

Quarterly Information (ITR)

Direcional Engenharia S.A.

March 31, 2021

with Independent Auditor's Review Report

Direcional Engenharia S.A.

Interim financial information

March 31, 2021

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A free translation from Portuguese into English of Independent auditor's review report on interim financial information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting and the accounting practices adopted in Brazil

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Independent auditor's review report on interim financial information

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To the Shareholders, Board of Directors and Officers of
Direcional Engenharia S.A.
Belo Horizonte, Minas Gerais (MG)

Introduction

We have reviewed the individual and consolidated interim financial information contained in the Quarterly Information Form (ITR) of Direcional Engenharia S.A. for the quarter ended March 31, 2021, which comprises the statement of financial position as at March 31, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, and notes to the financial statements, including a summary of significant accounting policies.

Management is responsible for the preparation of the individual interim financial information in accordance with NBC TG 21 – Interim Financial Statements and of consolidated interim financial information in accordance with NBC TG 21 and international standard IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), applicable to Brazilian real estate development entities registered with the Brazilian Securities and Exchange Commission (CVM), as well as for the fair presentation of this information in conformity with the standards issued by the CVM applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

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



Conclusion on the individual and consolidated interim financial information prepared in accordance with the accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities registered with the CVM

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above is not fairly prepared, in all material aspects, in accordance with NBC TG 21 and IAS 34 applicable to Brazilian real estate development entities registered with the Brazilian SEC (CVM), and presented consistently with the rules issued by the CVM.

Emphasis of matters

Revenue recognition in purchase and sale agreements for real estate units under construction

As described in Note 2, the individual and consolidated interim financial information was prepared in accordance with NBC TG 21 and IAS 34, applicable to Brazilian real estate development entities registered with the CVM. Accordingly, determination of the accounting policy adopted by the entity for revenue recognition in purchase and sale agreements for real estate units under construction, as regards transfer of control, follows the understanding of Company management as to application of NBC TG 47, in line with the understanding expressed by CVM in CVM/SNC/SEP Circular Memorandum No. 02/2018. Our conclusion is not qualified in respect of this matter.



Other matters

Statements of value added

The quarterly information referred to above include the individual and consolidated Statements of Value Added (SVA) for the three-month period ended March 31, 2021, prepared under the responsibility of Company management and presented as supplementary information for IAS 34 purposes applicable to Brazilian real estate development entities registered with the CVM. These statements were subject to review procedures conducted jointly with the review of the quarterly information for the purpose of concluding whether they are reconciled with the interim financial information and accounting records, as applicable, and whether their form and content are in accordance with the criteria defined in NBC TG 09 – Statement of Value Added. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, pursuant to the criteria set forth in this Accounting Pronouncement and consistently with the overall individual and consolidated interim financial information.

Belo Horizonte, May 10, 2021.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

Rogério Xavier Magalhães
Accountant CRC-1MG080613/O-1

A free translation from Portuguese into English of interim financial information prepared in Brazilian currency in accordance with NBC TG 21 and IAS 34 - Interim Financial Reporting and the accounting practices adopted in Brazil

Direcional Engenharia S.A.

Statements of financial position
March 31, 2021 and December 31, 2020
(In thousands of reais)

	Note	Individual		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
Current assets					
Cash and cash equivalents	3.1	389,378	416,630	801,483	731,569
Short-term investments	3.2	172,388	194,246	173,497	195,360
Accounts receivable	4.1	9,272	6,540	253,720	246,717
Inventories	5	577	1,369	1,317,059	1,268,195
Receivables from related parties	6.1	146,221	47,417	41,871	37,363
Taxes recoverable		11,676	11,051	22,247	21,185
Accounts receivable from divestiture	4.2	-	40,000	10,000	50,000
Other receivables		68,005	72,499	114,882	115,943
Total current assets		797,517	789,752	2,734,759	2,666,332
Noncurrent assets					
Accounts receivable	4.1	674	765	175,638	128,727
Inventories	5	64,869	72,457	1,999,969	2,071,074
Receivables from related parties	6.1	-	-	1,636	1,636
Judicial deposits		9,177	9,064	15,626	15,928
Accounts receivable from divestiture	4.2	30,827	30,685	30,827	30,685
Other receivables		10,132	10,004	10,341	10,214
Investments	7	1,451,731	1,457,058	77,661	73,064
Property and equipment	8	58,430	62,583	84,771	89,594
Intangible assets		17,753	12,988	18,879	14,155
Total noncurrent assets		1,643,593	1,655,604	2,415,348	2,435,077
Total assets		2,441,110	2,445,356	5,150,107	5,101,409

	Note	Individual		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
Current liabilities					
Loans and financing	9.1	191,687	217,365	193,649	219,061
Trade accounts payable		6,096	5,615	80,266	90,086
Labor obligations	10	13,112	9,637	31,737	28,253
Tax obligations	11	668	663	21,877	25,227
Lease financing	9.2	8,858	9,190	9,564	9,887
Real estate commitments payable	12	-	-	79,438	77,434
Advances from customers	13	-	2,362	20,672	22,249
Other accounts payable	14	66,378	25,086	72,553	49,536
Provision for guarantees	15.1	2,829	3,687	27,605	27,377
Payables to related parties	6.1	15,608	14,605	18,588	23,022
Total current liabilities		305,236	288,210	555,949	572,132
Noncurrent liabilities					
Loans and financing	9.1	781,339	797,751	883,530	812,107
Trade accounts payable		333	1,915	4,611	17,368
Provision for guarantees	15.1	1,037	557	12,318	11,530
Tax obligations	11	45	36	3,849	3,594
Lease financing	9.2	27,816	29,199	28,194	29,679
Real estate commitments payable	12	62,000	69,577	1,879,443	1,878,215
Advances from customers	13	380	380	373,026	372,800
Provision for tax, labor and civil contingencies	15.2	3,500	4,329	26,278	29,142
Other accounts payable	14	7,922	8,844	33,922	34,844
Payables to related parties	6.1	18,246	18,246	-	-
Total noncurrent liabilities		902,618	930,834	3,245,171	3,189,279
Equity					
Capital	16.1	752,982	752,982	752,982	752,982
Capital reserves	16.3	208,484	208,484	208,484	208,484
Stock options granted		982	4,050	982	4,050
Equity adjustment		(18,470)	(19,023)	(18,470)	(19,023)
Treasury shares		(68,856)	(52,129)	(68,856)	(52,129)
Income reserves	16.4	358,134	331,948	358,134	331,948
		1,233,256	1,226,312	1,233,256	1,226,312
Noncontrolling interests					
		-	-	115,731	113,686
		1,233,256	1,226,312	1,348,987	1,339,998
Total liabilities and equity					
		2,441,110	2,445,356	5,150,107	5,101,409

See accompanying notes.

Direcional Engenharia S.A.

Statements of profit or loss
 Periods ended March 31, 2021 and 2020
 (In thousands of reais, unless otherwise stated)

	Note	Individual		Consolidated	
		03/31/2021	03/31/2020	03/31/2021	03/31/2020
Net revenue	17	12,646	11,665	413,885	291,469
Cost of real estate sold and services rendered	18	(2,511)	(7,178)	(266,217)	(187,383)
Gross profit		10,135	4,487	147,668	104,086
Operating income (expenses)					
General and administrative expenses	18	(25,317)	(28,164)	(30,477)	(31,324)
Selling expenses	18	(529)	(1,541)	(42,750)	(34,711)
Equity pickup	7	62,945	49,116	2,704	742
Other operating income (expenses)	-	(2,345)	(2,478)	(12,797)	(4,480)
		34,754	16,933	(83,320)	(69,773)
Finance costs	19	(25,201)	(18,866)	(29,111)	(19,997)
Finance income	19	7,433	7,610	8,829	9,304
Finance income (costs)	19	(17,768)	(11,256)	(20,282)	(10,693)
Income (loss) before income and social contribution taxes		27,121	10,164	44,066	23,620
Income and social contribution taxes	20	(15)	(112)	(7,956)	(5,897)
Net income (loss) for the period		27,106	10,052	36,110	17,723
Net income (loss) attributable to					
Direcional Engenharia S.A.		27,106	10,052	27,106	10,052
Noncontrolling interests in SPEs and SCPs		-	-	9,004	7,671
Earnings per share					
Basic		0.19	0.07		
Diluted		0.18	0.07		

See accompanying notes.

Direcional Engenharia S.A.

Statements of comprehensive income
Periods ended March 31, 2021 and 2020
(In thousands of reais)

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Net income for the period	27,106	10,052	36,110	17,723
Total comprehensive income for the period	27,106	10,052	36,110	17,723
Attributable to:				
Company shareholders			27,106	10,052
Noncontrolling interests			9,004	7,671
			36,110	17,723

See accompanying notes.

Direcional Engenharia S.A.

Statements of changes in equity
 Periods ended March 31, 2021 and 2020
 (In thousands of reais)

	Attributable to Company shareholders										Consolidated equity	
	Note	Capital reserves				Income reserves				Individual equity		Noncontrolling interests
		Capital	Treasury shares	Shares issued/ disposed of	Stock options granted	Equity adjustment	Legal	For investments	Retained earnings/ accumulated losses			
Balances at December 31, 2019 (restated)		752,982	(32,076)	208,484	5,951	(18,679)	30,370	309,895	-	1,256,927	112,417	1,369,344
Capital increase by noncontrolling shareholders	16.6	-	-	-	-	-	-	-	-	-	5,058	5,058
Net income (loss) for the period		-	-	-	-	-	-	-	10,052	10,052	7,671	17,723
Disposal of treasury shares	16.2	-	2,782	-	(2,645)	-	-	-	(137)	-	-	-
Adjustment – previous periods	16.7	-	-	-	-	-	-	-	(924)	(924)	-	(924)
Transactions with noncontrolling shareholders	16.6	-	-	-	-	(408)	-	-	-	(408)	-	(408)
Balances at March 31, 2020 (restated)		752,982	(29,294)	208,484	3,306	(19,087)	30,370	309,895	8,991	1,265,647	125,146	1,390,793
Balances at December 31, 2020		752,982	(52,129)	208,484	4,050	(19,023)	36,022	295,926	-	1,226,312	113,686	1,339,998
Stock options recognized	16.3	-	-	-	541	-	-	-	-	541	-	541
Capital reduction by noncontrolling shareholders	16.6	-	-	-	-	-	-	-	-	-	(6,959)	(6,959)
Net income (loss) for the period		-	-	-	-	-	-	-	27,106	27,106	9,004	36,110
Dividends proposed	16.4.3	-	-	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	16.2	-	4,527	-	(3,609)	-	-	-	(920)	(2)	-	(2)
Share buyback		-	(21,254)	-	-	-	-	-	-	(21,254)	-	(21,254)
Transactions with noncontrolling shareholders	16.6	-	-	-	-	553	-	-	-	553	-	553
Balances at March 31, 2021		752,982	(68,856)	208,484	982	(18,470)	36,022	295,926	26,186	1,233,256	115,731	1,348,987

See accompanying notes.

Direcional Engenharia S.A.

