(Convenience translation into English from the original previously issued in Portuguese)

SUGOI S.A.

Independent auditor's report

Individual and consolidated interim financial information
As at June 30, 2020

SUGOI S.A.

Individual and consolidated interim financial information
As at June 30, 2020

Contents

Performance report on the interim financial information for the three-month period ended June 30, 2020.

São Paulo, August 14, 2020 – SUGOI S.A. Pursuant to statutory and legal provisions, the Management of Sugoi S.A. ("Sugoi") presents the Management Report and the accompanying Interim Financial Information along with the Independent Auditor's Report for the six-month period ended June 30, 2020.

HIGHLIGHTS

- Net revenue for the quarter totaled R$ 73.7 million;
- The Company finished the second quarter of 2020 with gross margin of 37%;
- Net income for the year was R$ 12.4 million;
- The Company's land bank reached Potential Sales Value (PSV) of R$ 3 billion;
- Sales contracted in the quarter totaled R$ 70.7 million;
- Launching of projects Vida e Alegria – Condomínio 8 – PSV of R$ 14.9 million – São Paulo/SP and Mirai Parque do Carmo – Condomínio 3 – PSV of R$ 36.2 million – São Paulo/SP.
- Delivery of keys of the ventures: Residencial Bom Retiro – Paulínia SP – Condomínio 7 and Residencial Bom Retiro – Paulínia SP – Condomínio 6, totaling 320 units.

Comments on Covid-19

The Company has adopted measures to mitigate the transmission of the virus at each work point, whether at construction sites, points of sale or its head office. The Company adopted practices of hygiene with greater frequency, daily audit of controls, flexibility in working hours and adoption of the remote work regime, meeting the guidelines of the World Health Organization (WHO) and Health Surveillance seeking to preserve the physical and psychological health of its employees, including release from work for all individuals over 60 years of age.

Our operations continue on the construction sites, still with immaterial impacts, and we believe that, in this sense, there should be no significant interference in the execution of the projects. However, eventual external restrictions, such as public transportation of employees, supply of inputs and raw materials essential for the continuity of the works, may have a significant impact, a possibility that cannot be considered and measured at this time.

We have redirected our sales force to serve our client at a distance, expanding the online promotion of the projects, through applications and social networks and maintaining daily contact with top Management for monitoring of the scenario and prompt decision making.

Faced with so many uncertainties and daily adjustments in government guidelines, we have considered the possible impacts on our operation, but have developed frequent guidelines to try to anticipate problems in order to minimize them.

Operating and Financial Performance

Launchings and contracted sales

In the second quarter, the Company made new launches with estimated PSV of R$ 51 million.

Sugoi had three ventures qualified for the Program “Nova Casa (Casa Paulista)” of the Government of the State of São Paulo: Vida e Alegria, Mirai Parque do Carmo and Villagio Franco da Rocha. The program consists of grants of up to R$ 16 thousand for customers and families with income of up to three minimum wages. These grants are an addition and complement to the Program “Minha Casa Minha Vida” of the Federal Government. They significantly contributed to improve the performance of sales made, with the Company reaching R$ 70.7 million in sales for the quarter.

Finished projects and projects under construction

The Company shall reach PSV of R$ 250 million in 2020, with projects launched in 2017 and 2018. From this amount, the Company realized R$ 42.6 million in the second quarter.

Land bank

As at June 30, 2020, the Company’s land bank represented estimated PSV of R$ 3 billion, with expected launching in the next five years.

Operating revenue

Net operating revenue totaled R$ 73.7 million for the second quarter of 2020, an increase in comparison to the amount of R$ 56.4 million for the same period in 2019. This increase results from the recognition of revenue from projects launched in previous years, especially in 2018, and from an increase in launchings of new projects.

Cost of properties

In the second quarter of 2020, the cost of properties totaled R$ 46.1 million in comparison with R$ 33.8 million for the same period in 2019, due to the increase in launchings and recognition of costs of projects under construction.

Selling, general and administrative expenses

In the second quarter of 2020, selling expenses totaled R$ 3.9 million, representing a slight decrease in comparison with the amount of R$ 4.4 million for the same period in 2019.

Net general and administrative expenses totaled R$ 7 million in the second quarter of 2020, an increase in comparison with the amount of R$ 3.9 million for the same period in 2019. These expenses are in line with the Company’s planning, with the objective of supporting the demand of launchings and construction work occurring in the next years.

Gross profit

In the second quarter of 2020, gross profit amounted to R$ 27.5 million, an increase compared with the same period in 2019, for which we reported gross profit of R$ 22.6 million. This increase is explained by the volume of construction work in progress.

Income for the year

In the second quarter of 2020, we reported accumulated net income of R$ 12.4 million. The positive result is mainly related to the increase in launchings from previous years, especially 2018, and also to recent launchings made by the Company.

Reinvestment of profits and distribution of dividends

The payment of dividends was not proposed, pursuant to article 189 of Law No. 6.404/76.

Independent Auditors

Pursuant to CVM Instruction No. 381, of January 14, 2003, we inform that the Company contracted BDO Auditores Independentes S.S. to render services related to the audit of its financial statements. Also according to CVM Instruction No. 381, of January 14, 2003, we inform that the Company has not contracted any other services from the independent auditor charged with the audit of the financial statements not related to the audit work.

São Paulo, August 14, 2020.

Investor Relations
Telephone: (55 11) 5904-6400
Email: ri@sugoisa.com.br
www.sugoisa.com.br/ri

Tel.: +55 11 3848 5880
Fax: + 55 11 3045 7363
www.bdobrazil.com.br

Rua Major Quedinho 90
Consolação – São Paulo, SP - Brasil
01050-030

INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the
Shareholders, Board Members and Management of
Sugoi S.A.
São Paulo - SP

Introduction

We have reviewed the individual and consolidated interim financial information of Sugoi S.A. (the Company), included in the Quarterly Information, for the quarter ended June 30, 2020, which comprise the statement of financial position as at June 30, 2020, and the respective statements of income and comprehensive income for the three- and six-month periods then ended, and of changes in equity and cash flows for the six-month period then ended, including the notes.

The Company's Management is responsible for the preparation of the individual interim financial information in accordance with Technical Pronouncement CPC 21 (R1) – Interim Statements and of the consolidated interim financial information in accordance with Technical Pronouncement CPC 21 (R1) – Interim Statements and with international standard IAS 34 - Interim Financial Reporting, applicable to entities of real estate development in Brazil registered with the Brazilian Securities and Exchange Commission (CVM), as well as for the presentation of this information in accordance with the standards issued by CVM, applicable to the preparation of the Quarterly Information. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of the review

We conducted our review in accordance with Brazilian and international standards for reviewing interim information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

Conclusion on the individual interim financial information

Based on our review, we are not aware of any fact that would lead us to believe that the individual interim financial information included in the Quarterly Information referred to above has not been prepared, in all material respects, in accordance with Technical Pronouncement CPC 21 (R1) – Interim Statements, applicable to entities of real estate development in Brazil registered with the CVM, as well as for the presentation of this information in accordance with the standards issued by CVM, applicable to the preparation of the Quarterly Information.

Conclusion on the consolidated interim financial information

Based on our review, we are not aware of any fact that leads us to believe that the consolidated interim financial information included in the quarterly information previously mentioned was not prepared, in all material respects, in accordance with Technical Pronouncement CPC 21 (R1) and IAS 34, applicable to entities of real estate development in Brazil, registered with CVM, as well as the presentation of this information in accordance with standards issued by CVM, applicable to the preparation of Quarterly Information.

Emphasis

Revenue recognition

As described in Note 2.1, the individual interim financial information included in the Quarterly Information was prepared in accordance with Technical Pronouncement CPC 21 (R1) and the consolidated interim financial information included in the Quarterly Information was prepared in accordance with Technical Pronouncement CPC 21 (R1) and IAS 34, applicable to entities of real estate development in Brazil, registered with CVM. Accordingly, the determination of the accounting policy adopted by the Company for the recognition of revenue in sale and purchase contracts of unfinished real estate units, related to aspects of the transfer of control, follows the understanding established by CVM in CVM/SNC/SEP Circular Letter No. 02/2018 on the adoption of NBC TG 47 (IFRS 15). Our conclusion is not qualified in respect of this matter.

Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated statements of value added for the six-month period ended June 30, 2020, prepared under the responsibility of the Company's Management and presented as supplementary information for the purposes of IAS 34, applicable to entities of real estate development in Brazil, registered with CVM. These statements were submitted to review procedures carried out along with the review of the quarterly information, aiming to conclude if they are in accordance with the interim financial information and accounting records, as applicable, and if its form and contents are in accordance with the criteria established in Technical Pronouncement CPC 09 – Statement of Value Added. Based on our review, we are not aware of any fact that would lead us to believe that these statements were not prepared, in all material respects, in accordance with the criteria established in this Technical Pronouncement and consistently with the individual and consolidated interim financial information taken as whole.

