices adopted in Brazil, applicable to real estate development entities in Brazil, registered with the Brazilian Securities and Exchange Commission (CVM).

Opinion on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil, registered with the CVM

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sugoi S.A. as at December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), applicable to real estate development entities in Brazil, registered with the 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 individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements provided for in the Code of Ethics for Professional Accountants and in the professional standards issued by the 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, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil, applicable to real estate development entities in Brazil, registered with the CVM, and the consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS), applicable to real estate development entities in Brazil, registered with the CVM. Accordingly, the determination of the accounting policy adopted by the entity for the recognition of revenue from contracts for purchase and sale of unfinished real estate on the aspects related to the transfer of control follows the understanding expressed by CVM in Circular Letter CVM/SNC/SEP N° 02/2018 on the application of NBC TG 47 (IFRS 15). Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, the description of how the matter was addressed in our audit, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole.

- *Revenue recognition and real estate development costs*

The Company recognizes the revenue from real estate sales during the execution of the works, as described in Circular Letter CVM/SNC/SEP N° 02/2018, as described in Note 2.13 to the individual and consolidated financial statements. The procedures used by the Company involve the use of estimates for the calculation of real estate appropriation, for example, predicting the costs to be incurred up to the end of the works and measuring their evolution. Consequently, the matter was the focus of our audit due to the risk of such estimates related to the budgeted cost using subjective assumptions that may or may not materialize, as well as the materiality of the amounts involved.

How this matter was addressed in our audit

We identified the process and the control activities designed and implemented by the Company and performed audit procedures, which include: (i) obtaining estimates of the cost to be incurred, approved by the Engineering Department and by the Committee established by the Company for such purpose; (ii) tests, on a sample basis, on existing documentation, with the objective of evaluating the reasonableness and integrity of approved cost estimates for the projects; (iii) evaluation of the execution stage of the works; (iv) analytical reviews of estimates of costs incurred and to be incurred; and (v) assessment of the disclosures in the financial statements.

Based on the results of the auditing procedures performed, we believe that: (i) the assumptions used by Management to estimate the costs to be incurred are acceptable in the context of the individual and consolidated financial statements; and (ii) the calculations made by Management on the percentage of completion correspond to the criteria established according to Circular Letter CVM/SNC/SEP N° 02/2018.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2019, prepared under the responsibility of Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. In forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set forth in Technical Pronouncement NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria defined in such Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Information other than the individual and consolidated financial statements and auditor's report

Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement 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 individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil, applicable to real estate development entities in Brazil, registered with the CVM, and for the preparation of the consolidated financial statements in accordance with accounting practices adopted in Brazil and with International Financial Reporting Standards (IFRS), applicable to real estate development entities in Brazil, registered with the CVM, 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 individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Crowe

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International standards on auditing will always detect material misstatements when they exist. Misstatements can arise from fraud or error and are considered material if, separately 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 the audit conducted 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 individual 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 ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the corresponding 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 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 and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide to those charged with governance a statement that we have complied with the relevant ethical requirements, including independence requirements, and communicate all relationships or matters that could considerably affect our independence, including, when applicable, the related safeguards.

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 year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 30, 2020.

Crowe Macro Auditores Independentes
CRC-2SP033508/O-1

Fábio Debiaze Pino
Accountant – CRC-1SP251154/O-9

Sérgio Ricardo de Oliveira
Accountant – CRC-1SP186070/O-8

Sugoi S.A.

Statements of financial position at December 31

(In thousands of Reais - R$)

ASSETS

Assets	Notes	Parent 2019	Parent 2018	Consolidated 2019	Consolidated 2018
Current assets					
Cash and cash equivalents	**3**	4.399	6.087	23.464	10.270
Trade receivables	**4**	-	-	40.213	39.403
Real estate for sale	**5**	9.787	8.552	228.241	142.854
Other receivables	**6**	25.826	13.089	35.691	21.309
Taxes and contributions available for offset		227	65	551	267
Deferred selling expenses		-	-	5.896	3.987
		40.239	**27.793**	**334.056**	**218.090**
Noncurrent assets					
Real estate for sale	**5**	-	-	59.030	92.248
Related parties	**9**	33.261	29.176	6.827	9.030
Investments	**7**	92.948	57.169	3.224	-
Property and equipment, net	**8**	222	174	724	774
Intangible assets	-	694	-	694	-
		127.125	**86.519**	**70.499**	**102.052**
Total assets		**167.364**	**114.312**	**404.555**	**320.142**

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

Sugoi S.A.

Statements of financial position at December 31

(In thousands of Reais - R$)

LIABILITIES AND EQUITY

Liabilities	Notes	Parent 2019	Parent 2018	Consolidated 2019	Consolidated 2018
Current liabilities					
Borrowings	**11**	4.800	9.227	16.405	11.219
Debentures	**16**	23.442	5.270	23.442	5.270
Trade payables	**12**	203	81	8.205	8.082
Payroll and related taxes and other taxes payable	**13**	648	512	1.603	1.579
Other payables	**14**	13.540	14.875	15.082	15.590
Advances from customers and others	**15**	8.622	10.815	232.374	132.053
Related parties	**9**	43.863	20.756	376	-
Provision for investment losses	**7**	3.757	2.524	3.382	-
		98.875	**64.060**	**300.869**	**173.793**
Noncurrent liabilities					
Borrowings	**11**	1.529	4.526	2.368	4.526
Debentures	**16**	10.558	14.419	10.558	14.419
Current account with special partnership	**10**	10.405	10.405	10.405	10.808
Payroll and related taxes and other taxes payable	**13**	-	-	1.430	1.713
Other payables	**14**	-	-	500	500
Advances from customers and others	**15**	-	-	27.934	91.392
Provisions	**17**	-	-	1.509	1.226
Related parties	**9**	1.744	1.744	-	-
		24.236	**31.094**	**54.704**	**124.584**
Total liabilities		**123.111**	**95.154**	**355.573**	**298.377**
Equity	**18**				
Share capital		1.000	1.000	1.000	1.000
Legal reserve		200	200	200	200
Earnings reserve		43.053	17.958	43.053	17.958
Cumulative translation adjustment		-	-	90	52
		44.253	**19.158**	**44.343**	**19.210**
Noncontrolling interests		-	-	4.639	2.555
Total equity		**44.253**	**19.158**	**48.982**	**21.765**
Total liabilities and equity		**167.364**	**114.312**	**404.555**	**320.142**

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

Sugoi S.A.

Statements of profit or loss for the years ended December 31

(In thousands of Reais - R$)

	Notes	Parent 2019	Parent 2018	Consolidated 2019	Consolidated 2018
Revenue	**19**	-	-	149.313 -	84.831
Cost of sales	**19**	-	-	(95.891)	(57.241)
Gross profit	**19**	**-**	**-**	**53.422**	**27.590**
Operating income (expenses)					
General and administrative expenses	**20**	(7.195)	(2.679)	(10.753)	(5.282)
Selling expenses	**20**	(229)	(138)	(7.582)	(4.545)
Other operating income, net		(8)	-	(300)	437
Share of profit (loss) of subsidiaries and joint ventures	7	38.658	19.428	(159)	-
		31.226	16.611	(18.794)	(9.390)
Profit (loss) before finance costs (income)		**31.226**	**16.611**	**34.628**	**18.200**
Finance costs	-	(6.249)	(2.619)	(7.612)	(3.248)
Finance income	-	118	9	499	89
Finance costs (income), net		**(6.131)**	**(2.610)**	**(7.113)**	**(3.159)**
Profit (loss) before income tax and social contribution		**25.095**	**14.001**	**27.515**	**15.041**
Income tax and social contribution - current	-	-	(77)	-	(83)
Profit (loss) for the year		**25.095**	**13.924**	**27.515**	**14.958**
Attributable to:					
Owners of the Company				25.095	13.924
Noncontrolling interests				2.420	1.034
Basic and diluted earnings (loss) per share	**18 c**	**25,0950**	**13,9240**		

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

Sugoi S.A.

Statements of comprehensive income for the years ended December 31

(In thousands of Reais - R$)

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Profit (loss) for the year	25.095	13.924	27.515	14.958
Translation adjustment in subsidiaries	-	-	90	52
(=) Total comprehensive income for the year	25.095	13.924	27.605	15.010
Attributable to:				
Owners of the Company			25.185	13.976
Noncontrolling interests			2.420	1.034
	-	-	27.605	15.010

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

Sugoi S.A.

