

# Earnings Release

## Melnick (B3: MELK3) discloses 3Q20 results

Porto Alegre, november 12, 2020, a construction and real estate development company strategically focused in the south region with operations in real estate projects and lot development, announces its results for the third quarter of 2020 (3Q20). Except where stated otherwise, the consolidated

### Highlights

- Gross inventory sales in 2020 of R\$ 265 million - 20% above 2019.
- Lowest volume of residential finished inventory in four years - R\$ 32 million.
- Gross sales of R\$ 514 million during the nine-month of the year.
- Net income of R\$ 43 million in the same period.
- Cash position of R\$863,4 on 09/30/20.

STOCK PRICE CLOSED ON 11/12/2020  
PRICE PER SHARE: R\$ 6,90  
NUMBER OF SHARES: 207,969,341  
MARKET CAP: R\$1,43 bi (ON 11/12/2020)

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**melnick**

The information, figures and data included in this performance report, which do not correspond to the accounting balances and information contained in the Quarterly Information (ITR), such as: Potential Sales Value (PSV), Total Sales, Even's Sales, Usable Area, Units, Inventories at Market Value, Launches, Expected Delivery Year, Backlog Gross Margin and other items, were not audited by the independent auditors. Except when stated otherwise, the comparisons in this quarter report refer to the numbers verified in the third quarter of 2020 (3Q20).

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## MESSAGE FROM MANAGEMENT<sup>1</sup>

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The third quarter of 2020 was a milestone in our history with Melnick's IPO at B3. After 50 years of history, we are very happy to announce our first result as a publicly-held company. We might, then, briefly mention the business philosophy that got us here.

Melnick has always been a company that has operated following a long-term strategic plan. Doing business in a cyclical sector and in a country with high macroeconomic volatility there were many times of temptation to divert from the plan, but fortunately we never did.

Beginning as a construction company focused on the very high income, Melnick carried out cycles of growth and stabilization where it strengthened its new skills developed, thus becoming more prepared for the next growth cycle. That way, with caution, assiduity and loyal to long-term planning, in the last decade we have become the largest homebuilder in Rio Grande do Sul, a position we have occupied since then.

We have always pursued two major goals: low risk growth and high return on equity, the second being the main goal and which determined the speed of the first. The strategy clearly reflected in our numbers with an average ROE above 20% in the last 10 years even with more than R\$ 6 billion of PSV launched, adjusted for inflation, in the same period.

Our current strategic planning is based on three pillars: financial strength, operational capacity and fantastic products. With the same long-term mind, great focus on planning and guided by the constant strengthening of these pillars, we are prepared for a new growth cycle, capitalized, and maintaining as main goal our high return on equity (ROE).

We appreciate the trust of all investors who have been with us through our IPO process.

<sup>1</sup> This document contains certain forward-looking statements and information relating to Melnick, which reflect the Company's current views and/or expectations in respect to its performance, businesses and future events. Any statements bearing predictions, expectations or estimates of future results, performance or objectives, as well as such terms as "we believe", "we estimate", among others with a similar meaning should not be construed as guidance. Such statements are subject to risks, uncertainties and future events.



## OPERATING PERFORMANCE

### LAUNCHES

In the third quarter of 2020, there was one project launched amounting to R\$90.7 million gross PSV (R\$86.2 million net PSV), totaling R\$571.1 million gross PSV (R\$433.2 million net PSV) during the nine-month of the year:

Projects	Business unit	Gross PSV <sup>2</sup> (R\$ '000)	Net PSV <sup>3</sup> (R\$ '000)	Melnick's PSV <sup>4</sup> (R\$ '000)	Usable Area (sq.m.) <sup>5</sup>	Unit <sup>5</sup>	Average Unit Value (R\$ '000)	Segment
<b>1<sup>st</sup> quarter</b>		<b>147,915</b>	<b>102,437</b>	<b>81,349</b>	<b>102,780</b>	<b>498</b>	<b>478</b>	
Sunset	LOT	78,152	52,721	31,633	98,718	345	153	Lot development
Go 24	R. E.	69,763	49,716	49,716	4,062	153	325	Residencial
<b>2<sup>nd</sup> quarter</b>		<b>332,458</b>	<b>244,583</b>	<b>244,583</b>	<b>24,227</b>	<b>322</b>	<b>2.663</b>	
Carlos Gomes Square - Fase 1	R. E.	290,563	204,751	204,751	13,647	82	2.497	Comercial
Open Canoas Centro - Fase 2	OPEN <sup>6</sup>	41,895	39,832	39,832	10,580	240	166	Open
<b>3<sup>rd</sup> quarter</b>		<b>90,689</b>	<b>86,155</b>	<b>86,155</b>	<b>6,819</b>	<b>179</b>	<b>481</b>	
Carlos Gomes Square - Fase 2	R. E.	90,689	86,155	86,155	6,819	179	481	Residencial
<b>Total</b>		<b>571,062</b>	<b>433,174</b>	<b>412,086</b>	<b>133,826</b>	<b>999</b>	<b>434</b>	

<sup>2</sup> PSV gross of swaps and commission.