Corresponding amounts

The amounts corresponding to the individual and consolidated statements of financial position as at December 31, 2019, were previously audited by other independent auditors, whose report thereon, dated March 30, 2020, was unmodified, and to the individual and consolidated statements of income and comprehensive income for the three- and six-month periods and changes in equity and cash flows for the six-month period ended June 30, 2019, were previously reviewed by other independent auditors, whose report thereon, dated August 14, 2019, was unmodified.

The amounts corresponding to the individual and consolidated statements of value added, referring to the six-month period ended June 30, 2019, were submitted to the same review procedures by those independent auditors and, based on their review, those auditors issued a report stating they were not aware of any fact that would lead them to believe the statements of value added were not prepared, in all material aspects, consistently with the consolidated interim financial information taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, August 14, 2020.

BDO RCS Auditores Independentes SS
CRC 2 SP 013846/O-1

Julian Clemente
Accountant CRC 1 SP 197232/O-6

Sugoi S.A.
Statements of financial position as at June 30, 2020 and December 31, 2019
(In thousands of Brazilian Reais)

ASSETS

Assets	Notes	Parent company 06/30/2020	Parent company 12/31/2019	Consolidated 06/30/2020	Consolidated 12/31/2019
Current					
Cash and cash equivalents	3	352	4,399	19,924	23,464
Accounts receivable	4	-	-	43,814	40,213
Properties for sale	5	8,586	9,787	124,287	228,241
Sundry receivables	6	25,918	25,826	40,307	35,691
Taxes and contributions to be offset		228	227	599	551
Unrecognized selling expenses		100	-	5,844	5,896
		35,184	40,239	234,775	334,056
Noncurrent					
Properties for sale	5	1,212	-	170,545	59,030
Related-party transactions	9	43,577	33,261	6,831	6,827
		44,789	33,261	177,376	65,857
Investments	7	112,489	92,948	3,224	3,224
Net fixed assets	8	222	222	833	724
Intangible assets		489	694	489	694
		157,989	127,125	181,922	70,499
Total assets		193,173	167,364	416,697	404,555

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

Initialed for identification purposes
BDO RCS AUDITORES INDEPENDENTES

Sugoi S.A.
Statements of financial position as at June 30, 2020 and December 31, 2019
(In thousands of Brazilian Reais)

LIABILITIES

Liabilities	Notes	Parent company 06/30/2020	Parent company 12/31/2019	Consolidated 06/30/2020	Consolidated 12/31/2019
Current					
Loans and financing	11	4,942	4,800	20,214	16,405
Debentures	16	13,838	23,442	13,838	23,442
Trade accounts payable	12	148	203	13,868	8,205
Labor and tax liabilities	13	717	648	3,224	1,603
Accounts payable	14	16,512	13,540	19,319	15,082
Advances from customers and others	15	8,622	8,622	113,669	232,374
Related-party transactions	9	62,227	43,863	375	376
Provisions for investment losses	7	4,894	3,757	3,357	3,382
		111,900	98,875	187,864	300,869
Noncurrent					
Loans and financing	11	8	1,529	8	2,368
Debentures	16	13,455	10,558	13,455	10,558
Intercompany account with Silent Partnerships (SCPs)	10	10,405	10,405	10,405	10,405
Labor and tax liabilities	13	-	-	1,851	1,430
Accounts payable	14	-	-	500	500
Advances from customers and others	15	-	-	139,449	27,934
Provisions	17	-	-	1,803	1,509
Related-party transactions	9	1,744	1,744	-	-
		25,612	24,236	167,471	54,704
Total liabilities		137,512	123,111	355,335	355,573
Equity	18				
Capital stock		1,000	1,000	1,000	1,000
Statutory reserve		200	200	200	200
Income reserve		54,461	43,053	54,461	43,053
Cumulative translation adjustment		-	-	97	90
		55,661	44,253	55,758	44,343
Noncontrolling interest		-	-	5,604	4,639
Total equity		55,661	44,253	61,362	48,982
Total liabilities and equity		193,173	167,364	416,697	404,555

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

Sugoi S.A.
Statements of income for the six-month periods ended June 30, 2020 and 2019
(In thousands of Brazilian Reais)

		Parent company		Consolidated	
	Notes	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Net revenue	19	-	-	73,741	56,419
Costs of sales	19	-	-	(46,199)	(33,822)
Gross profit	19	-	-	27,542	22,597
Operating revenues (expenses)					
General and administrative expenses	20	(5,162)	(2,373)	(7,023)	(3,994)
Selling expenses	20	(75)	(124)	(3,923)	(4,440)
Other operating revenues (expenses), net		-	-	(1,135)	(176)
Equity in earnings (losses) of controlled companies	7	18,120	15,285	26	-
		12,883	12,788	(12,055)	(8,610)
Income before financial income (loss)		12,883	12,788	15,487	13,987
Financial expenses	-	(1,528)	(3,991)	(1,868)	(4,522)
Financial revenues	-	53	114	146	277
Net financial income (loss)		(1,475)	(3,877)	(1,722)	(4,245)
Income before Income and Social Contribution Taxes		11,408	8,911	13,765	9,742
Current Income and Social Contribution taxes	-	-	-	(659)	-
Deferred Income and Social Contribution Taxes	-	-	-	(733)	-
Income for the period		11,408	8,911	12,373	9,742
Attributable to					
Controlling shareholders of the Company				11,408	8,911
Noncontrolling interest				965	831
Basic and diluted earnings per share	18 c	11.408	8.911		

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

Initialed for identification purposes
BDORCS AUDITORES INDEPENDENTES

Sugoi S.A.
Statements of comprehensive income for the six-month periods ended June 30, 2020 and 2019
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	2020	2019	2020	2019
Net income for the period	11,408	8,911	12,373	9,742
Translation adjustment in controlled companies	-	-	97	27
(=) Comprehensive income for the period	11,408	8,911	12,470	9,769
Attributable to				
Controlling shareholders of the Company			11,505	8,938
Noncontrolling interest			965	831
	-	-	12,470	9,769

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

Initialed for identification purposes
BDORCS AUDITORES INDEPENDENTES

Sugoi S.A.
Statements of changes in equity
(In thousands of Brazilian Reais)

	Attributable to controlling shareholders of the Company							
	Paid-in capital stock	Unpaid	Statutory reserve	Income reserve	Cumulative translation adjustment	Total	Noncontrolling interest	Consolidated equity
Balance as at January 01, 2019	1,000	-	200	17,958	52	19,210	2,555	21,765
Translation adjustment in controlled companies	-	-	-	-	(25)	(25)	-	(25)
Net income for the year	-	-	-	8,911	-	8,911	831	9,742
Balances as at June 30, 2019	1,000	-	200	26,869	27	28,096	3,386	31,482
Balance as at January 01, 2020	1,000	-	200	43,053	90	44,343	4,639	48,982
Translation adjustment in controlled companies	-	-	-	-	7	7	-	7
Net income for the period	-	-	-	11,408	-	11,408	965	12,373
Balances as at June 30, 2020	1,000	-	200	54,461	97	55,758	5,604	61,362
								-

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

Sugoi S.A.