Statements of changes in equity

(In thousands of Reais - R$)

	Share capital							
	Paid-in capital	Unpaid capital	Legal reserve	Earnings reserve	Cumulative translation adjustment	Equity	Noncontrolling interests	Consolidated equity
Balance at January 1, 2018	1.000	-	200	4.034	-	5.234	1.521	6.755
Translation adjustment in subsidiaries	-	-	-	-	52	52	-	52
Profit for the year	-	-	-	13.924	-	13.924	1.034	14.958
Balance at December 31, 2018	**1.000**	**-**	**200**	**17.958**	**52**	**19.210**	**2.555**	**21.765**
Balance at January 1, 2019	1.000	-	200	17.958	52	19.210	2.555	21.765
Profit distribution	-	-	-	-	-	-	(336)	(336)
Translation adjustment in subsidiaries	-	-	-	-	38	38	-	38
Profit for the year	-	-	-	25.095	-	25.095	2.420	27.515
Balance at December 31, 2019	**1.000**	**-**	**200**	**43.053**	**90**	**44.343**	**4.639**	**48.982**

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

Sugoi S.A.

Statements of cash flows for the years ended December 31

(In thousands of Reais - R$)

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Cash flows from operating activities				
Profit (loss) for the year	25.095	13.924	27.515	14.958
Adjustments to reconcile profit (loss) to net cash generated by operating activities				
Depreciation and amortization	479	47	483	261
Provision for construction warranty	-	-	331	487
Deferred taxes	-	-	-	79
Share of profit (loss) of subsidiaries and joint ventures	(38.658)	(19.428)	159	-
	(13.084)	**(5.457)**	**28.488**	**15.785**
Changes in assets and liabilities				
(Increase)/Decrease in assets				
Trade receivables	-	-	(810)	(34.893)
Real estate for sale	(1.235)	(3.833)	(52.169)	(36.577)
Taxes and contributions available for offset	(162)	75	(284)	(78)
Other receivables	(12.737)	(1.233)	(14.382)	(3.021)
Deferred selling expenses	-	-	(1.909)	(3.368)
Increase/(decrease) in liabilities				
Payroll and related taxes and other taxes payable	136	4	(259)	1.654
Trade payables	122	(11)	123	5.671
Other payables	(1.335)	(4.035)	(557)	(5.037)
Advances from customers	(2.193)	7.015	36.863	57.452
	(30.488)	**(7.475)**	**(4.896)**	**(2.412)**
Income tax and social contribution paid	-	(4)	-	(4)
Net cash used in operating activities	**(30.488)**	**(7.479)**	**(4.896)**	**(2.416)**
Cash flows from investing activities				
Capital (increase)/decrease in subsidiaries, net	4.112	(1.142)	-	-
Translation adjustment in subsidiaries	-	-	38	52
Profit distribution	-	-	(336)	-
Additions of property and equipment, net	(527)	-	(433)	(292)
Additions of intangible assets	(694)	-	(694)	-
Net cash used in investing activities	**2.891**	**(1.142)**	**(1.425)**	**(240)**
Cash flows from financing activities				
Borrowings and others	17.792	16.456	38.060	20.404
Repayment of borrowings and others	(10.905)	(3.060)	(21.124)	(8.011)
Related parties	19.022	1.231	2.579	(1.787)
Net cash generated by financing activities	**25.909**	**14.627**	**19.515**	**10.606**
Increase/(decrease) in cash and cash equivalents	**(1.688)**	**6.006**	**13.194**	**7.950**
Cash and cash equivalents				
Cash and cash equivalents at the beginning of the year	6.087	81	10.270	2.320
Cash and cash equivalents at the end of the year	4.399	6.087	23.464	10.270
Increase/(decrease) in cash and cash equivalents	**(1.688)**	**6.006**	**13.194**	**7.950**

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

Sugoi S.A.

Statements of value added for the years ended December 31

(In thousands of Reais - R$)

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Revenues				
Sales and services	-	-	154.979	88.057
Other revenues	-	-	(300)	437
	-	**-**	**154.679**	**88.494**
Inputs purchased from third parties				
Cost of sales and services	-	-	(95.891)	(57.241)
Materials, energy, third-party services and other operating	(4.557)	(1.717)	(11.954)	(7.605)
Others	(8)	-	-	-
	(4.565)	**(1.717)**	**(107.845)**	**(64.846)**
Gross value added	**(4.565)**	**(1.717)**	**46.834**	**23.648**
Depreciation, amortization and depletion, net	(479)	(47)	(483)	(261)
Wealth created by the Company	**(5.044)**	**(1.764)**	**46.351**	**23.387**
Wealth received in transfer				
Share of profit (loss) of subsidiaries and joint ventures	38.658	19.428	(159)	-
Finance income	118	9	499	89
	38.776	**19.437**	**340**	**89**
Total wealth for distribution	**33.732**	**17.673**	**46.691**	**23.476**
Wealth distributed				
Personnel				
Salaries and related charges	1.685	232	1.685	317
Sales commissions	-	-	3.196	416
Management compensation	66	65	66	65
Taxes, fees and contributions				
Federal	-	77	5.666	3.309
Lenders and lessors				
Interest	6.249	2.619	7.612	3.248
Rentals	637	756	951	1.163
Shareholders				
Profit for the year	25.095	13.924	25.095	13.924
Noncontrolling interests in retained earnings	-	-	2.420	1.034
	33.732	**17.673**	**46.691**	**23.476**

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

1 General information

Sugoi S.A. and its subsidiaries ("Company") are primarily engaged in the management of Company's assets, the development, construction and sale of Company's real estate, and in holding equity interests in other companies, as shareholder. The development of real estate projects and the construction of real estate are carried out directly by the Company, its subsidiaries or other partners. The interest of partners occurs directly in the project through interests in Special Partnerships (SCP) or Special Purpose Entities (SPE), created for development of projects, as well as through strategic partnerships involving barter of land for the development of the real estate activity.

The Company, incorporated on April 4, 2011, is a publicly held company, with registered office at Avenida Chedid Jafet, 222, Bloco C, Conjunto 52, in the City of São Paulo, State of São Paulo, enrolled under CNPJ/MF (corporate taxpayer number) 13.584.310/0001-42, which has as main focus the segment of first home with management and administration of economic and medium level residential buildings, aimed at offering excellent quality products with the best cost-benefit of the market, intelligent projects that bet on security, comfort, innovation, and affordable prices.

The Company has a management with more than 40 years of experience in the real estate market and a network in various Brazilian capitals that allow easily obtaining and capturing differentiated business opportunities in the market. The Company has a corporate governance that is transparent in its relations with the market, customers and investors, conducting inspection in each stage of the project and monitoring the physical and financial process of the construction.

Currently, the Company is present in the cities of São Paulo, Guarulhos, Itapecerica da Serra, Itapetininga, Francisco Morato, Campinas, Paulínia, Salto, São José do Rio Preto, Mauá, Franco da Rocha, Caçapava, Sumaré, Santo André, Mirassol and Rio Branco, in the states of São Paulo and Acre and with more than 27,000 units under development and execution.

Since 2013, the Company has been assessed by the risk area of Caixa Economica Federal - (GERIC), and currently its GERIC covers the production of all its pipeline of projects.

The Company has important certifications, such as the PBQPH level A (Brazilian Housing Quality and Productivity Program) and ISO 9001, which qualifies it even more in the entire cycle of the construction execution process and attests to the effectiveness in the process of the Company's activities, contributing to a better cost management and control.

On July 19, 2016, the Company obtained the CVM registration in the Category A, with private ownership control. This process is very important for the Company, which reinforces the commitment to good practices and corporate governance adopted by Management.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are presented below. These policies have been applied in a consistent manner with the prior year, except if otherwise stated.

2.1 Statement of compliance

The individual financial statements have been prepared in accordance with accounting practices adopted in Brazil, applicable to real estate development entities registered with the Brazilian Securities and Exchange Commission (CVM).

The consolidated financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, applicable to real estate development entities, registered with CVM, and also in accordance with the international financial reporting standards (IFRS), issued by the International Accounting Standards Board (IASB), which consider guidance in Circular Letter CVM/SNC/SEP N° 02/2018 on the application of NBC TG 47 (IFRS 15) applicable to real estate development entities in Brazil with reference to aspects of transfer of control on sale of real estate units.

The financial statements have been prepared in accordance with accounting practices adopted in Brazil, which comprise those included in the Brazilian corporate law and the technical pronouncements, guidance and interpretations issued by the Brazilian Accounting Pronouncements Committee (“CPC”) and approved by the Federal Accounting Council (“CFC”) and Brazilian Securities Commission and Exchange Commission (“CVM”).

The individual and consolidated financial statements were approved by the Company’s Management on March 30, 2020.

2.2 Basis of presentation

The financial statements have been prepared on the historical cost basis, except for certain financial assets measured at fair value. The Company’s functional and presentation currency is the Brazilian Real, and it has not entered into transactions in foreign currencies.

