(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 September 30, 2020

SUGOI S.A.

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

Contents

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

São Paulo, November 13, 2020 – SUGOI S.A. Pursuant to the 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 September 30, 2020.

HIGHLIGHTS

- Net revenue accumulated as at September 2020 totaled R$ 135.7 million;
- The Company concluded the third quarter of 2020 with Gross Margin of 35%;
- Net Income as at September 2020 amounted to R$ 19.4 million;
- The Company's land bank reached a potential General Sales Value (VGV) of R$ 3 billion;
- Sales contracted in the quarter totaled R$ 94 million;
- Launches of Mirai Parque do Carmo – Condomínio 2 – São Paulo SP reached VGV of R$ 38 million;
- Delivery of real estate developments and issue of certificates of occupancy for Residencial Bom Retiro – Paulínia SP – Condomínio 5 – Paulínia SP, totaling 200 units, and Vida e Alegria Condomínio 2 – São Paulo SP, totaling 296 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 dismissal 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 redirect our sales force to serve our client at a distance, expanding the online dissemination of the projects, through applications and social networks and maintain daily contact with the 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 we have made frequent guidelines in an attempt to anticipate problems in order to minimize them.

Operating and financial performance

Launches and contracted sales

In the third quarter, the Company made new launches with estimated VGV of R$ 36 million.

Sugoi had three ventures registered with Programa Nossa 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 the grant 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 Programa Minha Casa Minha Vida of the Brazilian Federal Government. They significantly contributed to the improvement in performance of the sales made, for which the Company recorded R$ 94 million in sales for the quarter.

Finished projects and projects under construction

The Company shall achieve VGV of R$ 250 million in 2020, with projects launched in 2017 and 2018. From this amount, the Company realized R$ 70 million in the third quarter, from which R$ 43 million refer to Residencial Vida e Alegria Cond. 2 and Residencial Bom Retiro Cond 5. In 2020, total accumulated delivery amounts to R$ 162 million.

Land bank

As at September 30, 2020, the Company's land bank represented estimated VGV of R$ 3 billion, with expected launch in the next five years.

Operating revenue

Net operating revenue totaled R$ 135.7 million for the third quarter of 2020, an increase in comparison to the amount of R$ 105.2 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 the increase in launches of new projects.

Cost of real estate properties

In the third quarter of 2020, the cost of properties totaled R$ 88.2 million in comparison with R$ 67.4 million for the same period in 2019, due to the increase in launches and recognition of costs of projects under construction.

Selling, general and administrative expenses

In the third quarter of 2020, selling expenses totaled R$ 7.6 million, representing an increase in comparison to the amount of R$ 6.3 million for the same period in 2019. These amounts result from launches made during 2020.

Net general and administrative expenses totaled R$ 11 million for the quarter of 2020, an increase in comparison with the amount of R$ 8 million for the same period in 2019. These expenses are line with the Company's planning, with the objective of supporting the demand of launches and construction work occurring in the next years.

Gross profit

In the third quarter of 2020, gross profit amounted to R$ 47.5 million, an increase compared with the same period in 2019, for which we reported gross profit of R$ 37.8 million. This increase is explained by the volume of construction work in progress.

Income for the year

In the third quarter of 2020, we reported accumulated net income of R$ 19.4 million. The positive result is mainly related to the increase in launches in previous years, especially 2018, and it is also related to recent launches 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 the Brazilian Securities and Exchange Commission (CVM) Instruction No. 381, of January 14, 2003, we inform that the Company engaged BDO RCS 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, November 13, 2020.

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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. ("Company"), included in the Quarterly Information, for the quarter ended September 30, 2020, which comprises the statement of financial position as at September 30, 2020, and the respective statements of income and comprehensive income for the three and nine-month periods then ended, and of changes in equity and cash flows for the nine-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 Accounting 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 nine-month period ended September 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 nine-month periods and changes in equity and cash flows for the nine-month period ended September 30, 2019, were previously reviewed by other independent auditors, whose report thereon, dated November 13, 2019, was unmodified.

The amounts corresponding to the individual and consolidated statements of value added, referring to the nine-month period ended September 30, 2019, were submitted to the same review procedures by those independent auditors and, based on its 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 interim financial information has been translated into English for the convenience of readers outside Brazil.

São Paulo, November 13, 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 September 30, 2020 and December 31, 2019

(In thousands of Brazilian Reais)

ASSETS

		Parent company		Consolidated	
Assets	Note	09/30/2020	12/31/2019	09/30/2020	12/31/2019
Current					
Cash and cash equivalents	3	487	4,399	23,509	23,464
Accounts receivable	4	-	-	52,553	40,213
Properties for sale	5	3,780	9,787	60,087	228,241
Sundry receivables	6	14,568	25,826	24,333	35,691
Taxes and contributions to be offset		228	227	496	551
Unrecognized selling expenses		514	-	8,851	5,896
		19,577	40,239	169,829	334,056
Noncurrent					
Properties for sale	5	4,127	-	197,233	59,030
Sundry receivables	-	9,830	-	9,830	-
Related-party transactions	9	50,211	33,261	14,504	6,827
		64,168	33,261	221,567	65,857
Investments	7	124,480	92,948	3,613	3,224
Net fixed assets	8	218	222	735	724
Intangible assets		393	694	393	694
		189,259	127,125	226,308	70,499
Total assets		208,836	167,364	396,137	404,555