Statements of cash flows for the six-month periods ended June 30, 2019 and 2020

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
From operating activities				
Net income for the period	11,408	8,911	12,373	9,742
Adjustments to reconcile income (loss) to cash and cash equivalents from operating activities				
Depreciation and amortization	232	20	234	237
Provisions for warranty of construction and contingencies	-	-	1,614	78
Deferred taxes	-	-	265	135
Equity conversion adjustment	-	-	-	(26)
Equity in earnings (losses) of controlled companies	(18,120)	(15,285)	(26)	-
	(6,480)	(6,354)	14,460	10,166
Changes in assets and liabilities				
(Increase)/Decrease in asset accounts				
Accounts receivable	-	-	(3,601)	(24,580)
Properties for sale	(11)	(1,211)	(7,561)	22,454
Taxes and contributions to be offset	(1)	(43)	(48)	(334)
Sundry receivables	(92)	(12,382)	(4,616)	(12,810)
Unrecognized selling expenses	(100)	-	52	(655)
Increase/(Decrease) in liability accounts				
Labor and tax liabilities	69	9	2,436	(122)
Trade accounts payable	(55)	213	5,663	791
Accounts payable	2,972	7,294	2,916	7,382
Advances from customers	-	9,046	(7,190)	(1,028)
	(3,698)	(3,428)	2,511	1,264
Paid Income and Social Contribution Taxes	-	(1)	(659)	-
Net cash from operating activities	(3,698)	(3,429)	1,852	1,264
From investing activities				
(Increase)/Decrease in capital of controlled companies, net	(284)	4,358	-	-
Translation adjustment in subsidiary's statement of financial position	-	-	7	-
In fixed assets	(232)	(62)	(343)	(149)
In intangible assets	205	(913)	205	(913)
Net cash from investing activities	(311)	3,383	(131)	(1,062)
From financing activities				
Raising of loans, financing and others	1,466	3,117	13,889	7,099
Payment of loans, financing and others	(9,552)	(3,654)	(19,147)	(8,003)
Related-party transactions	8,048	(3,812)	(3)	1,715
Net cash from financing activities	(38)	(4,349)	(5,261)	811
Increase/(Decrease) in cash and cash equivalents	(4,047)	(4,395)	(3,540)	1,013
Cash and cash equivalents				
Balance of cash and cash equivalents at beginning of year	4,399	6,087	23,464	10,270
Balance of cash and cash equivalents at end of year	352	1,692	19,924	11,283
Increase/(Decrease) in cash and cash equivalents	(4,047)	(4,395)	(3,540)	1,013

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

Sugoi S.A.

Statements of value added for the six-month periods ended June 30, 2020 and 2019

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	06/30/2020	06/30/2019	06/30/2020	06/30/2019
Revenues				
Sales and services	-	-	75,249	57,992
Other revenues	-	-	(1,135)	(176)
	-	-	74,114	57,816
Inputs acquired from third parties				
Cost of goods, merchandise and services sold	-	-	(46,199)	(33,822)
Materials, energy, third-party and other operating services	(3,031)	(2,116)	(6,945)	(6,353)
Others	-	-	-	-
	(3,031)	(2,116)	(53,144)	(40,175)
Gross value added	(3,031)	(2,116)	20,970	17,641
Depreciation, amortization and depletion, net	(232)	(20)	(234)	(237)
Net value added generated by the Company	(3,263)	(2,136)	20,736	17,404
Value added received in transfer				
Equity in earnings (losses) of controlled companies	18,120	15,285	26	-
Financial revenues	53	114	146	277
	18,173	15,399	172	277
Total value added to be distributed	14,910	13,263	20,908	17,681
Value added distribution				
Personnel				
Payroll and charges	1,780	182	1,780	182
Commissions on sales	-	-	1,536	1,382
Management fees	15	30	15	30
Taxes, fees and contributions				
Federal	-	-	2,900	1,573
Return on debt capital				
Interest	1,528	3,991	1,868	4,522
Rent	179	149	436	250
Return on equity capital				
Income for the period	11,408	8,911	11,408	8,911
Noncontrolling interest in retained earnings	-	-	965	831
	14,910	13,263	20,908	17,681

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

1 Operations

Sugoi SA and its controlled companies ("Company") are primarily engaged in the management of Company's assets, the development, construction and sale of real estate, and in holding interest 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 controlled companies or other partners. The interest of partners occurs directly in the project by means of interest held in Silent Partnerships (SCP) or Special-Purpose Entities (SPE), created for development of projects, as well as by means of strategic partnerships involving barter of land for the development of the real estate activity.

The Company, incorporated on April 04, 2011, is a publicly held company, with registered office at Avenida Chedid Jafet, nº 222, Bloco C, 5º andar, Conjunto 52, in the City of São Paulo, State of São Paulo, enrolled under CNPJ/MF (Corporate Tax ID) No. 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 properties, 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's Management has over 40 years of experience in the real estate market and a network in various Brazilian capitals that allow easily obtaining and capturing distinguished business opportunities in the market. The Company's corporate governance is intended to be transparent in its relations with the market, customers and investors, conducting inspections in each stage of the project and monitoring the physical and financial processes 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, with approximately 27,000 units under development, execution and concluded.

Since 2013, the Company has been assessed by the risk area of Caixa Economica Federal - (GERIC), which currently 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 further qualifies it 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 (Brazilian Securities and Exchange Commission) registration in Category A, with private ownership control. This process is very important for the Company and reinforces the commitment to good practices and corporate governance adopted by Management.

2 Summary of main accounting policies

The main accounting policies applied in the preparation of these individual and consolidated interim financial information are presented below. The policies were consistently applied in accordance with the previous year, unless otherwise stated.

2.1 Statement of compliance

The Quarterly Information has been prepared in accordance with Brazilian Technical Pronouncement NBC TG 21 (R4) and with the international standard IAS 34 - Interim Financial Reporting, applicable to real estate development entities in Brazil, registered with CVM. The aspects related to transfer of control in the sale of real estate units follow the understanding of the Company's Management regarding the application of NBC TG 47 in line with that manifested in CVM/SNC/SEP Circular Letter No. 02/18, in a manner consistent with the standards issued by CVM, applicable to the preparation of the Quarterly Information.

The interim financial information evidences all relevant information of such statements and only such information, which is consistent with the one used by Management on its administration.

The individual and consolidated interim financial information was approved by the Company's Management on August 14, 2020.

2.2 Basis of preparation

The interim financial information was prepared considering historical cost as base value and certain financial assets measured at fair value. The Company operates in Brazil, and the Brazilian Real is its functional and presentation currency.

The interim financial information was prepared in the normal course of operations assuming the Company will continue as a going concern. Management evaluates the Company's ability to continue as a going concern when preparing the interim financial information.

All interim financial information is presented in thousands of Brazilian Reais (R$) and the amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of interim financial information requires the use of certain accounting estimates and assumptions by the Company's Management in the implementation of the Company's accounting policies. Among other purposes, the estimates are used to determine the useful lives of assets and equipment, the necessary provisions for contingent liabilities, adjustments of allowance for doubtful accounts, budgeted costs for ventures, taxes and other similar charges. Accordingly, actual results may differ from those estimates.

The settlement of transactions involving these estimates may result in significantly different amounts from the amounts recorded in the interim financial information, due to the inherent inaccuracy of the estimates. The Company reviews its estimates and assumptions periodically, within a 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 interim financial information are continually evaluated and based on historical experience and other factors, including expectations of future events, considered reasonable in the circumstances.

2.2.1 Individual interim financial information

In the individual interim financial information, the controlled and jointly controlled companies are recognized under the equity method.

The same adjustments are made both in the individual interim financial information and in the consolidated interim financial information to achieve the same income (loss) and equity attributable to the parent company's shareholders.

For the purpose of the equity method, the interim financial information of the controlled and jointly controlled companies are prepared for the same disclosure period and, where required, are adjusted so that the accounting policies are in accordance with those adopted by the Company.

Ownership interest in income (loss) of the controlled and jointly controlled companies is stated in income (loss) of the parent company as equity in earnings (losses) of controlled companies, representing net income of the investees attributable to shareholders.

After applying the equity method, the Company determines whether it is necessary to recognize additional impairment for the investments in its controlled and jointly controlled companies.

In thousands of Brazilian Reais, unless otherwise stated

The Company determines, at each reporting date, whether there is objective evidence of impairment on the investments in controlled and jointly controlled companies. If so, the Company calculates the impairment loss as the difference between the recoverable value of the controlled and jointly controlled companies and their book value, and also recognizes the amount in the parent company's statement of income.

2.2.2 Consolidation

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

(a) Controlled companies

Controlled companies are all entities (including SPEs) over which the Company has control. The Company controls an entity when it is exposed to or is entitled to variable returns from its involvement with the entity and has the capacity to interfere in these returns because of the power it exercises over the entity. The controlled companies are fully consolidated as from the date in which the control is transferred to the Company.

The consolidation is interrupted as from the date the Company no longer has such control.

	Percentage of ownership interest	
Direct controlled and jointly controlled companies	**06/30/2020**	**12/31/2019**
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%	100%
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%

In thousands of Brazilian Reais, unless otherwise stated

Direct controlled and jointly controlled companies	Percentage of ownership interest 06/30/2020	12/31/2019
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%	95%
Sugoi Residencial XIII SPE Ltda.	95%	95%
Sugoi Residencial XIV SPE Ltda.	95%	95%
Sugoi Residencial XV SPE Ltda.	95%	95%
Sugoi Residencial XVI SPE Ltda.	95%	95%
Sugoi Residencial XVII SPE Ltda.	95%	95%
Sugoi Residencial XVIII SPE Ltda	95%	95%
Sugoi Residencial XIX SPE Ltda	95%	95%
Sugoi Residencial XX SPE Ltda	95%	95%
Sugoi Residencial XXI Ltda	95%	95%
Sugoi Residencial XXII SPE Ltda	95%	95%
Sugoi Residencial XXIII SPE Ltda	95%	95%
Sugoi Residencial XXIV SPE Ltda	95%	95%
Sugoi Residencial XXV SPE Ltda	95%	95%

(b) Transactions with noncontrolling interest

The Company considers transactions with noncontrolling interest as transactions with owners of assets of the Group. For purchases of noncontrolling interest, the difference between any consideration paid and the portion acquired of the book value of the controlled company's net assets is recorded in equity. Gains or losses on disposals of noncontrolling interest are also directly recorded in equity, under "Accumulated losses".