The preparation of financial statements requires the Company’s Management to use critical accounting estimates judgments in the application of accounting policies. The estimates are used to, among others, the determination useful life of property, plant and equipment, provisions for risks, allowance for doubtful debts, projects’ costs budget, taxes and similar charges. Based on this fact, actual results may differ from the results considered by these estimates.

The settlement of transactions that involve these estimates may result in significantly different amounts from the amounts recorded in the financial statements, due to the probabilistic approach inherent to the estimation process. The Company reviews its estimates and premises periodically, within a time period shorter than one year.

The areas which require a greater level of judgment by the Company’s Management in the process of applying the accounting policies and which have a greater complexity, as well as the areas in which assumptions and estimates are significant for the preparation of the financial statements, are described in Note 3.

2.2.1 Individual financial statements

In the individual financial statements, the subsidiaries and joint ventures are accounted for under the equity method of accounting. The same adjustments are made in both individual and consolidated financial statements, in order to obtain the same profit or loss and equity attributable to Parent Company's shareholders. The borrowing costs incurred in certain borrowings, which resources were applied by the Parent in land and construction of projects in the subsidiaries and joint ventures, are capitalized and presented in the individual financial statements in line item investments, in order to obtain the same profit or loss and equity attributable to Parent's shareholders, which are presented in the consolidated financial statements; These adjustments, related to the borrowing costs attributable to units not sold of projects under construction, in the consolidated financial statements, are presented in line item "real estate for sale" and recognized against line item "cost of sales", as the corresponding unites are sold. The effect of the realization of borrowing costs on the consolidated financial statements is recognized in the individual financial statements based on the equity method of accounting.

The financial statements from subsidiaries and joint ventures, for purposes of equity method of accounting, are prepared for the same reporting period of the Company and, when necessary, are adjusted to be in accordance with the Company's accounting policies.

The interest in subsidiaries and joint ventures is presented in the profit or loss of the Parent as "equity in subsidiaries and joint ventures", which represents the net profit from investee attributable to controlling shareholders.

After the application of equity method of accounting, the Company assess if it is necessary to record the additional loss in the recoverable amount in Company's investment in its subsidiary or joint venture. The Company determines, at each reporting date, if there is objective evidence that its investments in subsidiaries and joint ventures are impaired. If so, the Company calculates the amount of impairment as the difference between the recoverable amount of subsidiary or joint venture and their carrying amount, and recognizes such difference in the statement of profit or loss in the Parent company.

2.2.2 Consolidation

The following accounting policies are applied in the preparation of the consolidated financial statements:

(a) Subsidiaries

Subsidiaries are all entities (including specific purpose entities - SPE), in which the Company owns the control. The Company controls an entity when it is exposed or has the rights to variable results arising from its involvement with the entity, and has the ability to interfere in such returns due to the its influence over the entity. Subsidiaries are fully consolidated from the date in which the control is transferred to the Company. The consolidation ends from the date the Company loses its control in the entity.

In thousands of reais, unless otherwise stated

	Interest percentage	
Direct subsidiaries and joint ventures	**12/31/2019**	**12/31/2018**
Vista Cantareira Empreendimentos Imobiliários Ltda.	95%	95%
Condomínio Varandas Jardim do Lago Ltda.	95%	95%
Residencial Monte Serrat SPE Ltda.	95%	95%
Haifa Investimentos e Participações Ltda.	100%	60%
Residencial São Mateus SPE Ltda.	95%	95%
Residencial Colina Francisco Morato SPE Ltda.	95%	95%
Residencial Bom Retiro SPE Ltda.	95%	95%
Residencial Jacú-Pessego II SPE Ltda.	95%	95%
Residencial Colina Guarapiranga SPE Ltda.	95%	95%
Residencial Paulínia I SPE Ltda.	95%	95%
Residencial Parque do Carmo SPE Ltda.	95%	95%
Residencial Idemori SPE Ltda.	95%	95%
Sugoi Projeto SPE Ltda.	95%	95%
Residencial Sports Gardens da Amazônia Ltda.	95%	95%
Sugoi N Empreendimentos Imobiliários Ltda.	50%	50%
Residencial Portal do Belo Horizonte SPE Ltda.	95%	95%
Residencial Barcelona SPE Ltda.	95%	95%
Condomínio Varandas Jardim do Lago II SPE Ltda.	95%	95%
Residencial Isabel Ferrari SPE Ltda.	95%	95%
Residencial São Jose SPE Ltda.	95%	95%
Residencial Jacú-Pessego I SPE Ltda.	95%	95%
Sugoi Residencial I SPE Ltda.	95%	95%
Sugoi Residencial II SPE Ltda.	95%	95%
Sugoi Residencial III SPE Ltda.	95%	95%
Residencial Via Verde SPE Ltda.	95%	95%
Sugoi Residencial IV SPE Ltda.	95%	95%
Sugoi Residencial V SPE Ltda.	95%	95%
Sugoi Residencial VI SPE Ltda.	95%	95%
Sugoi Residencial VII SPE Ltda.	95%	95%
Sugoi Residencial VIII SPE Ltda.	95%	95%
Sugoi Residencial IX SPE Ltda.	95%	95%
Sugoi Development USA, LLC	100%	100%
Sugoi Residencial X SPE Ltda.	95%	95%
Sugoi Residencial XI SPE Ltda.	95%	95%
Sugoi Residencial XII SPE Ltda.	95%	-
Sugoi Residencial XIII SPE Ltda.	95%	-
Sugoi Residencial XIV SPE Ltda.	95%	-
Sugoi Residencial XV SPE Ltda.	95%	-
Sugoi Residencial XVI SPE Ltda.	95%	-
Sugoi Residencial XVII SPE Ltda.	95%	-
Sugoi Residencial XVIII SPE Ltda.	95%	-

Sugoi Residencial XIX SPE Ltda.	95%	-
Sugoi Residencial XX SPE Ltda.	95%	-
Sugoi Residencial XXI SPE Ltda.	95%	-
Sugoi Residencial XXII SPE Ltda.	95%	-
Sugoi Residencial XXIII SPE Ltda.	95%	-
Sugoi Residencial XXIV SPE Ltda.	95%	-
Sugoi Residencial XXV SPE Ltda.	95%	-

(b) Transactions with noncontrolling interests

The Company treats transactions with non-controlling interests as transactions with owners of Group's assets. In the purchase of non-controlling interests, the difference between the consideration paid and the acquired subsidiary's net assets, is recorded in equity. The gains or losses on disposal of non-controlling interests are recognized in equity, in line item "accumulated losses".

When the Company ceases to hold control, any remaining interest in the investee is measured at fair value, and the change in the carrying amount is recognized in profit or loss. The fair value is the initial amount recognized, for subsequent record of interest held in a specific purpose entity (SPE) or a financial asset.

The non-controlling interests are stated in equity.

(c) Joint ventures

Investments in special purpose entities (SPEs) are accounted for under the equity method of accounting and are initially recognized at cost.

The unrealized gains with special purpose entities (SPEs) are eliminated to the extent of the Company's interest. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. The accounting policies of joint ventures are modified, when necessary, to ensure the consistency with the Company's accounting policies.

2.3 Cash and cash equivalents

Cash and cash equivalents are stated at cost and includes cash on hand and in banks, which are readily convertible into a known amount of cash and subject to an insignificant risk of change in value.

2.4 Present value adjustment

Monetary assets and liabilities are adjusted to present value based on the effective interest method when arising from short-term transactions, if material, and when arising from long-term transactions they are not subject to interest or are subject to: (i) fixed interest rates; (ii) interest rates that are clearly below the market for similar transactions; and (iii) adjusted only by inflation, not subject to interest. The Company assess periodically the effect of such procedure.

2.5 Financial instruments

Classification and measurement of financial assets and financial liabilities

Under IFRS 9/CPC 48, on initial recognition, a financial asset is classified as: at amortized cost; at fair value through other comprehensive income (“FVOCI”) - debt instrument; at FVTOCI - equity instrument; and at fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and on its contractual cash flow characteristics. The new significant accounting policies adopted by the Company are described below:

Financial assets at amortized cost - These assets are measured subsequently at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured at FVTPL:

• the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

• Debt instrument that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and

• the contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets are substantially represented by cash and cash equivalents (Note 3), trade receivables (Note 4) and amounts due from related parties (Note 9), classified as measured subsequently at amortized cost. The adoption of IFRS 9/CPC 48 did not have impact on the Company’s financial statements.

Financial liabilities were classified as measured at amortized cost or at fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Financial liabilities are measured subsequently at amortized cost using the effective interest method. Interest expense, exchange gains and losses are recognized in the profit and loss. Any gain or loss on de-recognition is recognized in profit or loss.

The financial liabilities of the Company are substantially represented by amounts due to related parties (Note 9), borrowings (Note 11), trade payables (Note 12), other payables (Note 14) and debentures (Note 16), which are classified as measured subsequently at amortized cost. With respect to financial liabilities, the adoption of CPC 48/IFRS 9 did not have impact on the Company’s financial statements.