Statements of cash flows

Periods ended March 31, 2021 and 2020

(In thousands of reais)

	Individual		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Cash flows from operating activities				
Income before income and social contribution taxes	27,121	10,164	44,066	23,620
Adjustments to reconcile net income to cash from operating activities				
Depreciation and amortization	4,798	4,122	12,168	9,276
Equity pickup	(62,945)	(49,116)	(2,704)	(742)
Provision for guarantees	86	(401)	6,027	888
Interest on charges and financing	18,007	15,273	19,919	16,917
Exchange differences on loans and financing	1,098	-	1,098	-
Provision for tax, labor and civil contingencies	(655)	(531)	1,009	(4,570)
Gains (losses) on barter transactions	-	-	(6,984)	(318)
Gains (losses) on sale of equity interest	(142)	(337)	(142)	(323)
Present value adjustment on accounts receivable	-	-	2,436	744
Present value adjustment on lease financing	602	679	616	684
Adjustment to net recoverable amount of finished inventories	-	-	(79)	-
Allowance for doubtful accounts	-	-	2,864	4,265
Provision for stock option plan	541	-	541	-
Provision for profit sharing	2,454	2,305	3,089	2,305
Increase (decrease) in assets				
Accounts receivable	(2,641)	(1,649)	(59,214)	9,943
Inventories	798	489	71,187	(5,013)
Sundry receivables	4,366	(6,178)	934	(9,141)
Transactions with related parties	(8,698)	10,417	(4,257)	8,208
Judicial deposits	(113)	(166)	302	(554)
Taxes recoverable	(625)	633	(1,062)	544
(Decrease) increase in liabilities				
Trade accounts payable	(1,816)	(12,147)	(23,720)	(16,856)
Labor obligations	1,021	(327)	395	1,929
Tax obligations	(1)	(3)	(1,613)	(1,773)
Real estate commitments payable	-	-	(39,942)	(50,467)
Advances from customers	(2,362)	(2,142)	(868)	14,341
Accounts payable	40,370	(6,848)	22,095	(2,865)
Provision for tax, labor and civil contingencies	(174)	-	(3,873)	-
Transactions with related parties	1,003	(1,192)	(4,434)	(5,132)
Construction guarantee	(464)	-	(5,011)	-
Income and social contribution taxes paid	-	(97)	(9,438)	(8,402)
Net cash flows from (used in) operating activities	21,629	(37,052)	25,405	(12,492)

Direcional Engenharia S.A.

Statements of cash flows (Continued)
 Periods ended March 31, 2021 and 2020
 (In thousands of reais)

	Individual		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Cash flows from investing activities				
Increase (decrease) in investments (SPCs and SPEs)	(60,306)	7,441	(6,788)	731
Dividends received	42,912	38,612	4,895	296
Disposal of equity interests	40,000	8,900	40,000	9,900
Additions to property and equipment	(153)	246	(2,392)	6
Property and equipment leased	-	(1,041)	-	(1,346)
Additions to intangible assets	(6,756)	3,833	(6,787)	3,890
Short-term investments	21,858	(27,917)	21,863	(10,935)
Net cash flows from (used in) investing activities	37,555	30,074	50,791	2,542
Cash flows from financing activities				
Share buyback	(21,254)	-	(21,254)	-
Additions to lease financing	-	1,041	-	1,346
Amortization of lease financing	(2,190)	(2,057)	(2,297)	(2,100)
Interest paid on leases	(127)	(67)	(127)	(67)
New borrowings	(7)	42,386	100,438	113,520
Repayment of borrowings	(53,079)	(2,074)	(65,538)	(42,686)
Interest paid	(10,332)	(6,271)	(11,098)	(7,002)
Capital increase (decrease) by noncontrolling shareholders	553	(408)	(6,406)	4,650
Net cash flows from (used in) financing activities	(86,436)	32,550	(6,282)	67,661
Increase in cash and cash equivalents	(27,252)	25,572	69,914	57,711
Cash and cash equivalents				
At beginning of period	416,630	337,067	731,569	533,795
At end of period	389,378	362,639	801,483	591,506

See accompanying notes.

Direcional Engenharia S.A.

Statements of value added
 Periods ended March 31, 2021 and 2020
 (In thousands of reais)

	Individual		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Revenue				
Real estate sold and services rendered	14,049	12,876	444,311	320,234
Other operating income (expenses)	(2,345)	(2,478)	(12,797)	(4,480)
Allowance for doubtful accounts – reversal (set-up)	-	-	(2,864)	(4,265)
	11,704	10,398	428,650	311,489
Inputs acquired from third parties				
Raw materials used	(2,484)	(5,792)	(212,952)	(149,938)
Materials, electricity, outsourced services and other operating expenses	(1,932)	(3,707)	(5,831)	(5,857)
Other	(2,509)	(4,683)	(43,812)	(37,917)
	(6,925)	(14,182)	(262,595)	(193,712)
Gross value added	4,779	(3,784)	166,055	117,777
Depreciation and amortization, net	(4,798)	(4,122)	(12,168)	(9,276)
Net value added generated by the Company	(19)	(7,906)	153,887	108,501
Value added received in transfer				
Equity pickup	62,945	49,116	2,704	742
Finance income	7,433	7,610	8,829	9,304
	70,378	56,726	11,533	10,046
Total value added to be distributed	70,359	48,820	165,420	118,547
Distribution of value added				
Personnel	16,634	18,580	63,395	48,947
Taxes, charges and contributions	1,418	1,322	35,517	30,397
Debt remuneration	25,201	18,866	30,398	21,480
Retained earnings (accumulated losses)	27,106	10,052	27,106	10,052
Portion of P&L attributed to noncontrolling shareholders	-	-	9,004	7,671
	70,359	48,820	165,420	118,547

See accompanying notes.

Direcional Engenharia S.A.

Notes to interim financial information
March 31, 2021
(In thousands of reais, unless otherwise stated)

1. Operations

Direcional Engenharia S.A. (“Direcional” or “Company”) is a publicly-held company headquartered in Belo Horizonte, Minas Gerais state, with shares traded on B3, under ticker symbol DIRR3.

Direcional is a real estate development and construction company engaged in developing medium low-income-oriented projects through its wholly-owned subsidiary Riva, primarily in the Northern, Northeastern, Midwestern and Southeastern regions of Brazil. Over its 40 years’ experience in developing and building low-income-oriented projects, the Company established a verticalized structure and a standardized and industrial construction process, which has allowed the construction of projects with high operational efficiency.

The Company carries out its development and construction activities through Silent Partnerships (SCPs) and Special Purpose Entities (SPEs) used in the normal course of business with a view to establishing partnerships, allowing the individual monitoring of projects, facilitating new financing lines for production as well as financial accounting control. The SCPs and the SPEs operate exclusively in the real estate sector, and in most cases are linked to a specific project.

On May 10, 2021, the Company’s Board of Directors approved this interim financial information and authorized its disclosure.

1.1. COVID-19 analysis

In March 2020, the World Health Organization (WHO) declared a state of pandemic due to the novel coronavirus, COVID-19. This disease spread rapidly around the world, which led governments and private sector entities to adopt social isolation measures in order to curb the pandemic.

To deal with this unexpected situation, Company management created a crisis committee, comprised of Executive Board members, to address the matters relating to COVID-19. This committee continuously monitors the news about this matter in the media and from government authorities, so as to define the best strategy for keeping all employees safe, in the first place, and for Company business to be appropriately performed.

All measures adopted also aim at preserving, to the highest extent possible, all the ecosystem involved in the business, i.e. from Company employees to the suppliers and service providers.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

In general terms, these measures are as follows:

Safety measures

Procedures in construction sites

For our construction workers to be kept safe and appropriately perform their roles, the following procedures became mandatory: before entering the construction site, measuring the employee's or visitor's temperature (this procedure is repeated after lunch), wearing appropriate protection masks (mandatorily during the entire work shift), hand hygiene procedures (inputs provided by the Company), daily screening by a security technician and counting on the recurring presence of a nurse technician in each regional office to assess the employees' health. Construction sites are well-ventilated and spacious, which enables Company employees to maintain the appropriate security distancing suggested by WHO. In addition to the IPE items usually provided to each employee, the Company delivered hygiene kits containing soap, detergent and toilet paper every week.

Common spaces such as canteens, water fountains and dressing rooms in work sites are sanitized at least 4 times a day. For the hygiene of work tools, the Company provides 70% alcohol, disinfectants and bleach. Work and meal times are also more flexible in order to prevent crowds.

Procedures in the administrative office

For the safety and proper performance of administrative activities, we made the working schedule more flexible for main office workers. Employees whose activities do not require their physical presence in the Company's main office as well as professionals belonging to risk groups began to work from home.

We provided masks to all employees, whose must wear them during their working hours, and 70% alcohol in all floors and restrooms. Work stations and the building's common areas are sanitized at least twice a day. Additionally, the employees' temperature is measured twice a day. The employees that display any COVID-19 symptoms are released from work and take the appropriate tests and, if necessary, go into quarantine.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

1. Operations (Continued)

1.1. COVID-19 analysis (Continued)

Safety measures (Continued)

Procedures in the administrative office (Continued)

During the 1st quarter of 2021, the city of Belo Horizonte adopted lockdown measures to curb the spread of Covid-19. At the administrative headquarters, 70% of employees started working from home.

Cash protection

With a view to reinforcing Company cash in these unstable times, the Board of Directors approved the 1st issue of commercial promissory notes amounting to R\$100,000 over a one-year period at the CDI+4% p.a. rate. On June 16, 2020, the Company took out another longer line of credit of R\$100,000, at a more attractive rate (CDI+2.5% p.a.) and settled the previously contracted promissory notes. On September 21, the Company carried out the 6th issue of Debentures where the total nominal value was R\$250,000 maturing on September 21, 2025 at the CDI rate + 2.85%.

From March to August 2020, the working hours of administrative employees was also changed, leading to significant reduction in the work volume. Employees were put on furlough in locations where, due to a state or municipal decree, we are not allowed to operate, in accordance with the guidance set out by Provisional Executive Order No. 936/2020. In September, all employees resumed work full-time.

In the first quarter of 2021, there was no need to raise additional credit to protect cash due to the pandemic in addition to credit usually raised to maintain the Company's activities.

Analysis of impacts on the business

Management carefully considers the information available and government decisions in Company decision-making process. Its activities are classified as essential and, as such, the construction sites operating normally. In the state of Ceará, due to a state decree, activities were suspended from April 20 to May 29, 2020, resuming in June. Prudently, we took all safety measures required, both in the construction sites and in our main office, with a view to protecting the health of our employees.

In the 1st quarter of 2021, due to the increasingly spread of COVID, several states and municipalities

1. Operations (Continued)

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

1.1. COVID-19 analysis (Continued)

adopted tougher measures to curb the virus, lockdown being one of them. In the city of Manaus, construction work was interrupted from January 25 to February 11. In the city of São Paulo, construction work was interrupted from March 26 to April 5. In the city of Ribeirão Preto, construction work was interrupted from March 17 to March 19.

Safety measures (Continued)

Analysis of impacts on the business (Continued)

In the first quarter of 2021, the Company's net sales increased by 44% compared to net sales in the same period of 2020. We believe that the strong sales performance is due to the Company's business model focused on the Casa Verde Amarela (CVA) Program (former MCMV Program), in which the transfer from the customer to the financing agent occurs at the time of sale during the construction work (associative method) and not at the end of the project, allowing the shortening of the business financial cycle and reducing the impacts on the operation's cash flow. In addition, there was no restriction on bank credit for the sector. Stands and points of sale were gradually opened and the Company is working hard on the online digital sales channels. There was no significant increase in the Company's defaults in the period.

Social cooperation

The Company is inserted in the social context of the cities where it develops its projects. As such, we believe in the large social impact that safe and decent housing represents for a family. Therefore, we are sparing no efforts to maintain our Company operational, always keeping in mind all WHO recommendations and prioritizing our employees' health.

1.2. Going concern

Management assessed the Company's ability to continue as a going concern and is comfortable with its financial and operating position. It is not aware of any significant uncertainty that could put its operational capacity at risk. Accordingly, this interim financial information was prepared based on the going concern assumption.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices and policies and statement of compliance

The individual and consolidated interim financial information was prepared in accordance with CPC 21 (R1) - Interim Financial Statements and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), including the pronouncements issued by the Brazilian Financial Accounting Standards Board (CPC) and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). Accordingly, all relevant information in the interim information is being disclosed and corresponds to the information used in managing the Company.