When the Company no longer has control over the entity, any interest held in the entity is measured at fair value and the change in book value is recognized in the statement of income. Fair value is the initial book value for the subsequent accounting of the interest held in a SPE or in a financial asset.

Minority interest is stated in equity.

(c) Jointly controlled ventures

Investments in SPEs are accounted for under the equity method and are initially recognized at cost value.

Unrealized gains from SPEs are eliminated to the extent of the Company's interest. Unrealized losses are also eliminated, unless the transaction shows evidence of impairment of the transferred asset. The accounting policies of the jointly controlled companies are changed, when necessary, to guarantee consistency with the Company's accounting policies.

2.3 Cash and cash equivalents

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

2.4 Adjustment to present value

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

2.5 Financial instruments

Classification and measurement of financial assets and liabilities

According to NBC TG 48, on initial recognition, a financial asset is classified as: at amortized cost; at fair value through other comprehensive income (“FVTOCI”) - 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 main accounting policies are described below:

Financial assets at amortized cost – These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest revenues, exchange rate gains and losses are recognized in income (loss). Any gains or losses upon derecognition are recognized in income (loss).

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

• It is held within a business model, whose purpose is to maintain financial assets in order to receive contractual cash flows; and

• Its contractual terms generate, on specific dates, cash flows related to the payment of principal and interest on the outstanding principal amount.

A debt instrument is measured at FVTOCI if meeting both of the following conditions and is not designated as measured at FVTPL:

• It is held in a business model whose objective is achieved by collecting both contractual cash flows and selling financial assets; and

• Its contractual terms generate, on specific dates, cash flows solely related to the payment of principal and interest on the outstanding principal amount.

The Company's financial assets are substantially represented by cash and cash equivalents (Note 3), classified at fair value through profit or loss, accounts receivable (Note 4), sundry receivables (Note 6) and related-party transactions (Note 9), classified as subsequently measured at amortized cost.

The financial liabilities were classified as measured at amortized cost or at FVTPL. A financial liability is classified as measured at fair value through profit (loss) if classified as held for trading, derivative or designated as such upon initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income, including interest, is recognized in income (loss). Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses, exchange rate gains and losses are recognized in income (loss). Any gains or losses upon derecognition are also recognized in income (loss).

The financial liabilities of the Company are substantially represented by related-party transactions (Note 9), loans and financing (Note 11), trade accounts payable (Note 12), accounts payable (Note 14) and debentures (Note 16), which are classified as measured subsequently at amortized cost.

Impairment

Expected credit losses are estimates weighted by the likelihood of credit losses based on historical credit loss experience and projections of related assumptions. The credit losses are measured at present value based on all cash deficiencies (that is, the difference between cash flows due to the Company in accordance to the contract and cash flows that the Company expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

2.6 Accounts receivable

Units are usually sold during the launch and construction phases of the ventures. The accounts receivable are recognized based on the percentage of completion (PoC) of the construction, applied over revenues from sold units, adjusted according to the provisions of sales contracts, thus determining the amount of accumulated revenues to be recognized, and deducted from the installments received.

Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

If the recognized accumulated amount of revenue, less received installments, is lower 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 Properties for sale

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

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

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

2.8 Fixed assets

Fixed assets are valued at acquisition cost, combined with the deduction of its depreciation, which was calculated using the straight-line method, at the rates mentioned in Note 8.

2.9 Impairment of nonfinancial assets

The Company evaluates, at least annually, its fixed assets for any indication of impairment. No indication was found that these assets may be impaired, therefore, it was not necessary to recognize impairment losses.

2.10 Trade accounts payable

Trade accounts payable are obligations payable for assets or services acquired from suppliers in the ordinary course of business. 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.

Accounts payable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. In fact, they are normally recognized at the corresponding billed amount.

2.11 Provisions

Provisions are recognized when: (i) the Company has a present or constructive obligation as a result of past events, (ii) it is probable that an outflow of funds is required to settle the obligation, and (iii) the amount can be reliably estimated.

The estimates and assumptions 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. Accordingly, the accounting estimates and assumptions are continuously evaluated and are based on historic experience and on other factors, including expectations of future events considered reasonable for the circumstances.

2.12 Income and Social Contribution Taxes

Income and Social Contribution tax expenses in the year include current and deferred taxes. The income taxes are recognized in the statement of income.

Current Income and Social Contribution tax charges are calculated according to enacted tax laws at balance sheet date. The Management periodically assesses the positions assumed by the Company in income tax returns in relation to the situations at which the applicable tax laws permit interpretations. They establish provisions, where appropriate, based on the estimated values of payment to tax authorities.

As permitted by the tax legislation, the Company has opted for the deemed profit regime, whereby the calculation basis for Income Tax is calculated at the rate of 8% and for the Social Contribution Tax at the rate of 12% on gross revenues (32% when revenue derives from the rendering of services and 100% from financial revenues), on which the regular tax rates of 15% plus a 10% surtax for Income Tax and 9% for Social Contribution Tax are applied.

Deferred Income and Social Contribution Taxes are recognized on temporary differences arising from real estate revenues taxed on a cash basis, and amount recognized on the accrual basis (Note 2.13).

2.13 Recognition of revenues, costs and expenses

(a) Revenue recognition process

In the process of recognizing revenue from contracts with customers, the precepts introduced by NBC TG 47 were adopted as from January 01, 2018, also including the guidelines contained in CVM/SNC/SEP Circular Letter No. 02/2018, of December 12, 2018, which establishes accounting procedures related to the recognition, measurement and disclosure of certain types of transactions arising from purchase and sale agreements of unfinished real estate units for listed companies of the segment of real estate development.

According to NBC TG 47, the recognition of revenue from contracts with customers has new regulatory procedures, based on the transfer of the control of the asset or service promised, whether at a point in time or over time, as per the fulfillment, or not, of contractual performance obligations. Revenue is measured at the amount that reflects the consideration to which the company expects to be entitled, and is based in a five-step model, as follows: 1) identification of the contract; 2) identification of the performance obligations; 3) determination of the transaction price; 4) allocation of the transaction price to the performance obligations; 5) recognition of revenue.

The Company's business model is mainly based on real estate purchase and sale contracts with "off-plan financing". In this model, generally aimed at low-income population, the client signs an "off-plan property purchase and sale contract" with the real estate developer, already establishing 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 paid directly to the real estate developer (item (i) above) represent approximately 10% to 15% of the property value, with the remaining value arising from bank financing, FGTS funds and possible subsidies (items from (ii) to (iv) above). After that, the client enters into a bank financing agreement ("private agreement, with characteristics of deed") with a financial institution, including the values of the bank financing, FGTS funds and possible subsidies of government housing programs. The release of these funds will be dependent on the progress of the construction work, according to the percentage set forth in the Venture Progress Report, and with the physical-finance schedule approved by the financial institution. This monitoring, for the purpose of release of the financing installments, is carried out by the engineering department of the financial institution. Upon the signature of the bank financing agreement, the ownership of the property is transferred to the client, pledged to the respective financial institution.

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

Contract	Parties	Real estate guarantee	Credit risk	Market risk	Cancellation risk
Bank financing	Developer (Sellers); Buyer and Financial Institution (Fiduciary Creditor)	Financial institution (FI)	10% to 15% of the Developer and 85% - 90% of the FI	Buyer and FI	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 article 27 of Law No. 9.517/97. The amount collected will have as main objective the settlement of the customer's debt balance to the FI.

(b) Result of operations of development and sale of real estate

The procedures below are followed for sales of unfinished units:

- 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, being this percentage measured at the cost incurred in relation to the total budgeted cost of the respective projects. In the event that during the customer approval period with the FI, there are indications that the customer will not comply with its contractual part, a provision for cancellation of contract is established for the full amount.