Impairment

Expected credit losses - ECLs are estimates weighted by the likelihood of credit losses based on historical credit loss experience and projections of related assumptions. ECLs are measured at present value based on all cash insufficiencies (i.e. the difference between all contractual cash flows that are due to the Company in accordance with the contract and all cash flows that the Entity expects to collect). ECLs are discounted at the financial asset effective interest rate.

In conformity with the replacement of the incurred credit loss model by the expected credit loss model, Management concluded that the methodology already adopted is compliant with the expected credit loss model and, therefore, the initial adoption of IFRS 9/CPC 48 as from January 1, 2018 had no material impact on the measurement of the allowance for doubtful debts.

2.6 Trade receivables

Units are usually sold during the launch and construction phases. The trade receivables are recognized based on the construction's percentage of completion (POC), applied over the revenues from sold units, adjusted according to the contractual provisions, thus determining the amount of accumulated revenues to be recognized, which is deduced by the installments received.

The trade receivables are recognized initially at fair value and, subsequently, measured at amortized cost through the effective interest method.

If the recognized accumulated amount of revenue, less received installments, is inferior than the expected amount receivable from the total receivables portfolio in a year or less, the revenue recognized is classified under current assets. If not, the exceeding portion is presented as noncurrent assets.

2.7 Real estate for sale

The amount recorded in inventory corresponds to the incurred cost in the current construction phase of real state not yet sold, which is lower than the net realizable value.

The net realizable value is the estimated sale price in the normal course of business, less the estimated costs to completion and estimated selling expenses.

The cost comprises land, materials, workforce (from third parties) and other costs related to the construction.

2.8 Property and equipment

Property and equipment items are carried at acquisition cost, less depreciation, which was calculated in a straight line basis at the rates mentioned in Note 8.

2.9 Impairment of financial assets

The Company assesses, at least annually, if there are indications of impairment of its property and equipment items. No indications that these assets may be impaired were identified, therefore, it was not necessary to recognize impairment losses.

2.10 Trade payables

Trade payables refer to obligations payable for goods or services, which were acquired in the normal course of operations. These obligations are classified as current liabilities if their payments are due in less than one year; if not, they are presented as noncurrent liabilities.

The trade receivables are recognized initially at fair value and, subsequently, measured at amortized cost through the effective interest rate method. In practice, they are usually recognized at the amount of the corresponding invoice.

2.11 Provisions

Provisions are recognized when: (i) the Company has a present obligation (legal or constructive) as a result of a past event, (ii) it is probable that the Company will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation.

The estimates and premises involved in the determination of the provision amounts, to cover future disbursements during the warranty period of units, present a significant risk of causing a material adjustment to subsequent periods. Therefore, the accounting estimates and judgments are reviewed on an ongoing basis and are based on historical experience and other factors, including the expectations of future events, that are considered to be reasonable in the circumstances.

2.12 Income tax and social contribution

Income tax and social contribution expenses comprise current and deferred taxes. The income tax and social contribution are recorded in the statements of profit or loss.

The current income tax and social contribution debit is calculated based on tax legislation in force at the reporting date. The Management assess, periodically, the assumptions made by the Company in its income tax and social contribution calculation, related to the situations in which the applicable legislation is open to interpretation. It recognizes provisions, when appropriate, based on estimated amounts payable to tax authorities.

As allowed by tax legislation, the Company chose the presumed profit regime, according to which the income tax base is calculated at the rate of 8% and social contribution at the rate of 12%, upon the gross revenues (32% when the revenue is related to services rendered and 100% upon finance income), upon which are applied the statutory rates of 15%, plus a surcharge of 10%, for the income tax, and 9% for the social contribution.

Deferred income tax and social contribution are recognized on temporary differences arising from real estate revenues taxed on a cash basis, and the amount is recognized using the accrual basis (Note 2.13).

2.13 Revenue recognition, costs and expenses

(a) Revenue recognition process

In the process of recognizing revenue from contracts with customers, the precepts introduced by CPC 47 were adopted as from January 1, 2018, also contemplating the guidelines contained in Circular Letter CVM/SNC/SEP N° 02/2018, of December 12, 2018, which establishes accounting procedures related to the recognition, measurement and disclosure of certain types of transactions arising from contracts for the purchase and sale of uncompleted real estate units in Brazilian publicly traded companies in the real estate development sector. The adoption of CPC 47 and the mentioned Circular Letter did not have impact on the Company's financial statements.

Under CPC 47, the recognition of revenue from contracts with customers has a new normative discipline, based on the transfer of control of the promised good or service, which may be at a point in time or over time, according to the satisfaction or not of the so-called "contractual performance obligations". Revenue is measured at the amount that reflects the consideration that is expected to be earned and is based on a five-step model detailed below: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation.

The Company's business model is predominantly based on contracts for the purchase and sale of real estate units with "plan financing". In this model, usually aimed at low income customers, the customer signs a "contract for the purchase and sale of real estate unit in the plan" with the developer, already foreseeing the payment conditions, as follows: (i) Direct payments to the developer; (ii) Bank financing; (iii) Funds from the Severance pay fund (FGTS); and (iv) Possible subsidies from government housing programs.

The amounts directly paid to the developer (item (i) above) represent approximately 10% to 15% of the real estate unit value, with the remainder being bank financing, amounts from FGTS, and possible subsidies (items (ii) to (iv) above). The customer then signs a bank financing agreement ("private contract with a public deed") with a financial institution, including the amounts of bank financing, FGTS and possible subsidies from government housing programs. The release of these amounts is conditioned to the progress of the works, according to the percentage attested in the Project Monitoring Report according to the physical-financial schedule approved by the financial institution. This monitoring, for purposes of release of the installments, is carried out by the engineering area of the financial institution. At the time of signature of the bank financing agreement, the ownership of the real estate unit is transferred to the customer, being fiduciarily pledged to the respective financial institution.

Below is a summary of the contracts entered into in the "plan financing" modality, parties involved, guarantees and existing risks:

Contract	Parties	Real estate guarantee	Credit risk	Market risk	Dissolution risk
Bank financing	Developer (Seller); Buyer and Financial Institution (Fiduciary Creditor)	Financial institution (FI)	10% to 15% of the Developer and 85% to 90% of the FI	Buyer and Financial institution	Not applicable. In the event of default by the customer, the FI may consolidate the real estate unit on its behalf for subsequent sale of the property to third parties, in accordance with the procedures set forth in art. 27 of Law 9,514/97. The amount collected will have as main objective the settlement of the customer's debt balance to the FI.

(b) Determination of the profit or loss from development and sale of real estate

In sales of unfinished real estate units, the following procedures are observed:

- Sales revenues are recognized when there is a continuous transfer of control to a financial institution or customer, using the percentage of completion method ("POC") of each project, and this POC is measured by the cost incurred in relation to the total budgeted cost of the respective projects, whether during the approval period of the customer with the FI if there are indications that the customer will not comply with its contractual part, a provision for dissolution is established for the full amount.

- The amounts of recognized sales revenues that are higher than the amounts actually collected from customers are recorded in current or noncurrent assets, in line item Trade receivables. The collected amounts in connection with the sale of real estate units that are higher than the recognized amounts of revenues are recorded in line item Advances from customers;

- Inflation adjustment on trade receivables balance until the delivery of the keys, as well as the present value adjustment on trade receivables balance, are allocated to the Revenue from real estate sale when incurred, according to the accrual basis;

- The cost incurred (including the cost of land and other expenses directly related to the formation of the inventory) corresponding to the real estate units sold is fully allocated to profit or loss. For real estate units not yet sold, the cost incurred is allocated to inventory (Note 2.7);

- The financial charges on trade payables for land acquisition and those directly associated with construction financing are capitalized and recorded in inventories of real estate for sale and allocated to the cost incurred of the real estate units under construction until their completion and observing the same criteria of allocation of the real estate development cost in the proportion of real estate units sold under construction;

- Current and deferred taxes on the difference between the revenue earned from real estate development and the accumulated revenue subject to taxation are calculated and recorded when this difference in revenue is recognized;

- All other expenses, including advertising, are recognized in profit or loss when incurred.

2.14 New standards, technical pronouncements, revisions and interpretations

Amendments to standards that were initially adopted for annual periods beginning on or after January 1, 2018:

- **IFRS 15 – Revenue from Contracts with Customers (NBC TG 47)**

This standard brings the principles that an entity shall apply to determine the revenue measurement and when it is recognized. The amendments establish the criteria for revenue measurement and recognition in the form they were carried out and with appropriate presentation, and recognition for amounts to which the Company is entitled in the transaction, considering any estimates of loss of value.