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

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

LIABILITIES

Liabilities	Note	Parent company 09/30/2020	Parent company 12/31/2019	Consolidated 09/30/2020	Consolidated 12/31/2019
Current					
Loans and financing	11	4,057	4,800	16,400	16,405
Debentures	16	15,188	23,442	15,188	23,442
Trade accounts payable	12	350	203	18,992	8,205
Labor and tax liabilities	13	666	648	3,256	1,603
Accounts payable	14	8,426	13,540	9,078	15,082
Advances from customers and others	15	6,616	8,622	49,427	232,374
Related-party transactions	9	73,189	43,863	227	376
Provisions for investment losses	7	3,682	3,757	3,423	3,382
		112,174	98,875	115,991	300,869
Noncurrent					
Loans and financing	11	10,517	1,529	10,517	2,368
Debentures	16	8,389	10,558	8,389	10,558
Intercompany account with Silent Partnerships (SCPs)	10	10,405	10,405	10,405	10,405
Labor and tax liabilities	13	-	-	1,709	1,430
Accounts payable	14	4,911	-	5,411	500
Advances from customers and others	15	-	-	170,608	27,934
Provisions	17	-	-	4,419	1,509
Related-party transactions	9	-	1,744	-	-
		34,222	24,236	211,458	54,704
Total liabilities		146,396	123,111	327,449	355,573
Equity	18				
Capital stock		1,000	1,000	1,000	1,000
Statutory reserve		200	200	200	200
Income reserve		60,851	43,053	60,851	43,053
Cumulative translation adjustment		389	-	389	90
		62,440	44,253	62,440	44,343
Noncontrolling interest		-	-	6,248	4,639
Total equity		62,440	44,253	68,688	48,982
Total liabilities and equity		208,836	167,364	396,137	404,555

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

Sugoi S.A.

Statements of income for the nine-month periods ended September 30, 2020 and 2019

(In thousands of Brazilian Reais)

		Parent company		Consolidated	
	Note	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Revenue from properties	-	-	-	138,368	109,189
Revenue from services	-	-	-	-	-
Taxes levied	-	-	-	(2,632)	(3,969)
Continuing operations					
Net revenue	19	-	-	135,736	105,220
Costs of sales	19	-	-	(88,243)	(67,440)
Gross profit	19	-	-	47,493	37,780
Operating revenues (expenses)					
General and administrative expenses	20	(8,252)	(4,165)	(11,918)	(8,041)
Selling expenses	20	(192)	(187)	(7,669)	(6,381)
Other operating revenues (expenses), net		-	(9)	(999)	(41)
Equity in earnings (losses) of controlled companies	7	29,945	25,675	(41)	-
		21,501	21,314	(20,627)	(14,463)
Income before financial income (loss)		21,501	21,314	26,866	23,317
Financial expenses	-	(3,754)	(5,025)	(5,249)	(5,873)
Financial revenues	-	51	99	219	333
Net financial income (loss)		(3,703)	(4,926)	(5,030)	(5,540)
Income before Income and Social Contribution Taxes		17,798	16,388	21,836	17,777
Current Income and Social Contribution taxes	-	-	-	(1,954)	-
Deferred Income and Social Contribution Taxes	-	-	-	(476)	-
Income for the period		17,798	16,388	19,406	17,777
Attributable to					
Controlling shareholders of the Company				17,798	16,388
Noncontrolling interest				1,608	1,389
Basic and diluted earnings per share	18 c	17.798	16.388		

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

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

	Parent company		Consolidated	
	2020	2019	2020	2019
Net income for the period	17,798	16,388	19,406	17,777
Translation adjustment in controlled companies	-	-	389	27
(=) Comprehensive income for the period	17,798	16,388	19,795	17,804
Attributable to				
Controlling shareholders of the Company			18,187	16,512
Noncontrolling interest			1,608	1,389
	-	-	19,795	17,901

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

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	-	-	-	-	72	72	-	72
Net income for the year	-	-	-	16,388	-	16,388	1,389	17,777
Balances as at September 30, 2019	1,000	-	200	34,346	124	35,670	3,944	39,614
Balance as at January 01, 2020	1,000	-	200	43,053	90	44,343	4,639	48,982
Translation adjustment in controlled companies	-	-	-	-	299	299	-	299
Net income for the period	-	-	-	17,798	-	17,798	1,609	19,407
Balances as at September 30, 2020	1,000	-	200	60,851	389	62,440	6,248	68,688

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

Sugoi S.A.

Statements of cash flows for the nine-month periods ended September 30, 2019 and 2020