- The amounts of sales revenues recognized in excess of the amounts actually received from customers are recorded in current assets or long-term assets under the caption "Accounts receivable". The amounts received related to sale of units in excess of the amounts recognized as revenues are recorded in "Advances from customers";

- Monetary variation on the balance of accounts receivable until the delivery of the keys, as well as the present value adjustment of the balance of accounts receivable, are recognized as income (loss) from properties sold when they are incurred, according to the accrual year on a pro rata basis;

- Incurred cost (including the cost of land and other expenses directly related to the purchase of inventory) with the units sold is fully recognized in income (loss). For real estate units not yet sold, the cost incurred is allocated to inventory (Note 2.7);

- Finance charges of accounts payable due to the acquisition of plots of land and those directly associated to the financing of the construction are capitalized and recorded in inventories of properties for sale and recognized in costs incurred from concluded units until their conclusion, using the same recognition criteria for costs of real estate development proportional to units sold under construction;

In thousands of Brazilian Reais, unless otherwise stated

- Deferred taxes levied on the differences between revenues earned from real estate development and accumulated revenue submitted to taxation, are calculated and reflected in accounting upon the recognition of this difference in revenue;

- Other expenses including advertising and publicity are appropriated to income (loss) when incurred.

3 Cash and cash equivalents

	Parent company		Consolidated	
Description	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Cash and bank current accounts	110	165	19,492	15,901
Bank Certificates of Deposit (CDBs)	242	4,234	432	7,563
	352	**4,399**	**19,924**	**23,464**

CDBs are automatic investments made by financial institutions with immediate liquidity, bearing average interest of 98% of Interbank Deposit Rate (CDI).

4 Accounts receivable

	Consolidated	
Description	**June 30, 2020**	**December 31, 2019**
Recognized sales revenue	377,798	305,387
(-) Amount received	(334,557)	(265,489)
	43,241	39,898
Other accounts receivable	573	315
	43,814	**40,213**

	Consolidated	
	June 30, 2020	**December 31, 2019**
Accounts receivables from recognized sales	377,798	305,387
Total receipts	(334,557)	(265,489)
Unrecognized sales revenue (*)	201,648	192,768
Total accounts receivable	244,889	232,666
Advances from customers	(9,174)	(15,902)
Total net portfolio receivable	**235,715**	**216,764**

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

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

In thousands of Brazilian Reais, unless otherwise stated

5 Properties for sale

	Parent company		Consolidated	
Description	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Land for development (i)	9,798	9,787	240,209	246,874
Properties under construction	-	-	53,599	39,143
Concluded properties	-	-	1,024	1,254
	9,798	**9,787**	**294,832**	**287,271**
Current	**8,586**	**9,787**	**124,287**	**228,241**
Noncurrent	**1,212**	**-**	**170,545**	**59,030**

(i) The inventory balances in current assets refers to land for development whose expected time for the launching of the real estate units is less than one year, which is periodically reviewed by Management.

	June 30, 2020	December 31, 2019
Total cost incurred	311,495	251,549
Cost allocated from units sold	(256,873)	(211,152)
Cost of real estate units for sale	**54,623**	**40,397**

6 Sundry receivables

	Parent company		Consolidated	
Description	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Advances to suppliers	2,126	2,010	12,140	7,497
Collection of checks	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	12,117	12,117
Others	845	869	1,078	1,105
	25,918	**25,826**	**40,307**	**35,691**

(i) The Company is guarantor of a loan obtained by Brasinco Incorporações Ltda. In view of such commitment, payments were made in this amount. There is no other amount payable to the financial institution, remaining only the refund of the amounts paid by Brasinco Incorporações Ltda.

(ii) This 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) This refers to the contractual right to receive another financial asset (for more details on the transaction, see Note 14).

In thousands of Brazilian Reais, unless otherwise stated

7 Investments

Description	Parent company June 30, 2020	Parent company December 31, 2019	Consolidated June 30, 2020	Consolidated December 31, 2019
Investments in controlled companies and other investees	112,489	92,948	3,224	3,224
Provision for unsecured liabilities	(4,894)	(3,757)	(3,357)	(3,382)
Investments (a)	107,595	89,191	(133)	(158)
Reclassification to liabilities	4,894	3,757	3,357	3,382
	112,489	**92,948**	**3,224**	**3,224**

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

(a) Changes in investments

Controlled company	Balance as at December 31, 2018	Equity in earnings (losses) of controlled companies	Increase (decrease) in investments	Balance as at December 31, 2019	Equity in earnings (losses) of controlled companies	Increase (decrease) in investments	Balance as at June 30, 2020
Vista Cantareira Empreendimentos Imobiliários Ltda.	6,010	(293)	-	5,717	(37)	-	5,680
Condomínio Varandas Jardim do Lago Ltda.	12,889	4,178	(5,079)	11,988	(359)	-	11,629
Residencial Monte Serrat SPE Ltda.	1,895	(179)	-	1,716	(295)	-	1,421
Haifa Investimentos e Participações Ltda	(8)	(4)	-	(12)	(1)	-	(13)
Residencial São Mateus SPE Ltda.	17,323	20,188	17	37,528	10,677	-	48,205
Residencial Colina Francisco Morato SPE Ltda	(291)	(42)	-	(333)	(19)	-	(352)
Residencial Bom Retiro SPE Ltda	11,064	17,629	-	28,693	9,067	-	37,760
Residencial Jacú-Pessego II SPE Ltda.	(26)	(169)	-	(195)	(17)	-	(212)
Residencial Colina Guarapiranga SPE Ltda	(16)	(1)	-	(17)	(20)	-	(37)
Residencial Paulínia I SPE Ltda	(20)	(2)	-	(22)	(2)	-	(24)
Residencial Parque do Carmo SPE Ltda.	7,103	(662)	-	6,441	272	-	6,713
Residencial Idemori SPE Ltda	(9)	(1)	-	(10)	(1)	-	(11)
Sugoi Projeto SPE Ltda	(41)	(1)	-	(42)	-	-	(42)
Residencial Sports Gardens da Amazônia Ltda	(1,006)	(444)	-	(1,450)	(914)	-	(2,364)
Sugoi Inovare Empreendimentos Imobiliários Ltda.	(2)	(1)	-	(3)	-	-	(3)
Residencial Portal do Belo Horizonte SPE Ltda.	(25)	(5)	-	(30)	(2)	-	(32)
Residencial Barcelona SPE Ltda.	(768)	(696)	-	(1,464)	(3)	-	(1,467)
Condomínio Varandas Jardim do Lago II SPE Ltda.	(10)	(22)	-	(32)	(1)	-	(33)
Residencial Isabel Ferrari SPE Ltda.	(7)	(2)	-	(9)	(1)	-	(10)
Residencial São Jose SPE Ltda	(6)	(5)	-	(11)	(4)	-	(15)
Residencial Jacú-Pessego I SPE Ltda.	(4)	(1)	-	(5)	(19)	-	(24)
Sugoi Residencial I SPE Ltda	(5)	(2)	-	(7)	(1)	-	(8)
Sugoi Residencial II SPE Ltda	(4)	(3)	-	(7)	(2)	-	(9)
Sugoi Residencial III SPE Ltda	(4)	(2)	-	(6)	(2)	-	(8)
Residencial Via Verde SPE Ltda	(1)	-	-	(1)	-	-	(1)
Sugoi Residencial IV SPE Ltda.	(1)	(1)	-	(2)	-	-	(2)
Sugoi Residencial V SPE Ltda.	(261)	255	-	(6)	175	-	169
Sugoi Residencial VI SPE Ltda.	(2)	(22)	-	(24)	(60)	-	(84)
Sugoi Residencial VII SPE Ltda	(2)	-	-	(2)	-	-	(2)
Sugoi Residencial VIII SPE Ltda	(2)	-	-	(2)	-	-	(2)
Sugoi Residencial IX SPE Ltda	(2)	(9)	-	(11)	(1)	-	(12)
Sugoi Residencial XI SPE Ltda.	-	(9)	-	(9)	(3)	-	(12)
Sugoi Residencial XIII SPE Ltda.	-	(22)	-	(22)	(63)	-	(85)
Sugoi Residencial XIV SPE Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial X SPE LTDA	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XII SPE LTDA	-	(4)	-	(4)	-	-	(4)
Sugoi Residencial XV SPE LTDA	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XVI SPE LTDA	-	(6)	-	(6)	(2)	-	(8)
Sugoi Residencial XVII SPE Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XVIII SPE Ltda	-	(1)	-	(1)	(7)	-	(8)
Sugoi Residencial XIX SPE Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XX SPE Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXI Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXII SPE Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXIII SPE Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXIV SPE Ltda	-	(1)	-	(1)	-	-	(1)
Sugoi Residencial XXV SPE Ltda	-	(2)	-	(2)	-	-	(2)
HTG Infraestrutura e Participação Ltda.	-	(158)	(3,224)	(3,382)	-	-	(3,382)
HTG Infraestrutura e Participação Ltda. (agio)	-	-	3,224	3,224	26	-	3,250
Sugoi Development USA, LLC	884	(811)	950	1,023	(261)	284	1,046
	54,645	38,658	(4,112)	89,191	18,120	284	107,595

In thousands of Brazilian Reais, unless otherwise stated

8 Fixed assets

		Parent company		Consolidated	
Description	**Depreciation rate**	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Facilities	10% p.a.	28	33	44	44
Furniture and fixtures	10% p.a.	87	96	352	350
Machinery and equipment	20% p.a.	54	75	164	147
Improvements	20% p.a.	12	15	21	20
Telephone lease	20% p.a.	24	38	72	72
Vehicles	20% p.a.	-	-	298	216
Properties	4% p.a.	31	21	150	115
Sales stands (*)		-	-	637	636
		236	**278**	**1,738**	**1,600**
Accumulated depreciation		(14)	(56)	(905)	(876)
		222	**222**	**833**	**724**

(*) Sales stands – Their depreciation is calculated for the period in which they are expected to be used by the Company until their closing.