The Company's Management, as detailed in Note 2.13, adopted the new standard and assessed the effects of this adoption, not identifying changes or impacts on the recognition of its revenues.

- **IFRS 9 – Financial Instruments (NBC TG 48)**

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The main changes brought by IFRS 9 are the new criteria for the classification of financial assets into two categories (measured at fair value and measured at amortized cost) depending on the characteristics of each instrument and can be classified in finance income (cost) or comprehensive income, the new impairment model for financial assets, which is a combination of expected and incurred losses, replacing the current model of incurred losses, and relaxation of the requirements for adoption of the hedge accounting. Management assessed the new standard and, considering its current transactions, did not identify changes that could have a material impact on the Company’s financial statements, since its financial instruments are not complex and do not pose risk of impact on their re-measurement, or risk of impairment or significant impairment due to the expectation of future losses.

Amendments to standards that were initially adopted for annual periods beginning on or after January 1, 2019:

- **IFRS 16 - Leases (CPC 06 (R2))**

The standard aims to unify the accounting model for leases by requiring lessees to recognize the liabilities assumed in exchange for the respective right of use assets for all leases where they are within the scope of the standard, unless they are covered by some type of exemption.

The company adopted the standard using the modified retrospective approach that does not require the restatement of comparative balances.

When adopting the standard, the Company recognized the lease liabilities in relation to contracts that meet the definition of leasing, whose liabilities were measured at the present value of the remaining lease payments, discounted based on the incremental interest rate. The assets associated with the right of use were measured at an amount equal to the lease liability on January 1, 2019, with no impact on retained earnings, in the amount of R$ 1,117. The net balance of the right of use at December 31, 2019 is R$ 693 presented in the intangible asset account and the updated liability at the same date is R$ 730, presented in the accounts payable account.

In thousands of reais, unless otherwise stated

3 Cash and cash equivalents

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Cash and banks	165	33	15,901	4,153
Bank Certificates of Deposit (CDBs)	4,234	6,054	7,563	6,117
	4,399	**6,087**	**23,464**	**10,270**

4 Trade receivables

	Consolidated	
Description	**2019**	**2018**
Deferred sales revenue	305,387	167,128
(-) Amount received	(265,489)	(127,925)
	39,898	39,203
Other receivables	315	200
	40,213	**39,403**

	Consolidated	
	2019	**2018**
Receivables from deferred sales	305,387	167,128
Total receivables	(265,489)	(127,925)
Deferred sales revenue (*)	192,768	265,517
Total receivables	**232,666**	**304,720**
Advances from customers	(15,902)	(15,819)
Total net portfolio receivable	**216,764**	**288,901**

(*) Subject to the effects of the present value adjustment of recognition.

As established in the sales agreements, the receivables are collateralized by the related real estate units. Moreover, the delivery of keys occurs only if the customer is compliant with his contractual obligations. Therefore, Management considers the credit risk in the construction period insignificant.

5 Real estate for sale

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Land bank (i)	9,787	8,552	264,874	204,189
Real estate under construction	-	-	39,143	30,601
Real estate completed	-	-	1,254	312
	9,787	**8,552**	**287,271**	**235,102**
Current	**9,787**	**8,552**	**228,241**	**142,854**
Noncurrent	**-**	**-**	**59,030**	**92,248**

In thousands of reais, unless otherwise stated

(i) The balances of real estate for sale refer to land for development whose real estate units are expected to be launched in less than one year, and this estimate is periodically reviewed by Management.

	2019	2018
Total cost incurred	251,549	147,038
Deferred cost of units sold	(211,152)	(116,125)
Cost of units of real estate for sale	**40,397**	**30.913**

6 Other receivables

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Advances to suppliers	2,010	1,415	7,497	5,390
Checks for collection	1,000	1,000	1,000	1,000
Brasinco Incorporações Ltda. (i)	9,830	9,830	9,830	9,830
Willian Gadelha (ii)	-	-	4,142	4,142
Brasinco Incorporações Ltda. (iii)	12,117	-	12,117	-
Others	869	844	1,105	947
	25,826	**13,089**	**35,691**	**21,309**

(i) The Company is the guarantor of a borrowing obtained by Brasinco Incoporações Ltda. and in view of such commitment, payments in the total amount of R$ 9.8 million were made. There is no other amount payable to the financial institution, remaining only the refund of the amounts already paid by Brasinco Incorporações Ltda.

(ii) Refers to a third-party debt that was subrogated by Sugoi to clear a real estate project, which will be later charged from the respective debtor.

(iii) Refers to the contractual right to receive another financial asset. (Note 14).

7 Investments

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Investments in subsidiaries and joint ventures	92,948	57,169	3,224	-
Provision for equity déficit	(3,757)	(2,524)	(3,382)	-
Investments (a)	89,191	54,645	(158)	-
Reclassification to liabilities	3,757	2,524	3,382	-
	92,948	**57,169**	**3,224**	**-**

The consolidated investment refers to the participation in the company "HTG Infraestrutura e Participação", valued by the equity method. The Company does not have control of the company.

In thousands of reais, unless otherwise stated

a) Changes in investments

Subsidiary	2017	Addition (reduction) of investments	Share of profit (loss) of subsidiaries and joint ventures	2018	Share of profit (loss) of subsidiaries and joint ventures	Addition (reduction) of investments	2019
Vista Cantareira Empreed. Imobiliários Ltda.	6,500	-	(490)	6,010	(293)	-	5,717
Condomínio Varandas Jardim do Lago Ltda.	6,551	-	6,338	12,889	4,178	(5,079)	11,988
Residencial Monte Serrat SPE Ltda.	2,225	-	(330)	1,895	(179)	-	1,716
Haifa Investimentos e Participações Ltda.	(6)	-	(2)	(8)	(4)	-	(12)
Residencial São Mateus SPE Ltda.	12,704	-	4,619	17,323	20,188	17	37,528
Residencial Parque do Carmo SPE Ltda.	7,115	-	(12)	7,103	(662)	-	6,441
Resid. Colina Francisco Morato SPE Ltda.	(227)	-	(64)	(291)	(42)	-	(333)
Residencial Bom Retiro SPE Ltda.	(243)	-	11.307	11,064	17,629	-	28,693
Residencial José Vigna Talhado SPE Ltda.	(21)	-	(5)	(26)	(169)	-	(195)
Residencial Colina Guarapiranga SPE Ltda.	(9)	-	(7)	(16)	(1)	-	(17)
Residencial Paulínia I SPE Ltda.	(13)	-	(7)	(20)	(2)	-	(22)
Residencial Idemori SPE Ltda.	(7)	-	(2)	(9)	(1)	-	(10)
Sugoi Projeto SPE Ltda.	(33)	-	(8)	(41)	(1)	-	(42)
Resid. Sports Gardens da Amazônia Ltda.	(88)	-	(918)	(1,006)	(444)	-	(1,450)
Sugoi Inovare Empreend Imob. Ltda.	(1)	-	(1)	(2)	(1)	-	(3)
Resid. Portal do Belo Horizonte SPE Ltda.	(5)	-	(20)	(25)	(5)	-	(30)
Residencial Barcelona SPE Ltda.	(349)	-	(419)	(768)	(696)	-	(1,464)
Cond Varandas Jard. do Lago II SPE Ltda.	(3)	-	(7)	(10)	(22)	-	(32)
Residencial Isabel Ferrari SPE Ltda.	(5)	-	(2)	(7)	(2)	-	(9)
Residencial São Jose SPE Ltda.	(3)	-	(3)	(6)	(5)	-	(11)
Residencial Barra Bonita SPE Ltda.	(2)	-	(2)	(4)	(1)	-	(5)
Sugoi Residencial I SPE Ltda.	(2)	-	(3)	(5)	(2)	-	(7)
Sugoi Residencial II SPE Ltda.	(1)	-	(3)	(4)	(3)	-	(7)
Sugoi Residencial III SPE Ltda.	(1)	-	(3)	(4)	(2)	-	(6)
Residencial Via Verde SPE Ltda	-	-	(1)	(1)	-	-	(1)
Sugoi Residencial IV SPE Ltda.	-	-	(1)	(1)	(1)	-	(2)
Sugoi Residencial V SPE Ltda.	-	-	(261)	(261)	255	-	(6)
Sugoi Residencial VI SPE Ltda.	(1)	-	(1)	(2)	(22)	-	(24)
Sugoi Residencial VII SPE Ltda.	-	-	(2)	(2)	-	-	(2)
Sugoi Residencial VIII SPE Ltda.	-	-	(2)	(2)	-	-	(2)
Sugoi Residencial IX SPE Ltda.	-	-	(2)	(2)	(9)	-	(11)
Sugoi Development USA, LLC	-	1,142	(258)	884	(811)	950	1.023
Others investments	-	-	-	-	(212)	-	(212)
	34,075	**1,142**	**19,428**	**54,645**	**38,658**	**(4,112)**	**89,191**