(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
From operating activities				
Net income for the period	17,798	16,388	19,406	17,777
Adjustments to reconcile income (loss) to cash and cash equivalents from operating activities				
Depreciation and amortization	255	28	255	497
Provisions for warranty of construction and contingencies	-	-	2,910	54
Deferred taxes	-	-	476	291
Equity conversion adjustment	389	-	300	72
Equity in earnings (losses) of controlled companies	(29,945)	(25,675)	41	-
	(11,503)	(9,259)	23,388	18,691
Changes in assets and liabilities				
(Increase)/Decrease in asset accounts				
Accounts receivable	-	-	(12,340)	(7,222)
Properties for sale	1,880	(1,226)	29,951	11,023
Taxes and contributions to be offset	(1)	(43)	55	(174)
Sundry receivables	1,428	(12,499)	1,528	(13,074)
Unrecognized selling expenses	(514)	-	(2,955)	174
Increase/(Decrease) in liability accounts				
Labor and tax liabilities	18	67	3,410	(409)
Trade accounts payable	147	116	10,787	3,604
Accounts payable	(203)	3,508	(1,093)	4,678
Advances from customers	(2,006)	(2,193)	(40,273)	(12,812)
	(10,754)	(21,529)	12,458	4,479
Paid Income and Social Contribution Taxes	-	-	(1,954)	-
Net cash from operating activities	(10,754)	(21,529)	10,504	4,479
From investing activities				
(Increase)/Decrease in capital of controlled companies, net	(1,662)	4,247	(389)	-
In fixed assets	(251)	(88)	(266)	(336)
In intangible assets	301	(810)	301	(810)
Net cash from investing activities	(1,612)	3,349	(354)	(1,146)
From financing activities				
Raising of loans, financing and others	7,374	6,529	25,854	18,439
Payment of loans, financing and others	(9,552)	(6,943)	(28,133)	(13,486)
Related-party transactions	10,632	14,348	(7,826)	2,664
Net cash from financing activities	8,454	13,934	(10,105)	7,617
Increase/(Decrease) in cash and cash equivalents	(3,912)	(4,246)	45	10,950
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	487	1,841	23,509	21,220
Increase/(Decrease) in cash and cash equivalents	(3,912)	(4,246)	45	10,950

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

Sugoi S.A.
Statements of value added for the nine-month periods ended September 30, 2020 and 2019
(In thousands of Brazilian Reais)

	Parent company		Consolidated	
	09/30/2020	09/30/2019	09/30/2020	09/30/2019
Revenues				
Sales and services	-	-	138,368	109,189
Other revenues	-	-	(999)	(41)
	-	-	137,369	109,148
Inputs acquired from third parties				
Cost of goods, merchandise and services sold	-	-	(88,243)	(67,440)
Materials, energy, third-party and other operating services	(5,419)	(3,051)	(13,060)	(9,326)
Others	-	(9)	-	-
	(5,419)	(3,060)	(101,303)	(76,766)
Gross value added	(5,419)	(3,060)	36,066	32,382
Depreciation, amortization and depletion, net	(255)	(28)	(255)	(497)
Net value added generated by the Company	(5,674)	(3,088)	35,811	31,885
Value added received in transfer				
Equity in earnings (losses) of controlled companies	29,945	25,675	(41)	-
Financial revenues	51	99	219	333
	29,996	25,774	178	333
Total value added to be distributed	24,322	22,686	35,989	32,218
Value added distribution				
Personnel				
Payroll and charges	2,678	734	2,678	734
Commissions on sales	-	-	3,126	3,086
Management fees	25	45	25	45
Taxes, fees and contributions				
Federal	-	-	5,062	3,969
Return on debt capital				
Interest	3,754	5,025	5,249	5,873
Rent	67	494	443	734
Return on equity capital				
Income for the period	17,798	16,388	17,798	16,388
Noncontrolling interest in retained earnings	-	-	1,608	1,389
	24,322	22,686	35,989	32,218

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

1 Operations

Sugoi S.A. and its controlled companies ("Company") are primarily engaged in the management of the 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, established on April 4, 2011, is a publicly held company, with headquarters 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 homes with management and administration of residential properties of middle-class economic standard, aiming at offering products with excellent quality and the best cost-benefit in 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 surveying and obtaining 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 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 of its processes, contributing to better cost management and control.

On July 19, 2016, the Company was registered with CVM (Brazilian Securities and Exchange Commission) 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 this individual and consolidated interim financial information are presented below. These 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 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 Quarterly Information.

The interim financial information evidences all relevant data pertaining to it and only it, being consistent with the data used by Management.

The individual and consolidated interim financial information was approved by the Company's Management on November 13, 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.

The interim financial information is presented in thousands of Brazilian Reais (R$) and the amounts are rounded to the next unit, 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 its 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.

Transaction settlement involving those estimates may result in amounts significantly different from those recorded in the interim financial information due to the inherent inaccuracy of the estimates. The Company reviews its estimates and assumptions periodically, in not more than a 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 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 accounted for under the equity method. The same adjustments are made both in the individual 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 is prepared for the same disclosure period and, where required, adjusted so that the accounting policies are in accordance with those adopted by the Company.

Ownership interest in income of the controlled and jointly controlled companies is stated in income of the parent company as equity in earnings (losses) of the controlled company, 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. The Company determines, at balance sheet date, whether there is objective evidence of impairment on the investments in controlled and jointly controlled companies. If so, the Company calculates impairment loss as the difference between the recoverable value of the controlled and jointly controlled companies and its book value, and also recognizes the amount in the parent company's statement of income.

In thousands of Brazilian Reais, unless otherwise stated

2.2.2 Consolidation

The following accounting practices 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 said entity and has the capacity to interfere in these returns because of the power it exercises over it. The controlled companies are fully consolidated as from the date when 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	**09/30/2020**	**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%
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%
HTG Infraestrutura e Participações Ltda	33.33%	33.33%

(b) Transactions with non-controlling interest

The Company considers transactions with non-controlling interest as transactions with owners of assets of the Group. For purchases of non-controlling interest, the difference between any consideration paid and the acquired portion of the book value of the subsidiary's net assets is recorded in equity. Gains or losses on disposals of non-controlling 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 joint 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 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 adjustments to present value on the financial information.

2.5 Financial instruments

Classification and measurement of financial assets and liabilities

According to NBC TG 48, at initial recognition, a financial asset is classified as follows: at amortized cost; at fair value through other comprehensive income ("VJORA") - debt instrument; at VJORA - equity instrument; and at fair value through income ("VJR"). The classification of financial assets is mostly based on the business model in which a financial asset is managed and on its characteristics of contractual cash flows. The new significant 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. Any gains or losses upon derecognition are recognized in income.