Initialed for identification purposes
BDO RCS AUDITORES INDEPENDENTES

In thousands of Brazilian Reais, unless otherwise stated

(a) Changes in fixed assets

	Parent company				Consolidated			
Description	**December 31, 2019**	**Additions**	**Write-offs**	**June 30, 2020**	**December 31, 2019**	**Additions**	**Write-offs**	**June 30, 2020**
Facilities	44	-	-	44	44	-	-	44
Furniture and fixtures	121	2	-	123	350	2	-	352
Machinery and equipment	127	-	-	127	147	17	-	164
Improvements	20	1	-	21	20	1	-	21
Telephone lease	72	-	-	72	72	-	-	72
Vehicles	-	-	-	-	216	82	-	298
Properties	21	11	(1)	33	115	63	(28)	150
Sales stands	-	-	-	-	636	1	-	637
	405	14	(1)	420	1,600	166	(28)	1,738
Accumulated depreciation	(183)	(7)	-	(198)	(876)	(8)	-	(905)
	222	**7**	**(1)**	**222**	**724**	**158**	**(28)**	**833**

In thousands of Brazilian Reais, unless otherwise stated

9 Related-party transactions

	Parent company		Consolidated	
Description	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Noncurrent assets	43,577	33,261	6,831	6,827
Current liabilities	(62,227)	(43,863)	(375)	(376)
Noncurrent liabilities	(1,744)	(1,744)	-	-
	(20,394)	**(12,346)**	**6,456**	**6,451**

	Parent company		Consolidated	
Description (assets)	**June 30, 2020**	**December 31, 2019**	**June 3 20**	**December 31, 2019**
Haifa Investimentos e Participações Ltda	22	21	-	-
Sugoi Engenharia e Construção Ltda	15	15	238	238
Residencial Monte Serrat Ltda	130	55	-	-
Dahab Participações Ltda	7	7	7	7
Kibutz Administração e Participações Ltda	5,965	5,965	5,965	5,965
Residencial Colina Francisco Morato SPE Ltda	1,554	1,386	-	-
Residencial Bom Retiro SPE Ltda	-	-	52	49
Residencial José Vigna Talhado SPE Ltda	316	287	-	-
Residencial Colina Guarapiranga SPE Ltda	972	883	-	-
Residencial Paulínia I SPE Ltda	163	162	-	-
Residencial Parque do Carmo SPE Ltda	10,066	2,421	-	-
Residencial Idemori SPE Ltda	465	401	-	-
Sugoi Projeto SPE Ltda	91	91	-	-
Residencial Sports Gardens da Amazônia Ltda.	12,074	9,160	-	-
Sugoi N Empreendimentos Imobiliários Ltda.	274	236	-	-
Residencial Portal do Belo Horizonte SPE Ltda	590	554	-	-
Residencial Barcelona SPE Ltda	2,817	2,723	-	-
Condomínio Varandas Jardim do Lago II	711	609	-	-
Residencial Isabel Ferrari SPE Ltda	218	181	-	-
Residencial São José SPE Ltda.	292	260	-	-
Residencial Jacú-Pessego I SPE Ltda.	156	89		
Sugoi Residencial I SPE Ltda	196	194	-	-
Sugoi Residencial II SPE Ltda	254	208	-	-
Sugoi Residencial III SPE Ltda	360	195	-	-
Sugoi Residencial Via Verde SPE Ltda	1	1	-	-
Sugoi Residencial IV SPE Ltda	77	76	-	-
Sugoi Residencial V SPE Ltda	43	2,466	-	-
Sugoi Residencial VI SPE Ltda	1,102	828	-	-
Vercelli Gestão de Negócios Eireli	-	-	1	-
Sugoi Residencial VII SPE Ltda	2	2	-	-
Sugoi Residencial VIII SPE Ltda	807	807	-	-
Sugoi Residencial IX SPE Ltda	1,534	1,380	-	-
Tsuri Acre	16	16	16	16
Sugoi Residencial XI SPE Ltda	303	145	-	-
Sugoi Residencial XIII SPE Ltda	1,552	1,195	-	-
Sugoi Residencial XIV SPE Ltda	1	1	-	-

In thousands of Brazilian Reais, unless otherwise stated

Description (assets)	Parent company June 30, 2020	Parent company December 31, 2019	Consolidated June 30, 2020	Consolidated December 31, 2019
Sugoi Residencial X SPE Ltda	25	14	-	-
Sugoi Residencial XII SPE Ltda	22	22	-	-
Sugoi Residencial XVI SPE Ltda	108	106	-	-
Sugoi Residencial XV SPE Ltda	37	1	-	-
Sugoi Residencial XXIV SPE Ltda	1	1	-	-
Sugoi Residencial XXIII SPE Ltda	1	1	-	-
Sugoi Residencial XXII SPE Ltda	1	1	-	-
Sugoi Residencial XIX SPE Ltda	1	1	-	-
Sugoi Residencial XX SPE Ltda	1	1	-	-
Sugoi Residencial XXI Ltda	163	85	-	-
Sugoi Residencial XXV SPE Ltda	1	1	-	-
Sugoi Residencial XVII SPE Ltda	1	1	-	-
Sugoi Residencial XVIII SPE Ltda	69	6	-	-
Others	-	-	552	552
	43,577	**33,261**	**6,831**	**6,827**

Description (Liabilities)	Parent company June 30, 2020	Parent company December 31, 2019	Consolidated June 30, 2020	Consolidated December 31, 2019
Condomínio Varandas Jardim do Lago (fee)	873	873	-	-
Condomínio Varandas Jardim do Lago	10,277	9,969	-	-
Vista Cantareira Empreendimentos Imobiliários Ltda	6,415	6,444	-	-
Residencial Monte Serrat Ltda	587	587	-	-
Residencial Colina Francisco Morato SPE Ltda	175	175	-	-
Residencial Parque do Carmo SPE Ltda	110	110	-	-
Tsuri Brasil	-	-	11	11
Sports Gardem Amazônia	-	-	199	199
Residencial São Mateus SPE Ltda	23,525	17,452	-	-
Residencial Guarapiranga SPE Ltda	148	149	149	149
Residencial Bom Retiro SPE Ltda	21,844	9,831	-	-
Sugoi Engenharia e Construção Ltda	17	17	16	17
Total	**63,971**	**45,607**	**375**	**376**
Current	62,227	43,863	375	376
Noncurrent	1,744	1,744	-	-

The balances of the accounts held with controlled and jointly controlled companies represent loan transactions through intercompany loans in current account, with no levy of finance charges and no previously defined maturity.

Initialed for identification purposes
BDORCS AUDITORES INDEPENDENTES

In thousands of Brazilian Reais, unless otherwise stated

The balances receivable by the parent company refer to funds transferred to its controlled and jointly controlled companies for real estate development projects in those companies. The liability balances refer to receipts of funds from controlled and jointly controlled companies, resulting from payments made by the customers for the sale of real estate units.

10 Intercompany account with Silent Partnerships (SCPs)

	Parent company		Consolidated	
Description	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Intercompany account with Silent Partnerships (SCPs)	10,405	10,405	10,405	10,405
	10,405	**10,405**	**10,405**	**10,405**

The operations involving SCPs 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 disbursement of the Company, in the line item of Intercompany account with SCPs.