In thousands of reais, unless otherwise stated

8 Property and equipment

Description	Depreciation rate	Parent 2019	Parent 2018	Consolidated 2019	Consolidated 2018
Facilities	10% p.a	44	44	44	44
Furniture and fixtures	10% p.a.	121	86	350	173
Machinery and equipment	20% p.a.	127	88	147	104
Leasehold improvements	20% p.a.	20	11	20	11
Telecommunication leases	20% p.a.	72	72	72	72
Vehicles	-	-	-	216	63
Properties	-	21	-	115	23
Sales booths	-	-	-	636	634
		405	**301**	**1,600**	**1,124**
Accumulated depreciation		(183)	(127)	(876)	(350)
Property and equipment, net		**222**	**174**	**724**	**774**

(a) Changes in fixed assets for the year 2019

Description	Parent 2018	Parent Additions	Parent Disposals	Parent 2019	Consolidated 2018	Consolidated Additions	Consolidated Disposals	Consolidated 2019
Facilities	44	-	-	44	44	-	-	44
Furniture and fixtures	86	35	-	121	173	177	-	350
Machinery and equipment	88	39	-	127	104	43	-	147
Leasehold improvements	11	9	-	20	11	9	-	20
Telecommunication leases	72	-	-	72	72	-	-	72
Vehicles	-	-	-	-	63	153	-	216
Properties	-	21	-	21	23	95	(3)	115
Sales booths	-	-	-	-	634	45	(43)	636
	301	104	-	405	1,124	522	(46)	1,600
Accumulated depreciation	(127)	(56)	-	(183)	(350)	(526)	-	(876)
	174	**48**	**-**	**222**	**774**	**(4)**	**(46)**	**724**

(b) Changes in fixed assets for the year 2018

Changes in the Parent

There was no change in cost (additions and disposals) in the parent in 2018 and 2017, only depreciation in the amount of R$ 47 in both years.

In thousands of reais, unless otherwise stated

Changes in the Consolidated

Description	2017	Additions	Disposals	2018
Facilities	44	-	-	44
Furniture and fixtures	86	87	-	173
Machinery and equipment	104	-	-	104
Leasehold improvements	11	-	-	11
Telecommunication leases	72	-	-	72
Vehicles	-	63	-	63
Properties	-	23	-	23
Sales booths	515	119	-	634
	832	292	-	1,124
Accumulated depreciation	(89)	(261)	-	(350)
	743	**31**	**-**	**774**

9 Related parties

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Noncurrent assets	33,261	29,176	6,827	9,030
Current liabilities	(43,863)	(20,756)	(376)	-
Noncurrent liabilities	(1,744)	(1,744)	-	-
	(12,346)	**6,676**	**6,451**	**9,030**

	Parent		Consolidated	
Description (asset)	**2019**	**2018**	**2019**	**2018**
Haifa Investimentos e Participações Ltda.	21	14	-	-
Sugoi Engenharia e Construção Ltda.	15	19	238	1,839
Residencial Monte Serrat Ltda.	55	55	-	-
Kibutz Participações Ltda.	7	7	7	7
Kibutz Administração e Participações Ltda.	5,965	6,884	5,965	6,612
Residencial São Mateus SPE Ltda.	-	3,038	-	-
Residencial Colina Francisco Morato SPE Ltda.	1,386	1,116	-	-
Residencial Bom Retiro SPE Ltda.	-	5,265	49	6
Residencial José Vigna Talhado SPE Ltda.	287	201	-	-
Residencial Colina Guarapiranga SPE Ltda.	883	838	-	-
Residencial Paulínia I SPE Ltda.	162	160	-	-
Residencial Parque do Carmo SPE Ltda.	2,421	1,221	-	-
Residencial Idemori SPE Ltda.	401	381	-	-
Sugoi Projeto SPE Ltda.	91	89	-	-
Residencial Sports Gardens da Amazônia Ltda.	9,160	4,317	-	-
Sugoi N Empreendimentos Imobiliários Ltda.	236	175	-	-
Residencial Portal do Belo Horizonte SPE Ltda.	554	483	-	-
Residencial Barcelona SPE Ltda.	2,723	1,261	-	-
Condomínio Varandas Jardim do Lago II	609	387	-	-
Residencial Isabel Ferrari SPE Ltda.	181	110	-	-
Residencial São José SPE Ltda.	260	149	-	-
Residencial Jacú-Pessego I SPE Ltda.	89	23		-
Sugoi Residencial I SPE Ltda.	194	163	-	-

In thousands of reais, unless otherwise stated

Sugoi Residencial II SPE Ltda.	208	90	-	-
Sugoi Residencial III SPE Ltda.	195	127	-	-
Sugoi Residencial IV SPE Ltda.	76	76	-	-
Sugoi Residencial V SPE Ltda.	2,466	965	-	-
Sugoi Residencial VI SPE Ltda.	828	613	-	-
Sugoi Residencial VII SPE Ltda.	-	2	-	-
Sugoi Residencial VIII SPE Ltda.	807	278	-	-
Sugoi Residencial IX SPE Ltda.	1,380	641	-	-
Sugoi Residencial Via Verde SPE Ltda.	1	1	-	-
Tsuri Acre	16	16	16	14
Sugoi Residencial XIII SPE Ltda.	1,195	11	-	-
Sugoi Residencial XI SPE Ltda.	145	-	-	-
Sugoi Residencial XII SPE Ltda.	22	-	-	-
Sugoi Residencial X SPE Ltda.	14	-	-	-
Sugoi Residencial XVI SPE Ltda.	106	-	-	-
Sugoi Residencial XIV SPE Ltda.	1	-	-	-
Sugoi Residencial XV SPE Ltda.	1	-	-	-
Sugoi Residencial XXIV SPE Ltda.	1	-	-	-
Sugoi Residencial XXIII SPE Ltda.	1	-	-	-
Sugoi Residencial XXII SPE Ltda.	1	-	-	-
Sugoi Residencial XIX SPE Ltda.	1	-	-	-
Sugoi Residencial XX SPE Ltda.	1	-	-	-
Sugoi Residencial XXI Ltda.	85	-	-	-
Sugoi Residencial XXV SPE Ltda.	1	-	-	-
Sugoi Residencial XVII SPE Ltda.	1	-	-	-
Sugoi Residencial XVIII SPE Ltda.	6	-	-	-
Others	2	-	552	552
	33,261	**29,176**	**6,827**	**9,030**

	Parent		**Consolidated**	
Description (liabilities)	**2019**	**2018**	**2019**	**2018**
Condomínio Varandas Jardim do Lago (fee)	873	873	-	-
Condomínio Varandas Jardim do Lago	9,969	13,956	-	-
Vista Cantareira Empreendimentos Imobiliários Ltda.	6,444	6,780	-	-
Residencial Monte Serrat Ltda.	587	606	-	-
Residencial Colina Francisco Morato SPE Ltda.	175	175	-	-
Residencial Parque do Carmo SPE Ltda.	110	110	-	-
Residencial São Mateus SPE Ltda.	17,452	-	-	-
Residencial Sports Gardens da Amazônia	-	-	199	-
Residencial Guarapiranga SPE Ltda.	149	-	149	-
Residencial Bom Retiro SPE Ltda.	9,831	-	-	-
Dahab Brasil S.A	17	-	17	-
Tsuri Brasil Ltda.	-	-	11	-
	45,607	**22,500**	**376**	**-**
Current	**43,863**	**20,756**	**376**	**-**
Noncurrent	**1,744**	**1,744**	**-**	**-**

In thousands of reais, unless otherwise stated

The balances of the accounts held with subsidiaries and joint ventures refer to non-interest bearing loans in current account without a defined maturity and do not have predefined maturity.

The balances receivable by the parent company refer to amounts transferred to subsidiaries and joint ventures for development of real estate development projects in those companies. The balances in liabilities refer to amounts received from subsidiaries and joint ventures derived from collection from customers for sale of real estate units.

10 Current account with special partnership

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Current account with special partnership	10,405	10,405	10,405	10,808
	10,405	**10,405**	**10,405**	**10,808**

The operations involving Silent Partnership (SCP) are presented on a consolidated basis with the Company's operations. The acquisitions contracted with partners are presented in current and noncurrent liabilities according to the expectation of Company's disbursement, in the line item of related parties.