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

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 VJORA if it meets both of the following conditions and is not designated as measured at VJR:

It is held in a business model whose objective is achieved by collecting 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 income, 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 VJR. 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 VJR are measured at fair value and net income, including interest, is recognized in income. 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. Any gains or losses upon derecognition are also recognized in income.

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 subsequently measured 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. Credit losses are measured at present value based on all cash deficiencies (i.e., the difference between cash flows due to the Company according to the contract and cash flows 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. Accounts receivable are recognized based on the percentage of completion (PoC) of the construction applied to revenues from units sold and adjusted according to the provisions of sales contracts, thus determining the amount of accumulated revenues to be recognized, which is then 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 accumulated amount of revenue recognized, 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 Real estate properties for sale

The amount recorded in the 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 their depreciation, which was calculated using the straight-line method, at the rates mentioned in Note 8.

2.9 Impairment of non-financial 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 amounts provisioned to cover future disbursements during the warranty period of units present a significant risk of material adjustment to subsequent periods. Accordingly, accounting estimates and assumptions are continuously evaluated and based on historic experience and 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. 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. Management periodically assesses the positions assumed by the Company in income tax returns in relation to the situations in 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 tax legislation, the Company has opted for the deemed profit regime, whereby Income Tax is calculated at the rate of 8% and Social Contribution Tax is calculated at the rate of 12% on gross revenues (32% when revenue derives from the rendering of services and 100% on 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. In projects under construction, the company adopts the special tax regime (RET), in which the tax burden is 4% considering federal taxes (PIS/COFINS) (IR and CSLL).

Deferred Income and Social Contribution Taxes are recognized on temporary differences arising from real estate revenues taxed on a cash basis and the 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 on 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 the 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 depend on the progress of the construction work, according to the percentage set forth in the Venture Progress Report, and to 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 the costumer's 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 noncompleted units:

- Sales revenues are recognized when there is continuous transfer of control to a financial institution or customer, using the PoC of each project, this percentage being measured at the cost incurred in relation to the total budgeted cost of the respective projects. In the event that, during the period of the customer's approval with the FI, there are indications that the customer's contractual part will not be complied with, a provision for cancellation of the contract in its full amount is established.

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

- Costs incurred (including the cost of land and other expenses directly related to the purchase of inventory) by the units sold are fully recognized in income. 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 with the financing of the construction are capitalized and recorded in inventories of properties for sale and recognized in costs incurred by units under construction until their conclusion, using the same recognition criteria for costs of real estate development proportional to units under construction sold;

- 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 recognition of this difference in revenue;

In thousands of Brazilian Reais, unless otherwise stated

- Other expenses, including advertising and publicity, are appropriated to income when incurred.

3 Cash and cash equivalents

Description	Parent company September 30, 2020	Parent company December 31, 2019	Consolidated September 30, 2020	Consolidated December 31, 2019
Cash and bank current accounts	244	165	23,163	15,901
Bank Certificates of Deposit (CDBs)	243	4,234	346	7,563
	487	**4,399**	**23,509**	**23,464**

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

4 Accounts receivable

Description	Consolidated September 30, 2020	Consolidated December 31, 2019
Recognized sales revenue	441,331	305,387
(-) Amount received	(389,439)	(265,489)
	51,892	39,898
Other accounts receivable	661	315
	52,553	**40,213**

	Consolidated September 30, 2020	Consolidated December 31, 2019
Accounts receivable from recognized sales	441,331	305,387
Total receipts	(389,439)	(265,489)
Unrecognized sales revenue (*)	211,011	192,768
Total accounts receivable	262,903	232,666
Advances from customers	(9,103)	(15,902)
Total net portfolio receivable	**253,800**	**216,764**

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

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

In thousands of Brazilian Reais, unless otherwise stated

5 Properties for sale

	Parent company		Consolidated	
Description	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Land for development (i)	7,907	9,787	219,248	246,874
Properties under construction	-	-	36,795	39,143
Concluded properties	-	-	1,277	1,254
	7,907	**9,787**	**257,320**	**287,271**
Current	**3,780**	**9,787**	**60,087**	**228,241**
Noncurrent	**4,127**	**-**	**197,233**	**59,030**

(i) The inventory balances in current assets refer 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.

	September 30, 2020	**December 31, 2019**
Total cost incurred	336,314	251,549
Costs allocated from units sold	(298,242)	(211,152)
Cost of real estate units for sale	**38,072**	**40,397**

6 Sundry receivables

	Parent company		Consolidated	
Description	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Advances to suppliers	1,559	2,010	7,181	7,497
Collection of checks	-	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	892	869	893	1,105
	24,398	**25,826**	**34,163**	**35,691**
Current	14,568	25,826	24,333	35,691
Noncurrent	9,830	-	9,830	-

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

(ii) This refers to a third-party debt that was subrogated by Sugoi to clear a real estate project, which will be later charged to 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 Investment

	Parent company		Consolidated	
Description	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Investments in controlled companies and other investees	124,091	92,948	3,613	3,224
Provision for unsecured liabilities	(3,682)	(3,757)	(3,682)	(3,382)
Investments (a)	120,409	89,191	(69)	(158)
Cumulative translation adjustment	389	-	-	-
Reclassification to liabilities	3,682	3,757	3,682	3,382
	124,480	**92,948**	**3,613**	**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 HTG Infraestrutura e Participação.