The accounting practices adopted in the accompanying interim financial information are consistent with those described in Note 2 to Company financial statements for the year ended December 31, 2020, as filed with the CVM. The accounting practices were consistently applied in the periods presented.

2.1. Restatement of the individual and consolidated interim financial information as of March 31, 2020

As of March 31, 2021, the Company made accounting reclassifications related to the recognition of the matching plan. As described in Note 22, the matching plan is a program that grants the right to purchase shares and grants incentive shares to management and employees of the Company and/or of the SPEs in which the Company holds interest ("beneficiaries"), previously selected by the Board of Directors, with the objective of attracting, motivating and retaining such professionals, as well as aligning their interests with those of the Company and its shareholders.

The Company reclassified the amounts that were presented in the Capital reserves column – Shares issued/disposed of to the Capital reserves column – Options granted. The variation between the acquisition price of treasury shares and their disposal to plan beneficiaries was reclassified to the income reserves column.

These reclassifications did not result in an increase or decrease in the Company's equity.

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Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais, unless otherwise stated)

2. Summary of significant accounting practices and policies and statement of compliance (Continued)

2.1. Restatement of the individual and consolidated interim financial information as of March 31, 2020 (Continued)

For purposes of comparison, the balances as of March 31, 2020 are being restated, as shown below:

	Capital reserve								
	Issue / disposal of shares			Stock options granted			Income reserves		
	As originally stated	Adjustments	Restated	As originally stated	Adjustments	Restated	As originally stated	Adjustments	Restated
Balances at 12/31/2019	198,160	10,324	208,484	15,508	(9,557)	5,951	341,032	(767)	340,265
Disposal of treasury shares	(2,782)	2,782	-	-	(2,645)	(2,645)	-	(137)	(137)
Other changes	-	-	-	-	-	-	9,128	-	9,128
Balance at 03/31/2020	195,378	13,106	208,484	15,508	(12,202)	3,306	350,160	(904)	349,256

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Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

3. Cash and cash equivalents and short-term investments

3.1. Cash and cash equivalents

Description	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Cash and banks	1,808	1,563	268,571	217,303
Cash equivalents – short-term investments	387,570	415,067	532,912	514,266
Total	389,378	416,630	801,483	731,569

The Company's investments are made through investment funds or in transactions performed directly with first-tier financial institutions. The Company's policy is to invest resources in funds or directly in conservative, highly liquid financial instruments. The short-term investment yield is linked to the Interbank Deposit Certificate (CDI), bearing interest at rates ranging from 85% to 109.92% of the CDI as of March 31, 2021. The average gross profitability in the last 12 months of the Company's short-term investments was 97.97% of the CDI.

3.2. Short-term investments

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Investment in Financial Treasury Bills (government bonds)	133,527	97,507	134,386	128,391
Financial Bills (private securities)	38,861	96,739	39,111	66,969
Total	172,388	194,246	173,497	195,360

The Company invests in funds limited to the Group companies, managed by first-tier banks, aimed at ensuring investments in conservative instruments that ensure capital preservation. The funds set up are intended to monitor the variation of the Interbank Deposit Certificate (CDI), with investments in fixed income securities, government bonds of other financial institutions, and open-ended investment funds, which provide liquidity and allow the best financial return within the pre-established risk limits.

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Notes to interim financial information (Continued)
 March 31, 2021
 (In thousands of reais, unless otherwise stated)

4. Accounts receivable

4.1. Accounts receivable from operations

Accounts receivable for real estate development	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Completed units	4,296	3,499	160,776	176,015
Incomplete units	-	-	264,836	192,288
Receivables for land sold	-	-	1,497	1,425
(-) Allowance for doubtful accounts	-	-	(19,894)	(17,030)
(-) Adjustment to present value	-	-	(7,138)	(4,702)
	4,296	3,499	400,077	347,996
Accounts receivable for services rendered				
Real estate intermediation	-	-	912	923
Firm-price construction contract	4,492	3,623	27,079	25,170
Other services	1,158	183	1,290	1,355
	5,650	3,806	29,281	27,448
	9,946	7,305	429,358	375,444
Current	9,272	6,540	253,720	246,717
Noncurrent	674	765	175,638	128,727

The Company recognizes allowance for doubtful accounts and changes in the year were as follows:

	12/31/2020	(-) Allowance	(+) Reversal	03/31/2021
Changes in allowance for doubtful accounts	(17,030)	(4,594)	1,730	(19,894)

Because of the revenue recognition criteria, the balance of trade accounts receivable from incomplete units sold is not fully reflected in the interim financial information since its recording is limited to the portion of revenue recognized, net of installments already received. Balances receivable not recognized in the interim financial information are presented in Note 17 (a).

The Company calculated the present value of accounts receivable for incomplete units and recorded the amount considering the average discount rate of 3.69% p.a., which is represented by the average funding rate of loans and financing, less inflation.

Trade receivables from real estate sales are restated according to the Brazilian Construction Cost Index (INCC) variation until the occupancy permit has been registered. After the occupancy permit is registered, these amounts are mostly restated by reference to IPCA, bearing interest of 12% p.a.

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Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.1. Accounts receivable from operations (Continued)

On December 15, 2020 the Company entered into a Real Estate Credit Assignment agreement, through its subsidiaries, with True Securitizadora S.A. The net value of the transaction was of R\$116,968. At March 31, 2021, the balance receivable related to this transaction was R\$156.

On March 30, 2021 the Company entered into a new Real Estate Credit Assignment agreement, through its subsidiaries, with ISEC Securitizadora S.A. The net value of the transaction was of R\$38,920.

At March 31, 2021 and December 31, 2020, the aging list of trade receivables from real estate development and services rendered, recorded in current assets, is as follows:

	Consolidated	
	03/31/2021	12/31/2020
Falling due		
Up to 3 months	116,526	120,965
From 3 to 6 months	43,227	25,179
From 6 to 9 months	48,423	25,401
From 9 months to 1 year	11,520	36,136
	219,696	207,681
Overdue		
Up to 1 month	9,870	13,293
From 1 to 2 months	905	917
From 2 to 3 months	935	4,201
From 3 to 4 months	1,599	1,671
From 4 to 6 months	844	754
Above 6 months	19,871	18,200
	34,024	39,036
	253,720	246,717

The maturity of amounts falling due, recorded in noncurrent assets at March 31, 2021 and December 31, 2020 is scheduled as follows:

	03/31/2021	12/31/2020
1-2 years	106,590	63,898
Up to 3 years	44,676	39,435
Up to 4 years	11,036	9,207
After 4 years	13,336	16,187
	175,638	128,727

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Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

4. Accounts receivable (Continued)

4.2. Other accounts receivable

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Accounts receivable for Disposal of units of interest	30,827	70,685	40,827	80,685
	30,827	70,685	40,827	80,685
Current	-	40,000	10,000	50,000
Noncurrent	30,827	30,685	30,827	30,685

On September 3, 2018, the Company sold Lago da Pedra Participações S.A. to a real estate investment fund for R\$183,156. The amount receivable for this sale at March 31, 2021 is R\$30,827, referring to the additional installment, with observance of the terms and conditions set forth in the agreement regarding the initial price adjustment, restated by the DI rate.

On May 24, 2019, the Company sold all the units of interest held in Linha Verde Participações Ltda. to LMN Empreendimentos e Participações Ltda. for R\$19,000, which will be paid in 19 fixed installments of R\$1,000. The last 10 installments are conditioned to issue of the construction permit in the land paid relating to the SPE sold, which is expected for the end of 2021. At March 31, 2021, the balance receivable is R\$10,000.

On December 30, 2020, the Company sold 51% of the interest held in Napoli Empreendimentos Imobiliários S.A., corresponding to 23,349,751 units of interest, to BDI Realty 05 Sociedade Patrimonial Ltda., for R\$40,000, settled on March 12, 2021.

5. Inventories

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Completed units	577	1,369	106,001	109,857
Units under construction	-	-	640,693	702,778
Land to be developed	64,869	72,457	2,570,334	2,526,634
	65,446	73,826	3,317,028	3,339,269
Current	577	1,369	1,317,059	1,268,195
Noncurrent	64,869	72,457	1,999,969	2,071,074

As of March 31, 2021, inventories of completed real estate units were submitted to impairment tests. The total balance of adjustment to realizable value in March 2021 is R\$3,518 (R\$3,597 in December 2020).

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Notes to interim financial information (Continued)
 March 31, 2021
 (In thousands of reais, unless otherwise stated)

5. Inventories (Continued)

	12/31/2020	(+) Adjustment to net recoverable amount	(-) Reversal of adjustment to net recoverable amount	03/31/2021
Individual	-	-	-	-
Subsidiaries	(3,597)	(4)	83	(3,518)
Consolidated	(3,597)	(4)	83	(3,518)

5.1. Capitalized interest

Interest incurred in connection with project financing is recorded under the captions “Units under construction” and “Completed units” in accordance with OCPC 01, and posted to P&L when the units are sold. At March 31, 2021, interest totaling R\$256 (R\$2,473 for the period ended December 31, 2020) was capitalized in the inventories account. The amount of R\$7,371 (R\$8,402 at December 31, 2020) remains capitalized in the inventories account, referring to unsold units. The average interest capitalization rate was 5.94% in March 2021 (5.98% for the year ended December 31, 2020). As at March 31, 2021 and December 31, 2020, there was no production financing in the individual financial statements.

6. Transactions with related parties

6.1. Related companies

Assets	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Receivables from venture partners in projects (a)	28,827	25,166	34,285	33,505
Checking account with ventures in projects (b)	117,394	22,251	9,222	5,494
	146,221	47,417	43,507	38,999
Current	146,221	47,417	41,871	37,363
Noncurrent	-	-	1,636	1,636
Liabilities	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Payables to venture partners in projects (a)	3,825	3,825	18,566	23,022
Checking account with ventures in projects (b)	30,029	29,026	22	-
	33,854	32,851	18,588	23,022
Current	15,608	14,605	18,588	23,022
Noncurrent	18,246	18,246	-	-

(a) Receivables and payables to venture partners: The Company carries out loan transactions with certain venture partners, generally noncontrolling shareholders of said SPEs. These transactions are settled upon completion of the construction work. These transactions are adjusted by reference to the CDI rate variation plus spread of up to 4.13% p.a. or by the IGPM plus spread of up to 1% p. m. These transactions are secured by the results obtained in the ventures, so that the partners' right to share such results is conditional upon settlement of the transactions. In 2020, the Company recognized allowance for expected credit losses of R\$5,240 referring to receivables from a specific partner. No additional provision was set up at March 31, 2021.

(b) These transactions refer exclusively to the contribution of funds for the construction of units, and are not subject to interest.

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Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

6. Transactions with related parties (Continued)

6.1. Related companies (Continued)

Profit or loss

The Company charters aircraft from ALVG Investimentos e Participações Ltda. (“ALVG”) for the transportation of executives during the performance of business-related activities. In the period ended March 31, 2021, the average monthly amount of R\$114 related to aircraft chartering was paid. ALVG is a company controlled by the same controlling group as that of Direcional.

On December 10, 2014, the Company performed a sale and lease back transaction of the property where its head office is located, through an agreement effective for 12 years, entered into with Fundo de Investimentos BRL Edifícios Comerciais, the buyer of this property. This transaction was approved by the Company’s Board of Directors and carried out at market value, as assessed by CB Richard Ellis (CBRE). In the period ended March 31, 2021, the average amount of R\$569 was paid monthly (December 31, 2020 - monthly amounts of R\$523) in connection with the property lease. This investment fund is controlled by the same controlling group as that of Direcional.