11 Borrowings

			Parent		Consolidated	
Type	**Financial institution**	**Interest rate**	**2019**	**2018**	**2019**	**2018**
Working capital	Caixa Econômica Federal	Up to 9.6 % p.a. + CDI	2,242	1,912	2,242	1,912
SFH	Caixa Econômica Federal	Up to 11% p.a.	-	-	11,605	1,365
Leases	Banco Daycoval	Up to 22.99% p.a.	30	37	30	37
CCB	Banco PINE	CDI + 8.47% p.a.	1,364	7,760	1,364	7,760
CCB	CHB	CDI + 10.5% p.a.	2,693	4,044	2,693	4,044
Others	Others	N/A	-	-	839	627
			6,329	**13,753**	**18,773**	**15,745**
Current			**4,800**	**9,227**	**16,405**	**11,219**
Noncurrent			**1,529**	**4,526**	**2,368**	**4,526**

The balances by year of maturity are as follows:

	Parent		Consolidated	
Year	**2019**	**2018**	**2019**	**2018**
2019	-	9,227	-	11,219
2020	4,800	4,452	16,405	4,452
2021	917	74	1,756	74
2022	612	-	612	-
	6,329	**13,753**	**18,773**	**15,745**

In thousands of reais, unless otherwise stated

As established by ICVM 475, the Company's Management presents the sensitivity analysis of material balances, considering:

- Scenario of probable interest rate variation estimated by Management:
    - Estimated interest rate for the years 2020 and 2021: 6.5% per year.
- Scenario of possible interest rate variation, with deterioration of 25% (twenty-five percent), in the risk variable considered as probable:
    - Estimated interest rate for the years 2020 and 2021: 8.1% per year.
- Scenario of remote interest rate variation, with deterioration of 50% (fifty percent), in the risk variable considered as probable:
    - Estimated interest rate for the years 2020 and 2021: 9.8% per year.

The impact presented in the table below refers to 2020 and 2021, when its significant obligations to financial agents will end and projections for the other years will no longer be necessary.

					Parent
Year	**Balance**	**Risk of increase in interest rate**	**6.5% p.a. Probable**	**8.1% p.a. Possible**	**9.8% p.a. Remote**
2020	4,800	Accounting effect (cost/expense)	312	389	470
2021	917	Accounting effect (cost/expense)	60	74	90

					Consolidated
Year	**Balance**	**Risk of increase in interest rate**	**6.5% p.a. Probable**	**8.1% p.a. Possible**	**9.8% p.a. Remote**
2020	16,405	Accounting effect	1,066	1,329	1,608
2021	1,756	Accounting effect	114	142	172

12 Trade payables

		Parent		Consolidated
Maturities	**2019**	**2018**	**2019**	**2018**
Past due	**11**	**2**	**1,619**	**1,347**
Falling due up to 30 days	189	79	4,984	5,738
Falling due between 31 and 60 days	3	-	259	240
Falling due between 61 and 90 days	-	-	172	188
Falling due between 91 and 120 days	-	-	235	115
Falling due between 121 and 180 days	-	-	44	200
Falling due after 180 days	-	-	892	254
Total falling due	**192**	**79**	**6,586**	**6,735**
	203	**81**	**8,205**	**8,082**

In thousands of reais, unless otherwise stated

13 Payroll and related taxes and other taxes payable

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Taxes payables	501	501	503	503
Payroll and related taxes	139	6	188	64
Withholding taxes	8	5	388	634
Special current tax regime (RET)	-	-	524	378
Special deferred tax regime (RET)	-	-	1,430	1,713
	648	**512**	**3,033**	**3,292**
Current	**648**	**512**	**1,603**	**1,579**
Noncurrent	**-**	**-**	**1,430**	**1,713**

14 Other payables

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Acquisition of equity interests (i)	11,802	13,875	11,802	13,875
Commission upon land	-	-	500	500
Provision for contingencies (ii)	8	-	1,049	715
Others	1,730	1,000	2,231	1,000
	13,540	**14,875**	**15,582**	**16,090**
Current	**13,540**	**14,875**	**15,082**	**15,590**
Noncurrent	**-**	**-**	**500**	**500**

(i) Amount relating to the acquisition of Companhias Residencial São Mateus SPE Ltda. and Residencial Parque do Carmo SPE Ltda. for R$ 0 and R$ 2,930, respectively (R$ 6,752 and R$ 7,123 in 2018). The amounts will be paid through promissory notes and; R$ 8,872 related to the debt for the acquisition of contractual rights, described in Note 6, arising from the agreement for the acquisition of the equity interest of Brasinco Incorporações Ltda. with a partnership focused on the development of real estate projects through the company Haifa Investimentos e Participações Ltda., which holds 60% of the share capital.

(ii) In the normal course of its activities, the Company is subject to tax, labor and civil lawsuits. Management, based on the opinion of its legal counsel and, when applicable, based on specific opinions issued by experts, assesses the expected outcome of ongoing lawsuits and determines the need to recognize a provision for contingent liabilities. The existing provision of R$ 1,049 (R$ 715 at December 31, 2018) refers to ongoing civil and labor lawsuits assessed by the Company’s legal counsel as probable losses. In addition to the referred amount, R$ 6,129 (R$ 8,910 at December 31, 2018) were not computed also due to labor and civil lawsuits, assessed by the Company’s legal counsel as possible loss, which is the reason why the Company did not record this amount in the financial statements.

In thousands of reais, unless otherwise stated

15 Advances from customers and others

		Parent		Consolidated
Description	**2019**	**2018**	**2019**	**2018**
Advances from customers - developments	-	-	15,846	9,735
Advances from customers – barters, units launched	-	-	11,116	13,914
Creditors for committed real estate	2,942	5,680	152,175	140,035
Physical barters (*)	5,680	1,900	78,776	54,197
Others	-	3,235	2,395	5,564
	8,622	**10,815**	**260,308**	**223,445**
Current	**8,622**	**10,815**	**232,374**	**132,053**
Noncurrent	**-**	**-**	**27,934**	**91,392**

(*) In certain land purchase operations, the Company carried out a physical barter with units to be constructed. These physical barters were recognized at fair value, as land bank for development, as a balancing item to advances from customers, considering the cash price of the real estate unit given as accord and satisfaction, and these barter operations are recognized in profit or loss considering the same assumptions used for recognition of sales of real estate units.

16 Debentures

		Parent		Consolidated
Description	**2019**	**2018**	**2019**	**2018**
Debentures	32,897	17,397	32,897	17,397
(-) Unamortized debenture costs	-	(435)	-	(435)
(-) Amortisation	(4,810)	-	(4,810)	
Interest on debentures	5,913	2,727	5,913	2,727
	34,000	**19,689**	**34,000**	**19,689**
Current	**23,442**	**5,270**	**23,442**	**5,270**
Noncurrent	**10,558**	**14,419**	**10,558**	**14,419**

On April 4, 2017, the Company obtained the approval for its first public issue of distribution of simple, nonconvertible, single series debentures, with a collateral in the amount of R$ 17,397, comprising 17,397 debentures with par value of R$ 1 each.

The debentures are adjusted by the Broad National Consumer Price Index (IPCA), plus interest of 9.15% per year on the nominal value, calculated on a pro rata temporis basis by business days, with monthly payments beginning in May 2019.

In thousands of reais, unless otherwise stated

The debentures will be collateralized by land of a subsidiary and rights to equity interests in a subsidiary.

The Company and its subsidiaries have covenants in the debenture agreement that restrict the ability to make certain decisions and may require the early maturity or the execution of the collaterals if the Company does not comply with such covenants.

On November 7, 2019, the Company obtained the approval for its first public issue of distribution of simple, nonconvertible, single series debentures, with a collateral in the amount of R$ 15,500, comprising 15,500 debentures with par value of R$ 1 each.

The debentures are adjusted by 100% of the CDI, plus interest of 7.5% per year on the nominal value, calculated on a pro rata temporis basis by business days, with monthly payments beginning in March 2020.

The debentures will be collateralized by land of a subsidiary and rights to equity interests in a subsidiary.

The Company and its subsidiaries have covenants in the debenture agreement that restrict the ability to make certain decisions and may require the early maturity or the execution of the collaterals if the Company does not comply with such covenants.

17 Provisions

	Consolidated	
Description	**2019**	**2018**
Provision for warranty (i)	1,509	1,226
	1,509	**1,226**

(i) Provision for warranty – recognized during the project construction period to cover the estimated costs to be incurred during the five-year period after project completion.

18 Equity

(a) Share capital

Capital comprises 1,000,000 share units, partially paid in, and distributed as follows:

	2019	**2018**
Number of share units		
Kibutz Administração e Participações Ltda	1,000,000	1,000,000
	1,000,000	**1,000,000**

Pursuant to the 7th amendment to the articles of organization entered into on February 3, 2016, Sugoi changes its legal type and corporate name and becomes a corporation, governed by Law 6,404, of December 15, 1976 (“Corporation Law”).

According to the minutes of the General Shareholders’ Meeting on November 24, 2016, Kibutz Participações Ltda. transfers its common shares to Kibutz Administração e Participações Ltda.

The Company structured the CVM category A registration granted on July 19, 2016, and is currently registered under code CVM 23957.