In thousands of Brazilian Reais, unless otherwise stated

(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 September 30, 2019
Vista Cantareira Empreendimentos Imobiliários Ltda.	6,010	(293)	-	5,717	231	-	5,948
Condomínio Varandas Jardim do Lago Ltda.	12,889	4,178	(5,079)	11,988	(33)	-	11,955
Residencial Monte Serrat SPE Ltda.	1,895	(179)	-	1,716	(427)	-	1,289
Haifa Investimentos e Participações Ltda	(8)	(4)	-	(12)	(1)	-	(13)
Residencial São Mateus SPE Ltda.	17,323	20,188	17	37,528	14,530	-	52,058
Residencial Colina Francisco Morato SPE Ltda	(291)	(42)	-	(333)	(30)	-	(363)
Residencial Bom Retiro SPE Ltda	11,064	17,629	-	28,693	12,948	-	41,641
Residencial Jacú-Pessego II SPE Ltda.	(26)	(169)	-	(195)	(19)	-	(214)
Residencial Colina Guarapiranga SPE Ltda	(16)	(1)	-	(17)	(20)	-	(37)
Residencial Paulínia I SPE Ltda	(20)	(2)	-	(22)	(3)	-	(25)
Residencial Parque do Carmo SPE Ltda.	7,103	(662)	-	6,441	1,063	-	7,504
Residencial Idemori SPE Ltda	(9)	(1)	-	(10)	(535)	-	(545)
Sugoi Projeto SPE Ltda	(41)	(1)	-	(42)	(51)	-	(93)
Residencial Sports Gardens da Amazônia Ltda	(1,006)	(444)	-	(1,450)	3,082	-	1,632
Sugoi Inovare Empreendimentos Imobiliários Ltda.	(2)	(1)	-	(3)	(1)	-	(4)
Residencial Portal do Belo Horizonte SPE Ltda.	(25)	(5)	-	(30)	(2)	-	(32)
Residencial Barcelona SPE Ltda.	(768)	(696)	-	(1,464)	(26)	-	(1,490)
Condomínio Varandas Jardim do Lago II SPE Ltda.	(10)	(22)	-	(32)	(4)	-	(36)
Residencial Isabel Ferrari SPE Ltda.	(7)	(2)	-	(9)	(2)	-	(11)
Residencial São Jose SPE Ltda	(6)	(5)	-	(11)	(6)	-	(17)
Residencial Jacú-Pessego I SPE Ltda.	(4)	(1)	-	(5)	(20)	-	(25)
Sugoi Residencial I SPE Ltda	(5)	(2)	-	(7)	(3)	-	(10)
Sugoi Residencial II SPE Ltda	(4)	(3)	-	(7)	(3)	-	(10)
Sugoi Residencial III SPE Ltda	(4)	(2)	-	(6)	(3)	-	(9)
Residencial Via Verde SPE Ltda	(1)	-	-	(1)	-	-	(1)
Sugoi Residencial IV SPE Ltda.	(1)	(1)	-	(2)	(1)	-	(3)
Sugoi Residencial V SPE Ltda.	(261)	255	-	(6)	580	-	574
Sugoi Residencial VI SPE Ltda.	(2)	(22)	-	(24)	(150)	-	(174)
Sugoi Residencial VII SPE Ltda	(2)	-	-	(2)	-	-	(2)
Sugoi Residencial VIII SPE Ltda	(2)	-	-	(2)	-	-	(2)
Sugoi Residencial IX SPE Ltda	(2)	(9)	-	(11)	(10)	-	(21)
Sugoi Residencial XI SPE Ltda.	-	(9)	-	(9)	(4)	-	(13)
Sugoi Residencial XIII SPE Ltda.	-	(22)	-	(22)	(206)	-	(228)
Sugoi Residencial XIV SPE Ltda	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial X SPE LTDA	-	(1)	-	(1)	(24)	-	(25)
Sugoi Residencial XII SPE LTDA	-	(4)	-	(4)	-	-	(4)
Sugoi Residencial XV SPE LTDA	-	(1)	-	(1)	(35)	-	(36)
Sugoi Residencial XVI SPE LTDA	-	(6)	-	(6)	(4)	-	(10)
Sugoi Residencial XVII SPE Ltda	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XVIII SPE Ltda	-	(1)	-	(1)	(9)	-	(10)
Sugoi Residencial XIX SPE Ltda	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XX SPE Ltda	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XXI Ltda	-	(1)	-	(1)	(205)	-	(206)
Sugoi Residencial XXII SPE Ltda	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XXIII SPE Ltda	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XXIV SPE Ltda	-	(1)	-	(1)	(1)	-	(2)
Sugoi Residencial XXV SPE Ltda	-	(2)	-	(2)	3	-	1
HTG Infraestrutura e Participação Ltda.	-	(158)	(3,224)	(3,382)	(41)	-	(3,423)
HTG Infraestrutura e Participação Ltda. (agio)	-	-	3,224	3,224	-	-	3,224
Sugoi Development USA, LLC	884	(811)	950	1,023	(607)	1,273	1,689
	54,645	**38,658**	**(4,112)**	**89,191**	**29,945**	**1,273**	**120,409**
	-	-	-	-	-	-	-