During assessment of the lease agreements for adoption of CPC 06 (R2)/IFRS 16, we identified that the lease agreement of the property met the requirements of the standard and, as such, the amount of the net debt discounted at the incremental rate of the Company’s loans on right-of-use assets was recognized against lease liabilities payable.

6.2. Key management personnel compensation

Total annual compensation of key management personnel (i) proposed by Company management for decision in the GSM that will take place on April 29, 2021; and (ii) paid in 2020 is as follows:

Proposal for 2021	2021			Total
	Board of Directors	Supervisory Board	Statutory Board	
Number of members (*)	7	3	6	16
Fixed annual compensation (R\$)	1,600	200	3,600	5,400
Variable compensation (R\$)	400	-	2,400	2,800
Share-based payment (R\$) (**)	40	-	3,160	3,200
	2,040	200	9,160	11,400

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Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

6. Transactions with related parties (Continued)

6.2. Key management personnel compensation (Continued)

Paid in 2020	2020			Total
	Board of Directors	Supervisory Board	Statutory Board	
Number of members (*)	7	3	5	15
Fixed annual compensation (R\$)	1,378	141	2,555	4,074
Variable compensation (R\$)	-	-	416	416
Share-based payment (R\$) (**)	13	-	1,028	1,041
	<u>1,391</u>	<u>141</u>	<u>3,999</u>	<u>5,531</u>

(*) The number of members of the Company's Board of Directors, Supervisory Board and Statutory Board was calculated in accordance with the provisions in CVM/SEP Circular Memorandum No. 02/2020.

(**) Share-based payment of Riva is made through the Company's stock option plan. The amount for 2020 was R\$323. The amount proposed for 2021 was R\$340.

Key management personnel also receive compensation through the stock option plan of the Company, as described in Note 22. The Company does not offer private pension plans or any post-employment pension or benefit plans.

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Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais, unless otherwise stated)

7. Investments

a) Changes in the most significant balances from December 31, 2020 to March 31, 2021

Subsidiaries	Interest held - %	12/31/2020	Dividends / amortization	Equity pickup	Capital subscription (reduction)/ Future capital contribution	03/31/2021
CANARIO ENGENHARIA LTDA.	99.00%	76,872	-	762	(846)	76,788
RIVA INCORPORADORA S/A	100.00%	157,432	-	(6,696)	(85,666)	65,070
RIO LARGO EMPREENDIMENTO IMOBILIÁRIOS LTDA	100.00%	30,440	-	61	18,581	49,082
BELLA MOEDA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	44,443	-	(1)	5	44,447
ÁGUA MARINHA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	90.00%	37,273	-	(416)	(65)	36,792
AZURITA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	35,891	-	(435)	149	35,605
ITAPEMA EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	99.90%	31,981	-	8,006	(4,830)	35,157
DIRECIONAL TAGUATINGA ENGENHARIA LTDA	100.00%	43,339	(13,429)	4,824	(1,714)	33,020
RIACHO BRANCO EMPREENDIMENTOS IMOBILIÁRIOS LTDA	95.87%	26,696	-	4,097	1,049	31,842
NOVA DIAMANTINA EMPREENDIMENTOS LTDA	100.00%	27,192	-	4,198	(218)	31,172
TARAUACA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	34,804	-	(2,095)	(2,248)	30,461
CONSTANTINA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	99.90%	24,949	-	1,480	2,514	28,943
DIRECIONAL SANTO ANTÔNIO EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	26,153	-	(4)	119	26,268
ALTO SANTO EMPREENDIMENTOS IMOBILIÁRIOS LTDA.	100.00%	26,472	-	682	(1,756)	25,398
ALTOS PILARES EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	10,840	-	2,156	11,367	24,363
MANAUARA VII EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	100.00%	21,127	-	(27)	302	21,402
ARAGUACEMA EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	14,290	-	1,081	5,776	21,147
JARDIM AMARALINA EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA.	50.00%	24,604	(1,475)	1,285	(4,243)	20,171
ALCOBAÇA CONSTRUÇÕES E EMPREENDIMENTOS IMOBILIÁRIOS SPE LTDA	100.00%	18,761	-	-	-	18,761
SÃO GOTARDO EMPREENDIMENTOS IMOBILIÁRIOS LTDA	100.00%	25,337	-	3,507	(10,301)	18,543
Other subsidiaries	-	645,583	(23,113)	37,895	44,469	704,834
Total – Subsidiaries:		1,384,479	(38,017)	60,360	(27,556)	1,379,266
Jointly-controlled entities (parent company)	-	72,579	(4,895)	2,585	2,196	72,465
Total - Individual		1,457,058	(42,912)	62,945	(25,360)	1,451,731
Jointly-controlled entities (parent company)	-	72,579	(4,895)	2,585	2,196	72,465
Jointly-controlled entities (subsidiaries)	-	485	-	119	4,592	5,196
Total - Consolidated		73,064	(4,895)	2,704	6,788	77,661

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Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais, unless otherwise stated)

7. Investments (Continued)

b) Breakdown of balances of subsidiaries and jointly-controlled entities at 03/31/2021

Subsidiaries	Interest held - %	Assets		Liabilities		Equity
		Current	Noncurrent	Current	Noncurrent	
Canario Engenharia Ltda.	100.00%	108,362	496	14,632	17,438	76,788
Riva Incorporadora S/A	100.00%	189,764	113,434	142,914	94,557	65,727
Rio Largo Empreendimento Imobiliários Ltda	100.00%	55,361	1,017	6,536	711	49,131
Bella Moeda Empreendimentos Imobiliários Ltda	100.00%	-	44,451	4	-	44,447
Água Marinha Empreendimentos Imobiliários Ltda	90.00%	23,705	20,560	3,079	306	40,880
Jardim Amaralina Empreendimentos Imobiliários Spe Ltda.	50.00%	59,975	2,593	21,124	1,550	39,894
Azurita Empreendimentos Imobiliários Ltda	100.00%	35,862	540	742	20	35,640
Tarauacá Empreendimentos Imobiliários Ltda	100.00%	26,173	6,948	2,423	206	30,492
Direcional Taguatinga Engenharia Ltda	100.00%	49,355	22,612	14,111	24,836	33,020
Riacho Branco Empreendimentos Imobiliários Ltda	95.87%	32,141	17,031	5,759	11,051	32,362
Constantina Empreendimentos Imobiliários Ltda	100.00%	32,785	1,538	5,036	315	28,972
Itapema Empreendimentos Imobiliários Spe Ltda	100.00%	42,494	54,419	8,376	53,345	35,192
Nova Diamantina Empreendimentos Ltda	100.00%	32,193	1,512	2,091	411	31,203
Direcional Santo Antônio Empreendimentos Imobiliários Ltda	100.00%	1	26,280	13	-	26,268
Alto Santo Empreendimentos Imobiliários Ltda.	100.00%	40,083	25,166	8,383	31,443	25,423
Altos Pilares Empreendimentos Imobiliários Ltda	100.00%	18,330	10,190	4,157	-	24,363
Bello Villarinho Empreendimentos Imobiliários Spe Ltda	50.00%	20,302	7,703	2,489	1,821	23,695
Manauara Vii Empreendimentos Imobiliários Spe Ltda	100.00%	20,088	878	27	1	20,938
Araguacema Empreendimentos Imobiliários Ltda	100.00%	22,546	1,941	3,069	249	21,169
Parque Das Cerejeiras Incorporação Imobiliária Spe Ltda	75.00%	22,144	1,725	3,299	394	20,176
Alcobaça Construções E Empreendimentos Imobiliários Spe Ltda	100.00%	20	177,517	2	158,756	18,779
Colina Empreendimentos Imobiliários Spe Ltda	100.00%	19,660	9,435	2,697	9,778	16,620
Alto Burity Participações Societárias Ltda	60.00%	2,248	92,389	96	77,590	16,951
Direcional Feijo Empreendimentos Imobiliários Ltda	100.00%	17	17,627	14	2,301	15,329
Other subsidiaries	-					
Total - Subsidiaries		1,254,695	1,495,422	215,995	1,791,182	742,940
Jointly-controlled entities		76,731	65,804	20,575	3,078	118,882

As at March 31, 2021 and December 31, 2020, 48.9% and 48% of the Company's assets were respectively included in the equity segregation structure, as established by Law No. 10931/04.

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Notes to interim financial information (Continued)
 March 31, 2021
 (In thousands of reais, unless otherwise stated)

8. Property and equipment

Individual

	Machinery and equipment	Aluminum molds	Furniture and fixtures	Vehicles	IT equipment	Leasehold improvements	Right-of-use assets	Other	Total property and equipment
Depreciation rate	10%	(b)	10%	20%	20%	8.33%	(c)	-	-
Cost									
Balance at 12/31/2020	12,161	116,092	3,540	779	7,071	9,152	50,294	225	199,314
Additions	5	2,768	1	-	81	-	-	-	2,855
Write-offs	-	-	-	-	-	-	-	-	-
Balance at 03/31/2021	12,166	118,860	3,541	779	7,152	9,152	50,294	225	202,169
Depreciation									
Balance at 12/31/2020	(11,267)	(99,310)	(2,252)	(734)	(4,104)	(4,449)	(14,414)	(201)	(136,731)
Depreciation for the period	(122)	(4,422)	(70)	(4)	(196)	(200)	(1,974)	(20)	(7,008)
Write-offs	-	-	-	-	-	-	-	-	-
Balance at 03/31/2021	(11,389)	(103,732)	(2,322)	(738)	(4,300)	(4,649)	(16,388)	(221)	(143,739)
Carrying amount									
At 12/31/2020	894	16,782	1,288	45	2,967	4,703	35,880	24	62,583
At 03/31/2021	777	15,128	1,219	41	2,852	4,503	33,906	4	58,430

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 March 31, 2021
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8. Property and equipment (Continued)

Consolidated

	Machinery and equipment	Aluminum molds	Furniture and fixtures	Vehicles	IT equipment	Leasehold improvements	Sales stands	Right-of-use assets	Other	Total property and equipment
Depreciation rate	10%	(b)	10%	20%	20%	8%	(a)	(c)	-	
Cost										
Balance at 12/31/2020	23,936	120,448	8,005	2,458	12,698	9,221	79,890	51,761	1,262	309,679
Additions	82	2,768	69	-	237	-	2,363	-	-	5,519
Write-offs	(110)	-	-	-	-	-	-	-	-	(110)
Balance at 03/31/2021	23,908	123,216	8,074	2,458	12,935	9,221	82,253	51,761	1,262	315,088
Depreciation										
Balance at 12/31/2020	(20,705)	(102,200)	(5,573)	(2,392)	(8,052)	(4,472)	(60,686)	(14,795)	(1,210)	(220,085)
Depreciation for the period	(292)	(5,044)	(151)	(7)	(327)	(203)	(2,156)	(2,127)	(27)	(10,334)
Write-offs	102	-	-	-	-	-	-	-	-	102
Balance at 03/31/2021	(20,895)	(107,244)	(5,724)	(2,399)	(8,379)	(4,675)	(62,842)	(16,922)	(1,237)	(230,317)
Carrying amount										
At 12/31/2020	3,231	18,248	2,432	66	4,646	4,749	19,204	36,966	52	89,594
At 03/31/2021	3,013	15,972	2,350	59	4,556	4,546	19,411	34,839	25	84,771

(a) Sales stands are subject to depreciation in accordance with the estimated flow of sales of each project, written off or due to discontinuance.

(b) The aluminum molds used in the construction of units are subject to depreciation using the unit of production method, which results in expenses recognized based on production.

(c) Right-of-use assets are subject to depreciation on a straight-line basis over the life of each lease contract.