In thousands of reais, unless otherwise stated

(b) Profits

In accordance with the articles of organization, the profit calculated at the end of each year can be distributed, retained (totally or partially) or capitalized, as determined by all shareholders. There is no minimum amount established to be distributed.

In compliance with the corporate law (article 193 of Law 6,404/76) a legal reserve in the amount of R$ 200 at December 31, 2016 was recognized.

(c) Earnings per share

The table below shows the consolidated profit (loss) and the calculation of basic and diluted earnings (loss) per share:

	2019	2018
Profit (loss) for the year (in reais)	25,094,000	13,924,000
Number of shares	1,000,000	1,000,000
	25,094	**13,924**

Basic earnings (loss) per share is calculated by the division of the profit (loss) attributable to the Company's controlling shareholders by the weighted average number of common shares outstanding during the period, as established by NBC TG 41 (R2) (CVM Resolution 636/10) – earnings per share.

Diluted earnings (loss) per share is calculated by the adjustment of the weighted average number of common shares outstanding, to assume the conversion of all diluted potential common shares.

There is no difference between basic earnings (loss) per share and diluted earnings (loss) since there are no potential common shares which could be issued in the future and converted. The debentures issued, as mentioned in Note 16, are not convertible into shares.

(d) Cumulative translation adjustment

The Company recognizes in this line item the effect of foreign exchange differences on the investment in foreign subsidiary Sugoi Development USA, LLC, whose functional currency is the currency to which a foreign operation is subject. The cumulative effect, recognized in a specific line in equity and in the statement of comprehensive income, will be transferred to profit or loss for the year as a gain or loss only upon the disposal or de-recognition of the investment.

In thousands of reais, unless otherwise stated

19 Gross profit

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

	Consolidated	
Description	**2019**	**2018**
Revenue from real estate	156,088	88,180
Sales canceled	(1,109)	(123)
Gross operating revenue	**154,979**	**88,057**
Taxes levied thereon	(5,666)	(3,226)
Net operating revenue	**149,313**	**84,831**
Cost of land, development and construction	(95,891)	(57,241)
Gross profit	**53,422**	**27,590**
Gross margin - %	**32.8%**	**32.5%**

20 Expenses by nature

	Parent		Consolidated	
Description	**2019**	**2018**	**2019**	**2018**
Selling expenses				
Commissions	-	-	(3,196)	(417)
Advisory and Consulting	(94)	(31)	(186)	(187)
Advertising and publicity	(70)	(11)	(1,891)	(1,742)
Expenses on sales booths and model aparts	-	-	(1,419)	(1,059)
Rental expenses	-	-	(304)	(397)
Other selling expenses	(65)	(96)	(586)	(743)
	(229)	**(138)**	**(7,582)**	**(4,545)**
General and administrative expenses				
Advisory and Consulting	(3,595)	(1,178)	(4,850)	(2,744)
Personnel expenses	(1,752)	(296)	(1,760)	(382)
Rental expenses	(353)	(740)	(363)	(844)
Office supplies expenses	(531)	(218)	(681)	(296)
Depreciation	(479)	(47)	(483)	(51)
Expenses on notary's office and registry	(70)	(37)	(453)	(367)
Expenses on agreements and contracts	-	-	-	(121)
Provision for contingencies	-	-	(221)	-
Other administrative expenses	(415)	(163)	(1,942)	(477)
	(7,195)	**(2,679)**	**(10,753)**	**(5,282)**
	(7,424)	**(2,817)**	**(18,335)**	**(9,827)**

In thousands of reais, unless otherwise stated

21 Real estate projects under development

Description	2019	2018
Deferred sale (Note 4)	192,768	265,517
Contributions on sales	(7,711)	(10,621)
	185,057	**254,896**
Costs to be incurred of units sold	(137,445)	(182,056)
	47,612	**72,840**
Deferred gross margin percentage	**25.7%**	**28.6%**

(a) The table below shows the deferred revenue (cost) of the project under construction.

Description	2019	2018
Recognized revenues	190,571	102,060
Contributions on sales	(7,632)	(4,082)
	182,939	**97,978**
Recognized cost	(130,528)	(67,398)
Gross profit	**52,411**	**30,580**
Deferred gross margin - %	**26.65%**	**31.21%**

(b) The table below shows the total budgeted cost to be incurred in the project.

Description	2019	2018
Units sold under construction	137,445	182,056
Units not sold under construction	50,961	91,299
Budgeted cost to be incurred	188,406	273,355
Real estate under construction	39,143	30,601
Total cost to be deferred in the future	**227,549**	**303,956**

22 Insurance

The Company has insurance coverage in amounts considered sufficient by Management to cover any risks on its assets and/or liabilities.

The scope of our auditors' work does not include to issue an opinion on the sufficiency of the insurance coverage.

23 Risk management and financial instruments

(a) Risk management

The Company enters into transactions with financial instruments. These financial instruments are managed through operating strategies and internal controls, which are aimed at ensuring liquidity, profitability and security. Financial instruments for hedging purposes are contracted based on a periodic analysis of the risk exposure management intends to mitigate. The control policy consists of ongoing monitoring of the contracted conditions against market conditions. The Company does not make speculative investments in derivatives or any other risk financial instruments.

The carrying amounts of the financial assets and liabilities in the financial statements were determined according to criteria and accounting policies disclosed in specific explanatory notes.

The Company is exposed to the following risks arising from the use of financial instruments:

Credit risk

Arises from the possibility of the Company incurring losses due to default of its customers. To mitigate these risks, the Company performs an analysis of the financial situation of its customers and manages the credit risk through a credit rating and granting program.

Interest rate risk:

Arises from the possibility of the Company generating gains or losses due to fluctuations in interest rates applied to its financial assets and liabilities. To mitigate such risks, the Company has contracts which ballast the financial assets and liabilities, through fixed rates.

Market risk

Arises from the possibility of fluctuations in market prices of raw materials and inputs used in the construction of the real estate units. These price fluctuations may cause significant changes in the Company’s costs. To mitigate these risks, the Company manages the buffer stocks of these raw materials and inputs.

Liquidity risk

Arises from the possibility of reducing the amounts earmarked for payment of debts. Management monitors the rolling forecast of the Company’s liquidity requirements to ensure it has sufficient cash to meet its operational needs.

Additionally, the Company maintains balances in financial investments which can be redeemed at any time to cover any mismatches between the maturity date of its contractual obligations and its cash generation.

Operational risk

Operational risk is the risk of direct or indirect losses arising from a variety of causes associated to the Company’s processes, personnel, technology and infrastructure and external factors, except credit, market and liquidity risks, as those derived from legal and regulatory requirements and generally accepted business behavior standards. Operational risks arise from all the Company’s operations.

The Company's objective is to manage the operational risk to avoid the occurrence of financial losses and damages to the Company's reputation, seek cost effectiveness and avoid control procedures that restrict initiative and creativity.

The main responsibility for developing and implementing controls to address operational risks is attributed to senior management. The responsibility is supported by the development of Company general standards for the management of operational risks in the following areas:

- requirements for proper segregation of duties, including the independent authorization of operations;
- requirements for reconciliation and monitoring of operations;
- compliance with regulatory and legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced and the appropriateness of controls and procedures to address the risks identified;
- requirements to report operational losses and proposed corrective actions;
- development of contingency plans;
- professional training and development;
- ethical and business standards;
- risk mitigation, including insurance when effective.

(b) Financial instruments

For disclosure purposes, the fair values of the financial assets and liabilities, together with their carrying amounts, are presented in the statement of financial position in the line items of cash and cash equivalents, financial investments, trade receivables and other receivables, trade payables, other payables, borrowings and related parties

(c) Capital management

The Company manages its capital in order to ensure the continuity of the return to its shareholders and benefit the other stakeholders, as well as to maintain an optimum capital structure to invest in its growth.

(d) Derivative financial instruments

The Company does not enter into derivative transactions in order to mitigate or eliminate risks inherent to its operation.

24 Subsequent events

Covid-19 Pandemic - Coronavirus

The Company has adopted the measures of hygiene and daily control of contamination, flexibility in working hours and practice of home office for the support areas, attending the guidelines of health surveillance as well as concerned with the preservation of physical and psychological integrity of its employees, including dismissing from work all those over 60 years.

Our operation continues on the construction sites, under the risk of being affected by external restrictions such as public transportation of employees, supply of inputs and raw materials essential for the continuity of the works, a fact that cannot be measured at this time.

We redirect our sales force to serve our customers at a distance, extending the dissemination of the ventures via applications and social networks and maintain daily contact with the top management for monitoring the scenario and prompt decision making.

Faced with so many uncertainties and daily adjustments in government guidelines, we consider that there is still no way to measure potential impacts on the organization's projects, sales, accounting estimates and financial statements.

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