11 Loans and financing

			Parent company		Consolidated	
Type	**Financial institution**	**Interest rate and commissions**	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Working capital	Caixa Econômica Federal - CEF	Up to 9.6% p.a. + CDI	1,805	2,242	1,805	2,242
SFH (Housing Finance System)	Caixa Econômica Federal - CEF	Up to 11% p.a.	-	-	14,138	11,605
Lease	Banco Daycoval	Up to 22.99% p.a.	33	30	33	30
CCB	Banco PINE	CDI + 08.47% p.a.	1,831	1,364	1,831	1,364
CCB	CHB	CDI + 10.5% p.a.	1,281	2,693	1,281	2,693
Others	Others	N/A	-	-	1,134	839
			4,950	**6,329**	**20,222**	**18,773**
Current			**4,942**	**4,800**	**20,214**	**16,405**
Noncurrent			**8**	**1,529**	**8**	**2,368**

In thousands of Brazilian Reais, unless otherwise stated

The balances by maturity year are as follows:

	Parent company		Consolidated	
Year	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
2020	3,012	4,800	18,284	16,405
2021	1,188	917	1,188	1,756
2022	750	612	750	612
	4,950	**6,329**	**20,222**	**18,773**

The loans have as guarantee the pledge of properties from controlled companies or portfolio of receivables. In turn, the SFH contract has as guarantee the pledge of the land of the financed venture as well as the financing (related credits) from customers.

As established by CVM, as per Instruction No. 475, the Company's Management presents the sensitivity analysis of material balances, considering:

- Probable scenario of interest rate variation estimated by Management:
  - Estimated interest rate for the years 2020 and 2021: 6.5% p.a.

- Possible scenario of interest rate variation, with deterioration of twenty-five percent (25%), in the risk variable considered as probable:
  - Estimated interest rate for the years 2020 and 2021: Increase to 8.1% p.a.

- Remote scenario of interest rate variation, with deterioration of fifty percent (50%), in the risk variable considered as probable:
  - Estimated interest rate for the years 2020 and 2021: Increase to 9.8% p.a.

The impacts presented in the table below refer 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 company		
Year	**Balance**	**Risk of increase in interest rate**	**6.5% p.a. Probable**	**8.1% p.a. Possible**	**9.8% p.a. Remote**
2020	3,012	Accounting effect (cost/expense)	196	244	295
2021	1,188	Accounting effect (cost/expense)	77	96	116

			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	18,284	Accounting effect (cost/expense)	1,188	1,481	1,792
2021	1,188	Accounting effect (cost/expense)	77	96	116

In thousands of Brazilian Reais, unless otherwise stated

12 Trade accounts payable

	Parent company		Consolidated	
Maturity	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Overdue	11	11	3,165	1,619
Falling due in up to 30 days	123	189	8,322	4,984
Falling due between 31 and 60 days	-	3	551	259
Falling due between 61 and 90 days	10	-	958	172
Falling due between 91 and 120 days	3	-	474	235
Falling due between 121 and 180 days	1	-	139	44
Falling due after 180 days	-	-	259	892
Total falling due	137	192	10,703	6,586
	148	**203**	**13,868**	**8,205**

13 Labor and tax liabilities

	Parent company		Consolidated	
Description	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Tax liabilities	501	501	503	503
Labor liabilities	206	139	308	198
Withheld taxes at source	10	8	528	388
Special Tax Regime (RET) - Current	-	-	1,885	514
RET - Deferred	-	-	1,851	1,430
	717	**648**	**5,075**	**3,033**
Current	**717**	**648**	**3,224**	**1,603**
Noncurrent	**-**	**-**	**1,851**	**1,430**

14 Accounts payable

	Parent company		Consolidated	
Description	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Acquisition of ownership interest (i)	14,883	11,802	14,883	11,802
Commission on plots of land	-	-	500	500
Contingencies (Civil/Labor) (ii)	8	8	2,186	1,049
Contract cancellations payable	-	-	617	487
Others	1,621	1,730	1,633	1,744
	16,512	**13,540**	**19,819**	**15,582**
Current	**16,512**	**13,540**	**19,319**	**15,082**
Noncurrent	**-**	**-**	**500**	**500**

Initialed for identification purposes
BDORCS AUDITORES INDEPENDENTES

In thousands of Brazilian Reais, unless otherwise stated

(i) This value consists of: R$ 6,930 related to the acquisition of the company Residencial Parque do Carmo SPE Ltda., (R$ 2,930 at December 31, 2019), which will be paid through promissory notes and; R$ 7,952 related to the debt balance from the acquisition of contractual rights, described in Note 6, generated by the conclusion of the agreement for the acquisition of interest held by Brasinco Incorporações Ltda. in the context of the partnership for the development of real estate projects through the company Haifa Investimentos e Participações Ltda., in which it already held 60% of the capital stock.

(ii) In the ordinary course of conducting its business, the Company is involved in labor, civil and tax actions. Management, relying on its legal counselors' opinion or that of other specialists, when applicable, evaluates the possible outcome of ongoing lawsuits, and the need for setting up provisions for contingencies arising from them. The existing provision of R$ 2,186 (R$ 1,049 at December 31, 2019) in consolidated refers to ongoing civil and labor lawsuits assessed by the Company's legal counselors as probable losses. In addition to the referred amount, R$ 4,675 (R$ 6,129 at December 31, 2019) also related to labor and civil lawsuits were assessed by the Company's legal counselors as possible loss and, for this reason, not accounted for or recorded in the Company's interim financial information.

15 Advances from customers and others

	Parent company		Consolidated	
Description	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Advances from customers - real estate developments	-	-	9,175	15,847
Advances from customers - bartered units	-	-	11,116	11,116
Creditors from acquired properties	2,942	2,942	151,618	152,176
Barters (*)	5,680	5,680	78,776	78,776
Others	-	-	2,434	2,395
	8,622	**8,622**	**253,118**	**260,308**
Current	**8,622**	**8,622**	**113,669**	**232,374**
Noncurrent	**-**	**-**	**139,449**	**27,934**

(*) In certain land acquisition transactions, the Company conducted the physical barter with units to build. These physical barters were recorded at fair value as land bank for incorporation against advances from customers, considering the lump sum amount of real estate units given as dation in payment, and those barter transactions are recognized in the statement of income, considering the same assumptions used for the recognition of sales of real estate units.

In thousands of Brazilian Reais, unless otherwise stated

16 Debentures

	Parent company		Consolidated	
Type	**June 30, 2020**	**December 31, 2019**	**June 30, 2020**	**December 31, 2019**
Debentures	32,897	32,897	32,897	32,897
(-) Amortization	(11,537)	(4,810)	(11,537)	(4,810)
Interest on debentures	5,933	5,913	5,933	5,913
	27,293	**34,000**	**27,293**	**34,000**
Current	**13,838**	**23,442**	**13,838**	**23,442**
Noncurrent	**13,455**	**10,558**	**13,455**	**10,558**

On April 04, 2017, the Company obtained approval for its first program for public issue of simple, nonconvertible debentures, in a single series, with secured guarantee, in the amount of R$ 17,397, representing 17,397 debentures with par value of R$ 1.00 each.

The debentures are adjusted by the Amplified Consumer Price Index (IPCA), plus interest of 9.15% per year on par value, calculated on a pro rata basis by business days, with monthly payments beginning in May 2019 and maturing in September 2022.

The debentures will be collateralized by plots of land of controlled company and rights to interest held in capital stock of controlled company.

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

On November 07, 2019, the Company obtained approval for its second program for the public issue of simple, nonconvertible debentures, in a single series, with secured guarantee, in the amount of R$ 15,500, representing 15,500,000 debentures with par value of R$ 1.00 each.

The debentures are adjusted by 100% of the CDI + 7.5% per year on par value, calculated on a pro rata basis by business days, with monthly payments starting in March 2020 and maturing in January 2022.

The debentures will be collateralized by plots of land of controlled company and rights to interest held in capital stock of controlled company.

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

In the first quarter of 2020, after receiving complete and detailed information from the Fiduciary Agent, the Company made the necessary adjustments for the proper segregation of the obligation between current and noncurrent.

As at June 30, 2020, the Company is in compliance with all contractual obligations related to its debentures, including the ones related to financial indicators.

In thousands of Brazilian Reais, unless otherwise stated

17 Provisions

Description	Consolidated June 30, 2020	Consolidated December 31, 2019
Provision for warranty (i)	1,803	1,509
	1,803	**1,509**

(i) Provision for warranty – It is recognized during the venture construction period to cover the estimated cost to be incurred during the period of five years after completion of the project.

18 Equity

(a) Capital

Capital stock comprises one million (1,000,000) shares, fully paid-in and distributed as follows:

	June 30, 2020	December 31, 2019
Number of shares		
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 03, 2016, Sugoi changed its legal classification and corporate name and became a corporation, governed by Law No. 6.404, of December 15, 1976 (“Brazilian Corporate Law”).