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Notes to interim financial information (Continued)
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8. Property and equipment (Continued)

Consolidated (Continued)

The Company's right-of-use assets comprise properties, vehicles, machinery and equipment. The most significant leased asset is the Company's administrative head office.

The Company and its subsidiaries have entered into 31 finance lease agreements for the acquisition of aluminum molds. The book value of property and equipment items under finance lease agreements at March 31, 2021 totaled R\$123,216 (R\$120,448 at December 31, 2020). Property and equipment items acquired in the period on a conditional sale basis amounted to R\$2,768 and are guaranteed by the leased items.

9. Loans, financing and leases

9.1. Loans and financing

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Construction financing	-	-	41,271	12,607
FINAME and finance lease of equipment	10,745	12,196	13,815	15,641
Mortgage-backed securities (CRI)	613,008	602,123	672,821	602,123
Bank Credit Bills (CCB)	100,194	48,999	100,194	48,999
Working capital	-	100,165	-	100,165
Debentures	249,079	251,633	249,078	251,633
Grand total	973,026	1,015,116	1,077,179	1,031,168
Current	191,687	217,365	193,649	219,061
Noncurrent	781,339	797,751	883,530	812,107

Company's loans and financing are divided into five main types, namely:

Construction financing

This type of loan aims to finance projects during construction. Interest rates applicable to these loans range from 8.3% to 9.75% p.a., according to the transaction, restated by the Referential Rate (TR) and also 137% of the CDI. These transactions are backed by mortgages of properties of the respective projects.

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Notes to interim financial information (Continued)
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9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Leases

This type of loan aims to finance investments in machinery and equipment. Interest rates applicable to these loans are variable interest with margins on CDI of 1.49% to 3.27% per year, according to the transaction. These transactions are guaranteed by machinery and equipment acquired through the financing arrangements.

Mortgage-backed securities (CRI)

107th series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. The remuneration of CRIs, on the balance of unit par value of CRIs from the date of issue of CRIs, comprises conventional interest of 0.80% per year, plus accumulated variation of the DI rate. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not be an issuer's floating guarantee either. Maturity is in April 2021.

175th series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. The remuneration of CRIs on the balance of unit par value of CRIs from the date of issue of CRIs, comprises conventional interest of 5.08% per year, plus IPCA. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not be an issuer's floating guarantee either. Maturity is in December 2024.

In March 2021, another derivative financial instrument (swap) was contracted over the same period (up to December 2024), to hedge Company exposure to the IPCA rate. The swap transaction aims at equity protection, mitigating the effects of rate fluctuations by replacing IPCA for CDI less 1.45% p.a. The impacts of this transaction are presented in Note 21.

193^d series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. The remuneration of CRIs on the balance of unit par value of CRIs from the date of issue of CRIs, comprises conventional interest of 104.00% per year, plus accumulated variation of the DI rate. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not be an issuer's floating guarantee either. Maturity is in July 2025.

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9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Mortgage-backed securities (CRI) (Continued)

356th and 357th series: This consists of a registered credit instrument exclusively issued by securitization companies and backed by mortgages, representing a promise to pay in cash. This is the 1st issue of subsidiary Riva Incorporadora S/A., carried out in two series, and Direcional is its guarantor within the scope of the debenture issue deed. For each series, thirty thousand (30,000) unsecured debentures were issued. The remuneration of CRIs on the balance of unit par value from the date of issue comprises conventional interest ranging from 3.60% to 3.40% p.a., plus accumulated variation of the DI rate. No specific guarantees were established, whether as a security interest or personal guarantee, on CRIs, which will not be an issuer's floating guarantee either. This issue will mature in July 2033 and July 2032, respectively.

Working capital

Foreign loan issued by Banco Itaú, referring to Loan 4131, amounting to EUR7,497,656.98 (seven million, four hundred and ninety-seven thousand, six hundred and fifty-six euros and ninety-eight cents). The exchange rate agreed for this transaction was R\$5.3350, which resulted in R\$39,999,999.99 (thirty-nine million, nine hundred and ninety-nine thousand, nine hundred and ninety-nine reais and ninety-nine cents). The CCBs were issued in March 2020 and will mature within one year. The interest rate contracted was 2.3625% p.a. For this transaction, a derivative financial instrument (swap) was contracted over the same period (March 2020 to March 2021), to hedge Company exposure to foreign currency. The swap transaction aims at equity protection, mitigating the effects of currency fluctuation by replacing BRL/EUR for CDI plus a fixed spread of 4% p.a. This agreement was settled in March 2021.

Corporate Bank Credit Bills

CCB Compror issued by Banco Santander in the amount of R\$100,000.00 (one hundred million reais). Interest rate charged under this type is 2.50% p.a. plus CDI rate, calculated and disclosed by CETIP ("DI rate"). This issue will mature in July 2023.

Debenture

On September 21, 2020, the Company carried out the 6th issue of non-privileged unsecured nonconvertible debentures in a single series, for public distribution with restricted distribution efforts. The Debentures have a maturity of five years, counting from the Issue Date, therefore, maturing in September 2025. Debentures totaling 250,000 (two hundred and fifty thousand) were issued, whose unit value on the issue date was R\$R\$1,000.00 (one thousand reais).

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Notes to interim financial information (Continued)
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9. Loans, financing and leases (Continued)

9.1. Loans and financing (Continued)

Debenture (Continued)

Regarding the remuneration, the debenture unit par value will bear conventional interest corresponding to 100% (one hundred percent) of the accumulated variation of the DI Rate, plus a spread (surcharge) equivalent to 2.85% (two point eighty-five percent) p.a.

The noncurrent portion of loans as at December 31, 2021 matures as follows:

Period	03/31/2021	
	Individual	Consolidated
April 2022 to March 2023	175,841	178,248
April 2023 to March 2024	249,264	250,525
April 2024 to March 2025	231,688	246,872
April 2025 onwards	124,546	207,885
	<u>781,339</u>	<u>883,530</u>

9.2. Lease financing

The Company has real estate and vehicle leases. The term of real estate leases varies from 1 to 6 years, while vehicles have a term of one year.

The Company's main leases are the building where the headquarters are located, properties for regional offices, and fleet vehicles.

Breakdown of leases is as follows:

	03/31/2021	
	Individual	Consolidated
Balance at 12/31/2020	38,388	39,566
Additions	-	-
Write-offs/cancellations	-	-
Payment of principal	(2,189)	(2,297)
Payment of interest	(127)	(127)
Restatement	-	-
PVA (interest appropriated)	602	616
Balance at 03/31/2021	<u>36,674</u>	<u>37,758</u>
Current	8,858	9,564
Noncurrent	27,816	28,194

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Notes to interim financial information (Continued)
 March 31, 2021
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9. Loans, financing and leases (Continued)

9.2. Lease financing (Continued)

	12/31/2020	
	Individual	Consolidated
Balance at 12/31/2019	41,559	41,933
Additions	1,767	3,063
Write-offs/cancellations	(32)	(353)
Payment of principal	(8,507)	(8,717)
Payment of interest	(452)	(452)
Restatement	1,445	1,445
PVA (interest appropriated)	2,609	2,647
Balance at 12/31/2020	<u>38,389</u>	<u>39,566</u>
Current	9,190	9,887
Noncurrent	29,199	29,679

Breakdown of the lease balance by maturity of the installments is as follows:

	03/31/2021	
	Individual	Consolidated
Maturity within one year	8,858	9,564
Between 1 and 2 years	6,798	7,056
Between 2 and 3 years	6,031	6,082
More than 3 years	14,987	15,056
	<u>36,674</u>	<u>37,758</u>

The table below shows the effects of projected inflation on the balance of lease agreements:

Consolidated	Consideration (no future inflation)	Consideration (with future inflation)	Inflation not included in agreements
1 st year	9,564	10,038	474
2 nd year	7,055	7,379	324
3 rd year	6,082	6,374	292
4 th year	5,501	5,776	275
5 th year	5,141	5,404	263
6 th year	4,415	4,645	230
	<u>37,758</u>	<u>39,616</u>	<u>1,858</u>

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Notes to interim financial information (Continued)
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10. Labor obligations

Breakdown of labor obligations is as follows:

Description	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Salaries and withdrawals payable	2,005	1,431	5,210	5,019
Labor and social security charges	1,411	1,839	4,416	5,557
Labor accruals	9,542	5,879	21,576	16,221
Other	154	488	535	1,456
	13,112	9,637	31,737	28,253

11. Tax obligations

The balances below comprise the provision for current taxes whose triggering event is the realization of accounts receivable, as well as the provision for deferred taxes upon recognition of revenue by the POC method, in which the realization of accounts receivable is deferred throughout the flow of each contract:

Current taxes	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
PIS	80	75	122	118
COFINS	382	384	577	581
Special taxation regime	-	-	6,260	11,358
IRPJ	-	-	202	205
CSLL	-	-	102	100
Other	206	204	2,636	2,598
	668	663	9,899	14,960
Deferred taxes				
PIS	4	3	1,656	1,437
COFINS	20	16	7,091	6,219
PVA	-	-	(286)	(199)
IRPJ	14	11	5,293	4,632
CSLL	7	6	2,772	2,426
Other	-	-	(699)	(654)
	45	36	15,827	13,861
	713	699	25,726	28,821
Current	668	663	21,877	25,227
Noncurrent	45	36	3,849	3,594

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Notes to interim financial information (Continued)

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14. Other accounts payable

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Debts to customers	4,873	4,202	7,085	6,236
Debts to partners (a)	-	-	26,920	26,920
Accounts payable for acquisition of equity interest (b)	7,922	8,844	34,897	32,371
Capital deficiency (c)	10,573	10,888	-	-
Derivatives payable	2,009	-	2,009	-
Credit assignment (d)	44,606	-	19,009	-
Other	4,317	9,996	16,555	18,853
Total	74,300	33,930	106,475	84,380
Current	66,378	25,086	72,553	49,536
Noncurrent	7,922	8,844	33,922	34,844

(a) On April 20, 2011 the Company entered into a commercial agreement with an investor for the development of projects that will be built in four land plots located in the Federal District, in exchange for R\$44,300 received in cash, with no further remuneration thereon. In December 2012, the green light was given to the project of one of the land plots addressed by the commercial agreement, capitalizing R\$10,380 in SPE Direcional Turquesa Empreendimentos Imobiliários, responsible for the development, construction and sales of the project to be constructed. In April 2014, R\$7,000 was capitalized in SPE Ouro Branco Empreendimentos Imobiliários Ltda., responsible for the construction and sale of the second project to be built.

(b) This account represents the balance of accounts payable for acquisition of equity interest in companies in which the Group has investments.

(c) This account shows investments in subsidiaries or jointly-controlled entities with capital deficiency.

(d) On March 30, 2021 the Company entered into a new Real Estate Credit Assignment agreement, through its subsidiaries, with ISEC Securitizadora S.A. The net amounts of the transaction was R\$38,920. The transaction amounts will be transferred to the SPEs in April 2021.

15. Provisions

15.1. Provision for warranty

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Balance at 12/31/2020	4,244		38,907	
(+) Provisions	86		6,027	
(-) Payments	(464)		(5,011)	
Balance at 03/31/2021	3,866		39,923	
	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Current	2,829	3,687	27,605	27,377
Noncurrent	1,037	557	12,318	11,530
	3,866	4,244	39,923	38,907

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15. Provisions (Continued)

15.1. Provision for warranty (Continued)

The Company sets up provisions for guarantee expenses during the construction period only for units already sold, so that maintenance costs, if any, after handover of keys of real estate units will be deducted from the provision set up.

The provisions for construction warranty are based on reviews of historical cash outflows regarding maintenance expenses, which represent 1.30% in development work and 0.97% in service work of the total budgeted cost of each project in March 2021.