In thousands of Brazilian Reais, unless otherwise stated

8 Fixed assets

		Parent company		Consolidated	
Description	**Depreciation rate**	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Facilities	10% p.a.	28	33	44	44
Furniture and fixtures	10% p.a.	87	96	229	350
Machinery and equipment	20% p.a.	54	75	150	147
Improvements	20% p.a.	13	15	21	20
Telephone lease	20% p.a.	24	38	72	72
Vehicles	20% p.a.	-	-	283	216
Properties	4% p.a.	49	21	215	115
Sales stands (*)		-	-	637	636
		255	**278**	**1,651**	**1,600**
Accumulated depreciation		(37)	(56)	(916)	(876)
		218	**222**	**735**	**724**

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

In thousands of Brazilian Reais, unless otherwise stated

(a) Changes in fixed assets

	Parent company				Consolidated			
Description	**December 31, 2019**	**Additions**	**Write-offs**	**September 30, 2020**	**December 31, 2019**	**Additions**	**Write-offs**	**September 30, 2020**
Facilities	44	-	-	44	44	-	-	44
Furniture and fixtures	121	2	-	123	350	2	(123)	229
Machinery and equipment	127	-	-	127	147	17	(14)	150
Improvements	20	1	-	21	20	1	-	21
Telephone lease	72	-	-	72	72	-	-	72
Vehicles	-	-	-	-	216	83	(16)	283
Properties	21	11	(3)	29	115	110	(10)	215
Sales stands	-	-	-	-	636	1	-	637
	405	14	(3)	416	1,600	214	(163)	1,651
Accumulated depreciation	(183)	-	-	(198)	(876)	-	-	(916)
	222	**14**	**(3)**	**218**	**724**	**214**	**(163)**	**735**

In thousands of Brazilian Reais, unless otherwise stated

9 Related-party transactions

	Parent company		Consolidated	
Description	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Noncurrent assets	50,211	33,261	14,504	6,827
Current liabilities	(73,189)	(43,863)	(227)	(376)
Noncurrent liabilities	-	(1,744)	-	-
	(22,978)	**(12,346)**	**14,277**	**6,451**

	Parent company		Consolidated	
Description (assets)	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Haifa Investimentos e Participações Ltda	23	21	-	-
Dahab Brasil S.A	-	15	222	238
Residencial Monte Serrat Ltda	-	55	-	-
Dahab Participações Ltda	7	7	7	7
Kibutz Administração e Participações Ltda	8,060	5,965	8,060	5,965
Residencial Colina Francisco Morato SPE Ltda	1,398	1,386	-	-
Residencial São Mateus SPE Ltda	-	-	1,700	-
Residencial Bom Retiro SPE Ltda	-	-	3,946	49
Residencial José Vigna Talhado SPE Ltda	355	287	-	-
Residencial Colina Guarapiranga SPE Ltda	860	883	-	-
Residencial Paulínia I SPE Ltda	139	162	-	-
Residencial Parque do Carmo SPE Ltda	12,466	2,421	-	-
Residencial Idemori SPE Ltda	580	401	-	-
Sugoi Projeto SPE Ltda	92	91	-	-
Residencial Sports Gardens da Amazônia Ltda.	11,557	9,160	-	-
Sugoi N Empreendimentos Imobiliários Ltda.	507	236	-	-
Residencial Portal do Belo Horizonte SPE Ltda	600	554	-	-
Residencial Barcelona SPE Ltda	2,820	2,723	-	-
Condomínio Varandas Jardim do Lago II	843	609	-	-
Residencial Isabel Ferrari SPE Ltda	232	181	-	-
Residencial São José SPE Ltda.	371	260	-	-
Residencial Jacú-Pessego I SPE Ltda.	159	89		
Sugoi Residencial I SPE Ltda	242	194	-	-
Sugoi Residencial II SPE Ltda	293	208	-	-
Sugoi Residencial III SPE Ltda	455	195	-	-
Sugoi Residencial Via Verde SPE Ltda	1	1	-	-
Sugoi Residencial IV SPE Ltda	77	76	-	-
Sugoi Residencial V SPE Ltda	1,207	2,466	-	-
Sugoi Residencial VI SPE Ltda	1,409	828	-	-
Vercelli Gestão de Negócios Eireli	-	-	1	-
Sugoi Residencial VII SPE Ltda	2	2	-	-
Sugoi Residencial VIII SPE Ltda	832	807	-	-
Sugoi Residencial IX SPE Ltda	1,840	1,380	-	-
Tsuri Acre	16	16	16	16
Sugoi Residencial XI SPE Ltda	491	145	-	-
Sugoi Residencial XIII SPE Ltda	1,753	1,195	-	-
Sugoi Residencial XIV SPE Ltda	1	1	-	-
Sugoi Residencial X SPE Ltda	26	14	-	-
Sugoi Residencial XII SPE Ltda	24	22	-	-
Sugoi Residencial XVI SPE Ltda	110	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	15	1	-	-
Sugoi Residencial XX SPE Ltda	1	1	-	-
Sugoi Residencial XXI Ltda	202	85	-	-
Sugoi Residencial XXV SPE Ltda	1	1	-	-
Sugoi Residencial XVII SPE Ltda	1	1	-	-
Sugoi Residencial XVIII SPE Ltda	103	6	-	-
Others	-	-	552	552
	50,211	**33,261**	**14,504**	**6,827**

In thousands of Brazilian Reais, unless otherwise stated

	Parent Company		Consolidated	
Description (Liabilities)	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Condomínio Varandas Jardim do Lago	-	873	-	-
Condomínio Varandas Jardim do Lago	11,189	9,969	-	-
Vista Cantareira Empreendimentos Imobiliários Ltda	6,530	6,444	-	-
Residencial Monte Serrat Ltda	418	587	-	-
Residencial Colina Francisco Morato SPE Ltda	-	175	-	-
Residencial Parque do Carmo SPE Ltda	-	110	-	-
Tsuri Brasil	-	-	11	11
Sports Gardem Amazônia	-	-	199	199
Residencial São Mateus SPE Ltda	26,804	17,452	-	-
Residencial Guarapiranga SPE Ltda	-	149	-	149
Residencial Bom Retiro SPE Ltda	28,231	9,831	-	-
Dahab Brasil S.A	17	17	17	17
Total	**73,189**	**45,607**	**227**	**376**
Current	73,189	43,863	227	376
Noncurrent	-	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.