According to the minutes of the General Shareholders’ Meeting held on November 24, 2016, Kibutz Participações Ltda. transferred its common registered shares to Kibutz Administração e Participações S.A.

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

(b) Profits

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

In compliance with the Brazilian Corporate Law (article 193 of Law No. 6.404/76) a statutory reserve was recognized in the amount of R$ 200 as at December 31, 2016.

(c) Income (loss) per share

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

	June 30, 2020	December 31, 2019
Income for the year (in Brazilian Reais)	12,373,000	27,515,000
Number of shares	1,000,000	1,000,000
	12,373	**27,515**

In thousands of Brazilian Reais, unless otherwise stated

Basic earnings per share are calculated by dividing income (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 No. 636/10) – Earnings per share.

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all potential diluted common shares.

There is no difference between basic and diluted earnings per share since there are no potential common shares which could be issued in the future and converted. As mentioned in Note 16, the issued debentures 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 controlled company Sugoi Development USA, LLC, whose functional currency is the currency to which the 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 income (loss) for the year as a gain or loss only upon disposal or write-off of the investment.

19 Net revenues and gross profit

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

		Consolidated
Description	**June 30, 2020**	**June 30, 2019**
Revenues from properties	75,731	58,036
Cancelled sales	(482)	(44)
Gross operating revenue	**75,249**	**57,992**
Taxes levied	(1,508)	(1,573)
Net operating revenue	**73,741**	**56,419**
Costs relating to land, development and construction	(46,199)	(33,822)
Gross profit	**27,542**	**22,597**
Gross margin percentage - %	37.3%	40.1%

In thousands of Brazilian Reais, unless otherwise stated

20 Expenses by nature

	Parent company		Consolidated	
Description	**June 30, 2020**	**June 30, 2019**	**June 30, 2020**	**June 30, 2019**
Selling expenses				
Commissions	-	-	(1,536)	(1,373)
Advisory and consulting	(48)	(43)	(134)	(91)
Advertising and publicity	(6)	(67)	(1,439)	(1,049)
Expenses on sales stands and show apartments	-	-	(265)	(770)
Rent expenses	-	-	(233)	(100)
Other selling expenses	(21)	(14)	(316)	(1,057)
	(75)	(124)	(3,923)	(4,440)
General and administrative expenses				
Advisory and consulting	(2,590)	(1,337)	(3,510)	(1,942)
Personnel expenses	(1,793)	(212)	(1,795)	(214)
Rent expenses	(170)	(267)	(204)	(269)
Expenses on office materials	(149)	(186)	(246)	(237)
Depreciation	(232)	(224)	(234)	(226)
Expenses on notary's office and registry	(8)	(39)	(124)	(159)
Insurance	-	-	(232)	(240)
Other administrative expenses	(220)	(108)	(678)	(707)
	(5,162)	(2,373)	(7,023)	(3,994)
	(5,237)	(2,497)	(10,946)	(8,434)

21 Real estate projects under development

Description	**March 31, 2020**	**December 31, 2019**
Unrecognized contracted sales (Note 4)	201,648	192,768
Contributions on sales	(8,066)	(7,711)
	193,582	**185,057**
Cost to incur of units sold	(147,622)	(137,445)
	45,960	**47,612**
Percentage of unrecognized gross margin	23.7%	25.7%

In thousands of Brazilian Reais, unless otherwise stated

(a) The table below shows the recognized income (loss) of the project under construction.

Description	March 31, 2020	December 31, 2019
Recognized revenue	262,721	190,571
Contributions levied on revenues	(10,509)	(7,632)
	252,212	**182,939**
Recognized cost	(177,882)	(130,528)
Gross profit	**74,330**	**52,411**
Recognized gross margin - %	29.47%	28.65%

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

Description	June 30, 2020	December 31, 2019
Sold units under construction	147,622	137,445
Not sold units under construction	62,912	50,961
Budgeted cost to be incurred	**210,534**	**188,406**
Inventory - Real estate under construction	53,599	39,143
Total cost to be recognized in the future	**264,133**	**227,549**

22 Insurance

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

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

23 Risk and financial instrument management

(a) Risk management

The Company has transactions with financial instruments. The management of these instruments is made through operational strategies and internal controls, aiming to ensure liquidity, profitability, and security. The engagement of financial instruments for hedging purposes is made by means of periodical analysis of the exposure to the risk intended to be hedged by Management. The control policy consists of permanently crosschecking agreed conditions against market conditions in effect. The Company does not invest in derivatives or any other risk financial instruments for speculation purposes.

The amounts of asset and liability financial instruments included in the individual and consolidated interim financial information were determined according to the criteria and accounting practices disclosed in specific notes.

Initialed for identification purposes
BDO RCS AUDITORES INDEPENDENTES

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

Credit risk

Credit risk results from the possibility of the Company incurring losses arising from the default of its customers. In order to reduce these risks, the Company analyzes the financial and equity position of its customers, therefore managing the credit risk by means of program for credit granting and qualification.

Interest rate risk

Interest rate risk relates to the possibility of the Company reporting gains or losses on fluctuations in interest rates on its financial assets and liabilities. To mitigate such risks, the Company has contracts backing financial assets and liabilities, through fixed rates.

Market risk

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

Liquidity risk

Liquidity risk results from the possibility of reduction in funds intended to pay debts. Management monitors the continual projections of liquidity requirements of the Company to guarantee that it has sufficient cash to meet its operating needs.

Additionally, the Company has balances of financial investments that can be redeemed at any time to cover possible mismatches between the maturity of its contractual obligations and its cash generation.

Operational risk

Operational risk is the risk of direct or indirect loss due to a range of causes connected with the Company's proceedings, personnel, technology and infrastructure and to external factors, except credit, market and liquidity risks, as those resulting from statutory and regulatory requirements and generally accepted business standards. Operational risks arise from all the Company's transactions.

The Company's purpose is to manage its operational risk to avoid financial losses and negative effects on its reputation, seeking cost cuts to avoid control procedures that curb initiative and creativity.

Top management has the main responsibility for developing and implementing controls to address operating risks. This responsibility is supported by the development of general standards for managing operating risks in the following areas:

- Requirements for an adequate segregation of duties, including independent authorization for operations;
- Requirements for reconciling and monitoring transactions;
- Compliance with regulatory and legal requirements;
- Documentation of controls and procedures;
- Requirements for periodically assessing operating risks and the adequacy of controls and procedures applied to tackle identified risks;
- Requirements to report operating losses and proposed corrective actions;
- Development of contingency plans;

- Professional training and development;
- Ethical and business standards;
- Mitigation of risk, including insurance, when efficient.

(b) Financial instruments

For disclosure purposes, the fair values of 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, accounts receivable, other accounts receivable, trade accounts payables, other accounts payable, loans and financing, and related-party transactions.

(c) Capital management

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

(d) Derivative financial instruments

The Company does not conduct transactions with derivatives for the purpose of reducing or eliminating risks inherent to its operations.

24 Pandemic – Covid-19 – Coronavirus

The Company has adopted measures to mitigate the transmission of virus at each work point, whether at construction sites, points of sale or its head office. The Company adopted practices of hygiene with greater frequency, daily audit of controls, flexibility in working hours and adoption of the remote work regime, meeting the guidelines of the World Health Organization (WHO) and Health Surveillance seeking to preserve the physical and psychological health of its employees, including release from work for all individuals over 60 years of age.

Our operations continue on the construction sites, still with immaterial impacts, and we believe that, in this sense, there should be no significant interference in the execution of the projects. However, eventual external restrictions, such as public transportation of employees, supply of inputs and raw materials essential for the continuity of the works, may have significant impact, a possibility that cannot be considered and measured at this time.

We have redirected our sales force to serve our client at a distance, expanding the online promotion of the projects, through applications and social networks and maintaining daily contact with top Management for monitoring of the scenario and prompt decision making.

Faced with so many uncertainties and daily adjustments in government guidelines, we have considered the possible impacts on our operation, but have developed frequent guidelines to try to anticipate problems in order to minimize them.

Regarding the Company’s operating/financial measures in view of the pandemic, we highlight:

Negotiation with suppliers and business partners, and enrollment in government incentive packages to preserve cash and increase the Company’s liquidity index.

Adjustment of projects under development considering launches intended in the period and improving the Company’s cash exposure in the year.

Alignment with customers to reinforce our commitment and safety by means of installment renegotiation programs, among others.

Until this moment, there are no other relevant measures effective for the period ended June 30, 2020.

******