15.2. Provision for tax, labor and civil contingencies

	Individual			Total
	Tax	Labor	Civil	
Balance at December 31, 2020	-	2,583	1,746	4,329
Provisions	-	-	462	462
Reversals	-	(3)	(1,114)	(1,117)
Payments	-	(121)	(53)	(174)
Balance at March 31, 2021	-	2,459	1,041	3,500

	Consolidated			Total
	Tax	Labor	Civil	
Balance at December 31, 2020	112	11,501	17,529	29,142
Provisions	-	1	1,177	1,178
Reversals	-	(169)	-	(169)
Payments	-	(821)	(3,052)	(3,873)
Balance at March 31, 2021	112	10,512	15,654	26,278

The Company is a party to other tax, civil and labor claims arising from its ordinary course of business for which the likelihood of loss is considered possible by management and its legal advisors. At March 31, 2021, consolidated amounts are as follows: labor claims total R\$21,114, tax proceedings total R\$11,382, and civil proceedings total R\$159,700. Consequently, no provision was set up to cover possible unfavorable outcomes.

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Notes to interim financial information (Continued)
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16. Equity

16.1. Capital

The Company's fully subscribed and paid in capital amounts to R\$752,982, comprising 153,398,749 common, registered, book-entry shares with no par value, including 145,591,418 outstanding shares and 7,807,331 treasury shares.

Authorized capital as at the reporting date is R\$1,200,000.

For the period ended March 31, 2021, the number of treasury shares assigned under the Share Matching Programs I and II, and Stock Option Plan Program 1 was 474,711.

	Number of shares	Treasury shares	Total
December 31, 2017	146,437,554	6,961,195	153,398,749
Treasury shares assigned	556,486	(556,486)	-
December 31, 2018	146,994,040	6,404,709	153,398,749
Treasury shares assigned	930,970	(930,970)	-
December 31, 2019	147,925,010	5,473,739	153,398,749
Treasury shares assigned	663,209	(663,209)	-
Share buyback	(1,882,500)	1,882,500	-
December 31, 2020	146,705,719	6,693,030	153,398,749
Treasury shares assigned	534,199	(534,199)	-
Share buyback	(1,648,500)	1,648,500	-
March 31, 2021	145,591,418	7,807,331	153,398,749

16.2. Treasury shares

The Board of Directors approved five buyback programs of Company shares issued between 2011 and 2021, in order to hold in treasury and later cancellation or sale, without capital reduction, in order to maximize shareholder value. Accordingly, 12,325,405 shares were acquired, disbursing R\$104,615 at an average price of R\$8.49 per share.

16.3. Capital reserves

16.3.1. Capital reserve for stock option grants

As described in Note 22, the Company recognizes in this account the services received in consideration for the grant of stock options, together with the exercise of stock options.

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Notes to interim financial information (Continued)
March 31, 2021
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16. Equity (Continued)

16.4. Income reserve

16.4.1. Legal reserve

The legal reserve is set up at 5% of net income for each period, under the terms of article 193 of Law No. 6404/76, limited to 20% of capital stock.

16.4.2. Retained profits reserve

This reserve is set up especially for maintenance of the Company's investment ability and completion of work in progress. Additionally, the Annual General Meeting will decide on the allocation of the amount of income reserves in excess of total capital, pursuant to article 199 of Brazil's Corporation Law (Law No. 11638/2007).

16.4.3. Dividend distribution

The holders of common shares are entitled to a minimum mandatory dividend of 25%, based on net income adjusted for changes in reserves, according to the corporation law in force.

On October 5, 2020, the Board of Directors approved the distribution of interim dividends, in the estimated amount of R\$120,204, corresponding to R\$0.81 (eighty-one cents) per share, considering the position of 148,399,721 shares on the date in question, not including treasury shares.

Shareholders holding Company shares as of October 9, 2020 were entitled to the dividends, which were paid on October 20, 2020, in the total amount of R\$120,364, corresponding to R\$0,81 (eighty-one cents) per share. The variation between the estimated and the paid amount is due to the transfer of shares carried out under the "Matching Program", which is configured in the stock option and incentive plan linked to the shares of the Company.

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Notes to interim financial information (Continued)
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16. Equity (Continued)

16.5. Earnings per share

The table below shows the calculation of earnings per share for the period ended March 31, 2021 and 2020:

	<u>03/31/2021</u>	<u>03/31/2020</u>
Earnings for the period	27,106	10,052
Weighted average number of shares	145,985,110	148,291,363
Basic earnings per share, net - R\$	0.19	0.07
Diluted net earnings per share - R\$	0.18	0.07

16.6. Noncontrolling interests

For the period ended March 31, 2021, changes in subsidiaries' equity reduced equity by R\$6,959 in connection with noncontrolling interests. In the same period, noncontrolling interests in profit or loss amounted to R\$9,004.

Acquisitions of interests from noncontrolling shareholders generated a R\$553 increase recorded directly in the Company's equity.

17. Net revenue

	<u>Individual</u>		<u>Consolidated</u>	
	<u>03/31/2021</u>	<u>03/31/2020</u>	<u>03/31/2021</u>	<u>03/31/2020</u>
Gross revenue from sales	910	1,041	423,180	295,652
Gross revenue from services	13,139	11,835	20,702	21,060
Total gross revenue	14,049	12,876	443,882	316,712
Present value adjustment	-	-	(2,435)	(743)
Taxes on sales	(1,339)	(866)	(10,917)	(7,745)
Canceled sales/discounts	(64)	(345)	(16,645)	(16,755)
Net operating revenue	12,646	11,665	413,885	291,469

Taxes on sales and services consist of contribution tax on gross revenue for social integration program (PIS) and contribution tax on gross revenue from social security funding (COFINS), i.e. 1.65% and 7.6%, respectively, for revenue earned under the noncumulative regime, 0.65% and 3%, respectively, for revenue earned under the cumulative regime, 0.37% and 1.71%, respectively, for revenue earned under the special taxation regime applied to construction and real estate development companies, and 0.09% and 0.44%, respectively, for revenue earned in connection with "Programa Casa Verde e Amarela" (PCVA) for units up to R\$100.

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 March 31, 2021
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17. Net revenue (Continued)

The Company also recognized gross revenue for the period of projects under construction amounting to R\$6,984 at March 31, 2021 and R\$318 at March 31, 2020 regarding barter of units to be constructed for land plots.

a) Unearned revenue

Budgeted costs to be incurred in units sold under construction and unearned revenue from sale of real estate in connection with projects in course, not reflected in the interim financial information, are as follows:

I) Unearned revenue from units sold	<u>1,357,347</u>
<i>Projects under construction</i>	
a) Revenue from contracted sales	3,860,922
b) Allocated sales revenue, net	2,503,575
<i>Allocated sales revenue</i>	2,532,212
<i>Dissolution of agreements – Reversed revenue</i>	(28,637)
II) Revenue from indemnification for dissolution agreements	<u>546</u>
III) Budgeted cost to be allocated from units sold	<u>904,635</u>
<i>Projects under construction</i>	
a) Budgeted cost of units (no financial charges)	2,364,587
b) Construction cost incurred	1,464,377
Accrued financial charges	3,087
c) Dissolution agreements – Construction cost	(17,072)
Dissolution of agreements – Financial charges	(24)
Budgeted cost to be allocated to profit or loss (no financial charges) (a – b – c)	917,282
Drive CI / CO (no financial charges)	61.21%
IV) Budgeted cost to be allocated to inventories	<u>950,926</u>
<i>Projects under construction</i>	
a) Budgeted cost of units (no financial charges)	1,591,618
b) Construction cost incurred	640,220
Accrued financial charges	472
Units Sold (projects under construction)	28,245

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Notes to interim financial information (Continued)

March 31, 2021

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17. Net revenue (Continued)

b) Earned revenue

Income earned from:	03/31/2021		03/31/2020	
	Revenues from units sold	(-) Cost of units sold	Revenues from units sold	(-) Cost of units sold
Individual				
Services	12,646	(2,511)	10,618	(6,688)
Development – completed units	-	-	1,047	(490)
Total - Individual	12,646	(2,511)	11,665	(7,178)
Subsidiaries				
Services	6,502	(9,593)	8,193	(9,779)
Development – completed units	38,092	(30,613)	20,161	(18,824)
Development – units under construction	356,645	(223,500)	251,450	(151,602)
Total - Subsidiaries	401,239	(263,706)	279,804	(180,205)
Total - Consolidated	413,885	(266,217)	291,469	(187,383)

18. Costs and expenses by nature

Description	Individual		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Raw materials and materials for use and consumption	(2,484)	(5,792)	(212,952)	(149,941)
Personnel expenses	(16,634)	(18,580)	(63,395)	(48,947)
Capitalized interest	-	-	(1,287)	(1,483)
Depreciation and amortization	(4,798)	(4,122)	(12,168)	(9,276)
Third-party services	(1,544)	(3,160)	(4,756)	(4,856)
Electric power, water supply and telephone services	(388)	(547)	(1,075)	(1,001)
General selling expenses	68	48	(15,590)	(12,085)
Sales commissions	-	(1,238)	(22,281)	(20,838)
Other expenses	(2,577)	(3,492)	(5,940)	(4,991)
	(28,357)	(36,883)	(339,444)	(253,418)
Classified as				
Costs of real estate sold	(868)	(490)	(254,982)	(170,917)
Costs of services rendered	(1,643)	(6,688)	(11,235)	(16,466)
Selling expenses	(529)	(1,541)	(42,750)	(34,711)
General and administrative expenses	(25,317)	(28,164)	(30,477)	(31,324)
	(28,357)	(36,883)	(339,444)	(253,418)

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Notes to interim financial information (Continued)

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19. Finance income (costs)

The balances below present the Company's net earnings from short-term investments, collection of interest from contracts, finance costs from some credit facilities used by the Company, and finance costs of accounts held with financial institutions.

Finance income	Individual		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Income from short-term investments	2,939	4,484	3,624	5,472
Monetary adjustment and contract interest	618	774	1,329	1,480
Revenue from derivatives	2,453	2,352	2,453	2,352
Foreign exchange differences	1,423	-	1,423	-
	7,433	7,610	8,829	9,304
Finance costs				
Interest expenses	(18,014)	(15,257)	(19,290)	(15,588)
Foreign exchange differences	(2,521)	(2,385)	(2,521)	(2,385)
Bank fees	(381)	(506)	(1,513)	(1,301)
Expenses with sale of portfolio	-	-	(1,475)	-
Interest paid on leases	(713)	(718)	(740)	(723)
Expenses with derivatives	(3,572)	-	(3,572)	-
	(25,201)	(18,866)	(29,111)	(19,997)
Finance income (costs), net	(17,768)	(11,256)	(20,282)	(10,693)

20. Income and social contribution taxes

	Individual		Consolidated	
	03/31/2021	03/31/2020	03/31/2021	03/31/2020
Income before IRPJ and CSLL	27,121	10,164	44,066	23,620
IRPJ and CSLL at 34%	34%	34%	34%	34%
Estimated expenses with IRPJ and CSLL	9,221	3,456	14,982	8,031
Companies computing taxable profit based on accounting records				
Additions and exclusions	5,591	1,400	-	-
Addition (exclusion) of equity pickup	(62,945)	(49,116)	-	-
Tax base	(30,223)	(37,552)	-	-
Companies computing taxable profit as a percentage of gross sales				
Tax base	-	-	389	(2,302)
Rates applicable to taxable profit computed as a percentage of gross sales	2.28%	2.28%	2.28%	2.28%
Tax expenses	-	-	7	20
Expenses with deferred tax	-	-	2	(72)
Companies taxed by RET (1%)				
Tax base	3,231	23,743	22,688	87,501
Rates applicable to the special taxation regime (RET)	0.47%	0.47%	0.47%	0.47%
Tax expenses	-	95	92	418
Expenses with deferred tax	15	17	15	(7)
Companies taxed by RET (4%)				
Tax base	-	-	408,373	288,453
Rates applicable to the special taxation regime (RET)	1.92%	1.92%	1.92%	1.92%
Tax expenses	-	-	6,889	6,019
Expenses with deferred tax	-	-	951	(481)
Expenses with IRPJ and CSLL for the period	15	112	7,956	5,897
Effective rate	0.06%	1.10%	18.06%	24.97%

20. Income and social contribution taxes (Continued)

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Notes to interim financial information (Continued)

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The breakdown of expenses with income and social contribution taxes for the periods ended March 31, 2021 and 2020 shows the timing difference between the cash basis used by SCPs and SPEs, whose taxable profit is computed as a percentage of gross sales and RET (Special Tax Regime), and the provision for taxes on the balance of accounts receivable. The Company (parent company) has a balance of income and social contribution tax loss carryforwards on which deferred taxes recoverable were not recognized due to the absence of perspectives for realization through future taxable profit, as the Company has characteristics of a holding company. Due to the taxation regime of SCPs and SPEs (taxable profit computed as a percentage of gross sales or RET), they do not present temporary differences and the profits calculated in the SPEs are not subject to offset with the loss determined by the Holding.