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 SCPs

	Parent company		Consolidated	
Description	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Intercompany account with 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 silent partners are presented in current and noncurrent liabilities according to the expectation of disbursement of the Company, in the caption of Intercompany account with SCPs.

In thousands of Brazilian Reais, unless otherwise stated

11 Loans and financing

			Parent company		Consolidated	
Type	**Financial institution**	**Interest rate and commissions**	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Working capital	Caixa Econômica Federal – CFE	Up to 9.6% p.a. + CDI	1,597	2,242	1,597	2,242
Housing Finance System (SFH)	Caixa Econômica Federal – CFE	Up to 11% p.a.	-	-	11,170	11,605
Lease	Banco Daycoval	Up to 22.99% p.a.	33	30	33	30
CCB	Banco Daycoval	14.02% p.a.	1,519	-	1,519	-
CCB	Banco ABC	CDI + 6.73% p.a.	10,112	-	10,112	-
CCB	Banco PINE	CDI + 08.47% p.a.	1,313	1,364	1,313	1,364
CCB	CHB	CDI + 10.5% p.a.	-	2,693	-	2,693
Others	Others	N/A	-	-	1,173	839
			14,574	**6,329**	**26,917**	**18,773**
Current			**4,057**	**4,800**	**16,400**	**16,405**
Noncurrent			**10,517**	**1,529**	**10,517**	**2,368**

The balances by maturity year are as follows:

	Parent company		Consolidated	
Year	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
2020	1,249	4,800	13,592	16,405
2021	4,237	917	4,237	1,756
2022	3,904	612	3,904	642
2023	3,417	-	3,417	-
2023	1,767	-	1,767	-
	14,574	6,329	26,917	18,803

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 the accounting standards in effect, 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.

In thousands of Brazilian Reais, unless otherwise stated

- 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	1,249	Accounting effect (cost/expense)	81	101	122
2021	4,237	Accounting effect (cost/expense)	275	343	415

			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	13,592	Accounting effect (cost/expense)	883	1,101	1,332
2021	4,237	Accounting effect (cost/expense)	275	343	415

12 Trade accounts payable

	Parent company		Consolidated	
Maturity	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Overdue	45	11	4,306	1,619
Falling due in up to 30 days	305	189	12,639	4,984
Falling due between 31 and 60 days	-	3	393	259
Falling due between 61 and 90 days	-	-	779	172
Falling due between 91 and 120 days	-	-	108	235
Falling due between 121 and 180 days	-	-	513	44
Falling due after 180 days	-	-	254	892
Total falling due	305	192	14,686	6,586
	350	**203**	**18,992**	**8,205**

13 Labor and tax liabilities

	Parent company		Consolidated	
Description	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Tax liabilities	501	501	503	503
Labor liabilities	148	139	308	198
Taxes withheld at source	17	8	699	388
Special Tax Regime (RET) - Current	-	-	1,746	514
RET - Deferred	-	-	1,709	1,430
	666	**648**	**4,965**	**3,033**
Current	**666**	**648**	**3,256**	**1,603**
Noncurrent	**-**	**-**	**1,709**	**1,430**

In thousands of Brazilian Reais, unless otherwise stated

14 Accounts payable

Description	Parent company September 30, 2020	Parent company December 31, 2019	Consolidated September 30, 2020	Consolidated December 31, 2019
Acquisition of ownership interest (i)	11,918	11,802	11,918	11,802
Commission on plots of land	-	-	500	500
Contingencies (Civil/Labor) (ii)	8	8	8	1,049
Contract cancellations payable	-	-	650	487
Others	1,411	1,730	1,413	1,744
	13,337	**13,540**	**14,489**	**15,582**
Current	**8,426**	**13,540**	**9,078**	**15,082**
Noncurrent	**4,911**	**-**	**5,411**	**500**

(i) This value consists of: R$ 3,931 related to the acquisition of the company Residencial Parque do Carmo SPE Ltda. (R$ 2,930 as at December 31, 2019), which will be paid through promissory notes and; R$ 7,361 related to the debt balance for the acquisition of contractual rights, described in Note 6, generated by the conclusion of the agreement for the acquisition of the 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 proceedings. 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 provision recognized in Consolidated amounting to R$ 2,040 (R$ 1,049 as at December 31, 2019) refers to civil and labor proceedings in progress, whose likelihood of loss is considered probable by the Company's legal counselors. In addition to the referred amount, R$ 12,431 (R$ 6,129 as at December 31, 2019) were not computed also due to labor and civil lawsuits, assessed by the Company's legal counselors as possible loss, which is the reason why Management did not record this amount in the interim financial information.