21. Financial instruments

The Company and its subsidiaries engage in transactions involving financial instruments in order to fund their activities or invest available financial resources. These risks are managed through conservative strategies aimed at liquidity, profitability and security. The control policy consists of actually monitoring contract rates versus those effective in the market.

The financial instruments usually entered into by Direcional and its subsidiaries are those recorded under "Cash and cash equivalents," and financing for construction of real estate projects and for acquisition of machinery and equipment.

Interest rate risk

The Company is exposed to floating interest rates, substantially to the CDI rate, which remunerates short-term investments in Brazilian reais, interest on loans obtained from the Housing Financial System and pegged to the Referential Rate (TR), interest on loans for acquisition of machinery and equipment obtained from BNDES (FINAME) and pegged to the long-term interest rate (TJLP) and TJ462 and interest on working capital loans, leases, debentures and CRI pegged to the CDI and IPCA.

Liquidity risk

The Company manages its liquidity risk by managing its cash flows, in order to maintain a level of cash and cash equivalents sufficient to meet its needs. The contractual exposures of financial liabilities are as follows:

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Notes to interim financial information (Continued)
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21. Financial instruments (Continued)

Liquidity risk (Continued)

	Consolidated				Total
	Less than 1 year	From 1 to 2 years	From 2 to 3 years	More than 3 years	
At March 31, 2021					
Loans and financing (Note 9)	193,649	178,248	250,525	454,757	1,077,179
Trade accounts payable	80,266	4,611	-	-	84,877
Related parties (Note 6.1)	18,588	-	-	-	18,588
Real estate commitments payable (Note 12)	79,438	1,140,581	478,066	260,796	1,958,881
Advances for receipt (Note 13)	19,789	-	-	-	19,789

Cash flows included in the analysis of maturity of the Company and its subsidiaries are not expected to occur significantly earlier or in significantly different amounts.

Regarding accounts receivable, the Company limits its exposure to credit risks through sales to a wide customer base and ongoing credit rating.

At March 31, 2021, there was no significant concentration of credit risk associated to customers. Today, most trade accounts receivable are transferred while the project is under construction through the “*crédito associativo*” financing modality (a type of financing for off-plan projects granted by public banks in which buyers of the project units participate). Installment payments of direct sales are mostly guaranteed by the units themselves. The company records a provision for ECL for installments that are not guaranteed by the units based on their history of default.

Fair value of financial instruments by category

The balances of trade accounts receivable and trade accounts payable at carrying amount, less impairment in case of receivables, are assumed to approximate their fair values.

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Notes to interim financial information (Continued)
 March 31, 2021
 (In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

Fair value hierarchy of assets and liabilities of the Company and its subsidiaries is as follows:

	Note	Individual		Consolidated	
		03/31/2021	12/31/2020	03/31/2021	12/31/2020
Financial assets					
Amortized cost					
Amortized cost		50,812	88,001	480,509	466,345
Accounts receivable	4.1	9,946	7,305	429,358	375,444
Accounts receivable from divestiture		30,827	70,685	40,827	80,685
Other accounts receivable	-	10,039	10,011	10,324	10,216
Fair value through profit or loss (*)					
Cash and banks	3.1	1,808	1,563	268,571	217,303
Cash equivalents	3.1	387,570	415,067	532,912	514,266
Short-term investments	3.2	172,388	194,246	173,497	195,360
Derivatives receivable		-	7,005	-	7,005
Total financial assets		612,578	705,882	1,455,489	1,400,279
Financial liabilities					
Amortized cost					
Real estate commitments payable	12	1,149,609	1,161,366	3,265,789	3,222,330
Advances for receipt	13	-	2,362	1,958,881	1,955,649
Loans and financing	9	973,026	1,015,116	1,077,179	1,031,168
Trade accounts payable	-	6,429	7,530	84,877	107,454
Transactions with related parties	6.1	33,854	32,851	18,588	23,022
Other accounts payable	14	74,300	33,930	106,475	84,380
Financial liabilities		1,149,609	1,161,366	3,265,789	3,222,330

(*) Financial assets recognized in the interim financial information at fair value through profit or loss with level 2 measurement in the fair value hierarchy.

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Notes to interim financial information (Continued)
 March 31, 2021
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21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

At March 31, 2021, fair value of financial instruments is as follows:

	Individual			Consolidated		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Financial assets						
Amortized cost	50,812	50,812	-	480,509	480,509	-
Accounts receivable	9,946	9,946	-	429,358	429,358	-
Accounts receivable from divestiture	30,827	30,827	-	40,827	40,827	-
Other accounts receivable	10,039	10,039	-	10,324	10,324	-
Fair value through profit or loss	561,766	561,766	-	974,980	974,980	-
Cash and banks	1,808	1,808	-	268,571	268,571	-
Cash equivalents	387,570	387,570	-	532,912	532,912	-
Short-term investments	172,388	172,388	-	173,497	173,497	-
Derivatives receivable	-	-	-	-	-	-
Total financial assets	612,578	612,578	-	1,455,489	1,455,489	-
Financial liabilities						
Amortized cost	1,149,609	1,161,583	(11,974)	3,265,789	3,277,782	(11,993)
Real estate commitments payable	62,000	62,000	-	1,958,881	1,958,881	-
Advances for receipt	-	-	-	19,789	19,789	-
Loans and financing	973,026	985,000	(11,974)	1,077,179	1,089,172	(11,993)
Trade accounts payable	6,429	6,429	-	84,877	84,877	-
Transactions with related parties	33,854	33,854	-	18,588	18,588	-
Other accounts payable	74,300	74,300	-	106,475	106,475	-
Financial liabilities	1,149,609	1,161,583	(11,974)	3,265,789	3,277,782	(11,993)

At December 31, 2020, fair value of financial instruments is as follows:

	Individual			Consolidated		
	Book value	Fair value	Difference	Book value	Fair value	Difference
Financial assets						
Amortized cost	88,001	88,001	-	466,345	466,345	-
Accounts receivable	7,305	7,305	-	375,444	375,444	-
Accounts receivable from divestiture	70,685	70,685	-	80,685	80,685	-
Other accounts receivable	10,011	10,011	-	10,216	10,216	-
Fair value through profit or loss	617,881	617,881	-	933,934	933,934	-
Cash and banks	1,563	1,563	-	217,303	217,303	-
Cash equivalents	415,067	415,067	-	514,266	514,266	-
Short-term investments	194,246	194,246	-	195,360	195,360	-
Derivatives receivable	7,005	7,005	-	7,005	7,005	-
Total financial assets	705,882	705,882	-	1,400,279	1,400,279	-
Financial liabilities						
Amortized cost	1,161,366	1,166,958	(5,592)	3,222,330	3,227,946	(5,616)
Real estate commitments payable	69,577	69,577	-	1,955,649	1,955,649	-
Advances for receipt	2,362	2,362	-	20,657	20,657	-
Loans and financing	1,015,116	1,020,708	(5,592)	1,031,168	1,036,784	(5,616)
Trade accounts payable	7,530	7,530	-	107,454	107,454	-
Transactions with related parties	32,851	32,851	-	23,022	23,022	-
Other accounts payable	33,930	33,930	-	84,380	84,380	-
Financial liabilities	1,161,366	1,166,958	(5,592)	3,222,330	3,227,946	(5,616)

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Notes to interim financial information (Continued)
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21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

Management is of the understanding that the financial instruments present no significant changes as compared with respective fair value.

The Company does not engage in transactions involving derivatives or any other assets for speculation purposes.

The Company contracted a derivative financial instruments (SWAP) to hedge against a debt pegged to Euro. This derivative is aimed at reducing, or mitigating, the Company's risk of exposure to exchange fluctuation by replacing the exchange rate for CDI. In March 2021 the debt pegged to the Euro was settled and the SWAP was terminated, and the position at the date of termination is as follows:

Fair value hedge	Notional value	Rates	Fair value	MTM (mark-to-market) – P&L
Bank Credit Bills (hedged item)	40,000	BRL-EUR + 2.36% p.a.	50,479	
Swap transaction:	Long position	BRL-EUR + 2.36% p.a.	50,479	10,479
	Short position	CDI + 4% p.a.	(42,557)	(2,557)
Net position – SWAP – derivative receivable			7,922	7,922

In March 2021, the Company entered into two new SWAP contracts to protect itself from fluctuations in the inflation rate measured by the IPCA, which affects Company debts.

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Notes to interim financial information (Continued)
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21. Financial instruments (Continued)

Fair value of financial instruments by category (Continued)

At March 31, the position of SWAP contracts is as follows:

Fair value hedge	Notional value	Rates	Fair value	MTM (mark-to-market) – P&L
Bank Credit Bills (hedged item)	279,170	IPCA+0%	269,167	
Swap transaction:	Long position	IPCA+0%	269,167	(10,003)
	Short position	CDI - 1.45% p.a.	(270,949)	8,221
Net position – SWAP – derivative payable			(1,782)	(1,782)

Fair value hedge	Notional value	Rates (a)	Fair value	MTM (mark-to-market) – P&L
Mortgage-backed Securities (CRI) (hedged item)	200,000	NTNB+1.45 p.a.	215,548	
Swap transaction:	Long position	NTNB+1.45 p.a.	215,548	15,548
	Short position	CDI + 1.68% p.a.	(215,776)	(15,776)
Net position – SWAP – derivative payable			(228)	(228)

(a) According to Note 25, in April, after the Bookbuilding procedure, the rates negotiated for this instrument were changed to: long position: IPCA+4.8444% p.a. and short position: CDI + 1.4522% p.a.

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Notes to interim financial information (Continued)
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21. Financial instruments (Continued)

Sensitivity analysis

The Company and its subsidiaries should present a sensitivity analysis for each type of market risk originating from financial instruments and considered significant by management, to which the Company is exposed at each period-end. The exposure refers only to the fluctuation of variable rates that affect both finance income from short-term investments and finance cost from borrowings. Therefore, the financial assets of the Company and its subsidiaries are free of significant risks, as they yield interest at a fixed spread rate plus the CDI, TR or IPCA rate, where, for the latter, a swap of rates pegged to the CDI was used. In March 2021, the Company settled a loan in foreign currency (Euro) which was, however, not subject to currency fluctuation (currency risk) since the Company had a swap pegged to the CDI, maturing on the same date, for hedging purposes. The Company believes that there was no actual impact from analyzing the risk relating to foreign currency for this contract, reason why management considered, for the sensitivity analysis, the swap contract pegged to the CDI.

To conduct the sensitivity analysis, the Company relied on financial market projections for 2021, considering it as probable scenario. Increasing and decreasing scenarios of 25% and 50% on Net Assets and Liabilities were calculated. The probable scenario adopted by the Company corresponds to the abovementioned projections, that is, the projections expected by the Financial market for the CDI, IPCA and INCC, and the statement of sensitivity analysis is as follows:

Index	Financial asset subject to exposure	Financial liability subject to exposure	Net balance at 03/31/2021	50% decrease	25% decrease	Probable scenario	25% increase	50% increase
TR	-	(2,810)	(2,810)	-	-	-	-	-
CDI	706,409	(1,290,660)	(584,251)	(15,753)	(23,630)	(31,507)	(39,383)	(47,260)
IPCA	147,509	(954,563)	(807,054)	(18,989)	(28,484)	(37,978)	(47,473)	(56,967)
INCC	263,494	(1,202,152)	(938,658)	(29,523)	(44,285)	(59,047)	(73,808)	(88,570)

Index	50% decrease	25% decrease	Probable scenario	25% increase	50% increase
TR	0.00%	0.00%	0.00%	0.00%	0.00%
CDI	2.70%	4.04%	5.39%	6.74%	8.09%
IPCA	2.35%	3.53%	4.71%	5.88%	7.06%
INCC	3.15%	4.72%	6.29%	7.86%	9.44%

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Notes to interim financial information (Continued)
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21. Financial instruments (Continued)

Business risk management

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Risk control system

In order to efficiently manage its risk, the Company carries out the operational control of all projects in course. In light of the management model, the Company calculates potential losses in simulations of unfavorable conditions for each individual project and for the set of projects as a whole, as well as the required maximum cash exposure.

Control over maximum cash exposure

The risk control system monitors the future cash requirements to develop the scheduled portfolio projects, based on an economic feasibility study of each project, as well as the individual cash flow requirements in relation to projected cash flows of the set of projects as a whole. This projection assists with the designing of the financing strategy and in making decisions about the selection of projects.

Demand risk management

Through market knowledge and local partners' support, Direcional identifies the demand for new projects in different regions, and the income bracket of potential buyers to be served. Launches are defined in view of the potential each region has to absorb a certain amount of real estate and respond to price changes. The Company does not intend to operate in markets where there are no reliable data available for analysis of market potential. Accordingly, the Company believes the demand risk of its launches is reduced.

Operational risks

Operational risk management is developed basically by ongoing monitoring of projects as to the completion of the physical and financial schedule of work, in relation to the initial planning of the financial and accounting audit by an independent firm, of judicious analysis of legal risks and credit risks of buyers of units through active management of receivables from projects.

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

21. Financial instruments (Continued)

Capital management

Capital management risk arises from the Company's decision to adopt a financing structure for its operations. The Company manages its capital structure, which consists of a ratio between the financial debt and equity (net assets, retained earnings and income reserves), based on internal policies and benchmarks. The key indicators related to this objective are: WACC (Weighted Average Cost of Capital), Net Debt/EBITDA and Net Debt/Equity. Total Debt comprises Loans and Financing (Note 9). The Company may change its capital structure, according to the economic and financing conditions in order to improve its financial leverage and debt management.

The Company's net debt structure includes: Loans and financing less cash and cash equivalents.

	Consolidated	
	03/31/2021	12/31/2020
Loans and financing	1,077,179	1,031,168
(-) Cash and cash equivalents	801,483	731,569
(-) Short-term investments	173,497	195,360
(-) Derivatives receivable (payable)	(2,009)	7,005
Net debt	104,208	97,234
Payment of dividends	-	120,364
Share buyback	21,705	20,961
Equity	1,348,987	1,339,976
Net debt on equity	7.72%	7.25%

In the period ended March 31, 2021, the Company presented a cash generation of R\$14,731 (adjusted for derivatives, payment of dividends and share buybacks) compared to a cash generation in 2020 of R\$145,777.

Assets pledged as guarantees

Assets pledged as a guarantee of loans and financing are described in Note 8 and Note 9. The Company and its subsidiaries recorded judicial deposits at March 31, 2021 for R\$15,626 (R\$15,928 at December 31, 2020) as part of the discussion of its contingent liabilities.

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Notes to interim financial information (Continued)
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22. Stock option plan and incentives associated with Company shares - stock option compensation

Shared-based payment ("Matching Program")

At the Board of Directors' meetings held on May 15, 2015 and March 20, 2017, the regulations of the 1st and 2nd Incentive Programs tied to Direcional Engenharia S.A.'s shares ("Program 1 and Program 2, respectively"), were approved, as amended.

The Programs establish the rules and conditions for granting the right to purchase of shares and granting incentive shares to management and employees of the Company and/or Specific Purpose Entities in which the Company holds an interest ("beneficiaries"), previously selected by the Board of Directors, in order to attract, encourage and retain them, and align their interests with those of the Company and its shareholders.

To participate in the Matching Program, the Beneficiaries should acquire common shares issued by the Company, whose number and deadline are set individually by the Board of Directors. For each common share of the Company acquired by the beneficiaries under the 1st Program, the Company will grant the beneficiaries two common shares, while under the 2nd Program, five common shares will be granted, to be delivered in lots of 25% of total shares over four years. For the beneficiary to be entitled to receive incentive shares at the end of each Vesting Period, the shares held by such beneficiary under the Program may not be fully or partially sold or transferred.

In the case of termination at the initiative of the beneficiary or termination at the initiative of the Company for just cause during a given vesting period, the beneficiary will cease to be entitled to all shares granted thereto under the programs, except for those already transferred due to expiration of previous vesting periods. In cases of termination by the Company without cause or retirement during a given vesting period, the beneficiary will be entitled (i) to the lot of shares that would be transferred at the end of the respective vesting period in proportion to the number of months of the beneficiary's relationship with the Company over the respective vesting period; and (ii) to all shares that have already been transferred due to expiration of previous vesting periods. The beneficiary of the new plan, however, will not be entitled to the shares that would be transferred due to expiration of the vesting periods that would start after his/her termination. In cases of termination due to death or disability retirement, the retired beneficiary or his/her legal heirs, as the case may be, will receive, regardless of the expiration of the respective vesting periods, all the shares to which they would be entitled under the Matching Programs.

In 2020, the Company granted the beneficiaries of the share-based compensation plan the amount of R\$3,886, corresponding to 663,209 shares.

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Notes to interim financial information (Continued)

March 31, 2021

(In thousands of reais, unless otherwise stated)

22. Stock option plan and incentives associated with Company shares - stock option payment (Continued)

Shared-based payment ("Matching Program") (Continued)

The number of shares granted, vesting periods and exercise, approved by the Board of Directors are shown below:

Program	Year of grant	Period for transfer of shares	Beginning	Shares granted (a)	Grants not activated (b)	Grants canceled (c)	Shares transferred	Grants in force (a-b-c-d)
1 st Matching Program	2015	4 years	2017	506,000	61,200	127,557	317,243	-
1 st Matching Program	2017	4 years	2018	450,000	86,056	45,408	245,950	72,586
2 nd Matching Program	2017	4 years	2018	1,760,000	-	100,000	1,660,000	-
2 nd Matching Program	2018	4 years	2019	360,000	-	-	180,000	180,000
2 nd Matching Program	2018	4 years	2020	170,923	-	10,768	139,352	20,803
1 st Matching Program	2019	1 years	2020	13,628	-	1,217	9,391	3,020
2 nd Matching Program	2019	3 years	2020	58,985	-	4,559	46,214	8,212
1 st Matching Program	2019	3 years	2020	9,662	-	734	5,878	3,050
2 nd Matching Program	2019	3 years	2020	52,888	-	4,620	39,887	8,381
1 st Matching Program	2020	4 years	2020	60,000	-	-	15,000	45,000
2 nd Matching Program	2020	4 years	2020	340,000	-	-	85,000	255,000
1 st Matching Program	2020	4 years	2020	8,105	-	-	872	7,233
2 nd Matching Program	2020	4 years	2020	55,947	-	-	28,653	27,294
Total				3,846,138	147,256	294,863	2,773,440	630,579

23. Insurance

The Group adopts a policy on insurance coverage that considers mainly the concentration of risks and their materiality, considering the nature of its activities and advice of insurance brokers. At March 31, 2021, insurance coverage is as follows:

Items	Type of coverage	Insured amount
Civil works (engineering risks)	Guarantees, during the period of construction of the project, indemnification arising from damages caused to the work, such as: fire, lightning, theft, among other specific coverages for facilities and assemblies at the insured location.	3,527,106
Post-delivery guarantee insurance	Guarantees the maintenance and resolution of problems in works delivered for up to 5 years, on damages set forth in the consumer code.	74,328
Civil liability (construction in progress)	Guarantees compensation (limited to the sum insured) of the amounts for which the Company may come to be liable for civil damages related to involuntary personal injuries and/or material damages caused to third parties.	525,632
Infrastructure insurance	Guarantees given to the Local Government as to execution of the infrastructure works that are required for the licensing processes of the projects under construction.	190,400
Business insurance	Guarantees indemnification to the Company related to the events covered that take place in the commercial property leased, such as fire, lightning and explosion of any nature, and flood, riots, strike and lock out, windstorm, and smoke.	58,500
Civil liability (D&O)	Guarantees coverage of pain and suffering to Company's Directors and Officers	60,000
Business insurance / Civil liability (D&O)	Guarantees coverage of "Multiple perils – cyber risks" insurance	16,000

Direcional Engenharia S.A.

Notes to interim financial information (Continued)
March 31, 2021
(In thousands of reais, unless otherwise stated)

24. Noncash transactions

	Individual		Consolidated	
	03/31/2021	12/31/2020	03/31/2021	12/31/2020
Financing activities	2,343	3,180	2,778	4,155
Right-of-use financing	-	3,180	-	4,155
Acquisition of shares – Treasury shares	2,343	2,778	2,778	2,778
Investing activities	142	45,781	142	46,867
Sale of equity interest	-	41,623	-	41,623
Restatement - Sale of equity interest	142	963	142	949
Acquisition (cancellation) of P&E - Lease	-	3,195	-	4,295

25. Events after the reporting period

According to the Notice to the Market disclosed on April 20, 2021, the Company completed the investment intentions survey for potential investors (“Bookbuilding Procedure”) of the 371st series of the 1st issue of Mortgage-backed Securities (CRI) of True Securitizadora S.A. The Offer will comprise 200,000 (two hundred thousand) CRIs backed by credit rights arising from the 7th (seventh) issue of non-privileged unsecured nonconvertible debentures for private placement (“Debentures”) held by the Company, in the amount of R\$200,000,000.00 (two hundred million reais), maturing on April 13, 2028 and amortization in three consecutive annual installments, with the first installment due on April 14, 2026.

The balance of the restated unit par value of the Debentures will bear conventional interest corresponding to 100% (one hundred percent) of the accumulated variation of the Extended Consumer Price Index (IPCA), expressed as a percentage per annum, calculated and released monthly by the Brazilian Institute of Geography and Statistics (IBGE), available on its website (<https://www.ibge.gov.br>), plus a spread (surcharge) equivalent to 4.8444% (four point eight four four four percent) per annum (“Remuneration”).

Immediately thereafter, the Company entered into a swap operation so that its exposure to the Remuneration of Debentures is linked to 100% (one hundred percent) of the cumulative variation of the average daily rates of one-day Interbank Deposits (DI), over extra group, expressed as a percentage per annum, based on 252 (two hundred and fifty-two) business days plus a surcharge of 1.4522% per year.