15 Advances from customers and others

Description	Parent company September 30, 2020	Parent company December 31, 2019	Consolidated September 30, 2020	Consolidated December 31, 2019
Advances from customers - real estate developments	-	-	9,180	15,847
Advances from customers - bartered units	-	-	10,941	11,116
Creditors from acquired properties	1,042	2,942	119,045	152,176
Barters (*)	5,574	5,680	78,669	78,776
Others	-	-	2,200	2,393
	6,616	**8,622**	**220,035**	**260,308**
Current	**6,616**	**8,622**	**49,427**	**232,374**
Noncurrent	**-**	**-**	**170,608**	**27,934**

In thousands of Brazilian Reais, unless otherwise stated

(*) In certain land acquisition transactions, the Company conducted the barter with units to build. These barters were recorded at fair value as land bank for development 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.

16 Debentures

	Parent company		Consolidated	
Type	**September 30, 2020**	**December 31, 2019**	**September 30, 2020**	**December 31, 2019**
Debentures	32,897	32,897	32,897	32,897
(-) Amortization	(15,378)	(4,810)	(15,378)	(4,810)
Interest on debentures	6,058	5,913	6,058	5,913
	23,577	**34,000**	**23,577**	**34,000**
Current	**15,188**	**23,442**	**15,188**	**23,442**
Noncurrent	**8,389**	**10,558**	**8,389**	**10,558**

On April 04, 2017, the Company obtained approval for its first program for the 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 Broad National 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 on September 2022.

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

The Company and its controlled companies have 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 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 working 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 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 thousands of Brazilian Reais, unless otherwise stated

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

17 Provisions

	Consolidated	
Description	**September 30, 2020**	**December 31, 2019**
Provision for guarantee (i)	2,379	1,509
Provision for contingencies	2,040	-
	4,419	**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 consists of one million (1,000,000) shares, fully paid-in, and distributed as follows:

	September 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. transfers 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 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 per share:

In thousands of Brazilian Reais, unless otherwise stated

	September 30, 2020	December 31, 2019
Income for the year (in Brazilian Reais)	19,406,000	27,515,000
Number of shares	1,000,000	1,000,000
	19,406	**27,515**

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 earnings per share and diluted earnings 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 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 income for the year as a gain or loss only upon the 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	**September 30, 2020**	**September 30, 2019**
Revenue from properties	139,051	110,147
Cancelled sales	(683)	(958)
Gross operating revenue	**138,368**	**109,189**
Taxes levied	(2,632)	(3,969)
Net operating revenue	**135,736**	**105,220**
Costs relating to land, development and construction	(88,243)	(67,440)
Gross profit	**47,493**	**37,780**
Gross margin percentage - %	35.0%	35.9%

In thousands of Brazilian Reais, unless otherwise stated

20 Expenses by nature

	Parent company		Consolidated	
Description	**September 30, 2020**	**September 30, 2019**	**September 30, 2020**	**September 30, 2019**
Selling expenses				
Commissions	-	-	(3,115)	(3,086)
Advising and consulting	(90)	(79)	(180)	(148)
Advertising and publicity	(15)	(67)	(3,058)	(1,457)
Expenses on sales stands and show apartments	-	-	(411)	(1,277)
Rent expenses	-	-	(354)	(215)
Other selling expenses	(87)	(41)	(551)	(198)
	(192)	(187)	(7,669)	(6,381)
General and administrative expenses				
Advising and consulting	(4,544)	(2,109)	(5,612)	(3,309)
Personnel expenses	(2,678)	(759)	(2,681)	(768)
Rent expenses	(128)	(469)	(166)	(469)
Expenses on office materials	(330)	(278)	(486)	(394)
Depreciation	(250)	(335)	(253)	(337)
Expenses on notary’s office and registry	(26)	(28)	(173)	(326)
Provision for contingencies	-	-	(999)	(217)
Insurance	-	-	(365)	(1,015)
Other administrative expenses	(296)	(187)	(1,183)	(1,206)
	(8,252)	(4,165)	(11,918)	(8,041)
	(8,444)	(4,352)	(19,587)	(14,422)

21 Real estate projects under development

Description	**September 30, 2020**	**December 31, 2019**
Unrecognized contracted sales (Note 4)	211,011	192,768
Contributions on sales	(8,440)	(7,711)
	202,571	**185,057**
Cost to incur of units sold	(127,639)	(137,445)
	74,932	**47,612**
Percentage of unrecognized gross margin	37.0%	25.7%

In thousands of Brazilian Reais, unless otherwise stated

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

Description	September 30, 2020	December 31, 2019
Recognized revenue	326,109	190,571
Contributions on revenues	(13,044)	(7,632)
	313,065	**182,939**
Appropriated cost	(219,249)	(130,528)
Gross profit	**93,816**	**52,411**
Recognized gross margin - %	29.97%	28.65%

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

Description	September 30, 2020	December 31, 2019
Sold units under construction	127,639	137,445
Not sold units under construction	51,943	50,961
Budgeted cost to be incurred	**179,582**	**188,406**
Inventory - Real estate under construction	36,795	39,143
Total cost to be recognized in the future	**216,377**	**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.

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 their 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 which ballast the financial assets and liabilities, through fixed rates.

Market risk

Market risk results from the possibility of fluctuations in the market prices of the raw materials and inputs used in the construction process of real estate units. These price fluctuations may cause significant changes in the costs of the Company's 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 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, accounts receivable and 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 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 dismissal 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 redirect our sales force to serve our client at a distance, expanding the online dissemination of the projects, through applications and social networks and maintain daily contact with the 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 we have made frequent guidelines in an attempt 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 registration with government incentive packages to preserve cash and to increase in the Company’s liquidity index.

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

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

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