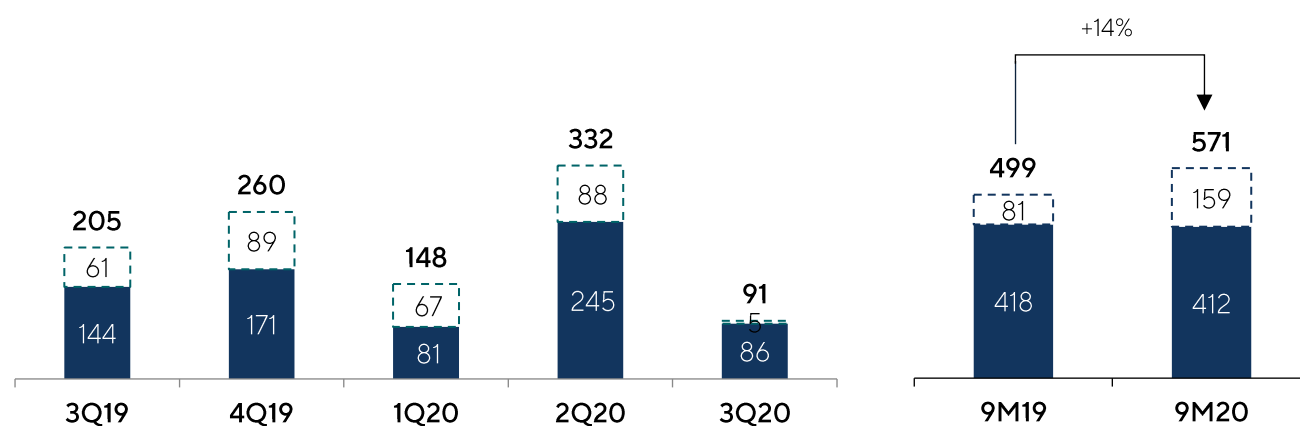
<sup>3</sup> PSV net of swaps and commission.

<sup>4</sup> Net PSV represented by the Company's current share in the projects, considering the corporate reorganization on July 10, 2020..

<sup>5</sup> Net of swaps.

<sup>6</sup> Open business unit refer to MCMV's products.

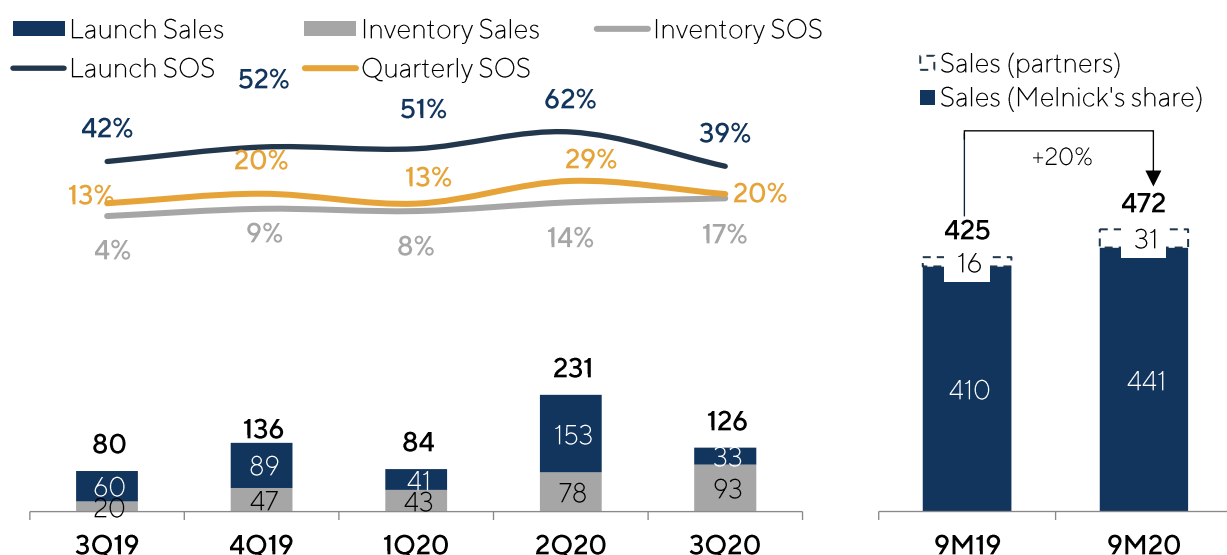
■ Net PSV    □ Partners + swaps + commission



### NET SALES

In the third quarter of 2020, net sales came to R\$ 126 million (Melnick's share), the sales over supply (SOS) ratio of the quarter was 20%. Totalling R\$441 million during the nine-month of the year

Even with the COVID-19 crisis that began as of the end of March 2020, the Company continues to have a healthy level of sales, with emphasis on the net inventory sales of R\$ 93 million in the third quarter of 2020, substantially above the same quarter 2019.



The table below shows the breakdown of sale by business unit:

Business unit	Total Sales (R\$ '000)		Melnick Sales (R\$ '000)		Usable area (sqm)		Units.	
	3Q20	2020	3Q20	2020	3Q20	2020	3Q20	2020
Real State	110,154	378,897	110,154	378,897	8,364	31,610	121	434
Lot development	18,651	68,158	10,573	37,479	32,370	97,941	73	305
Open	5,665	24,659	5,665	24,659	1,369	6,041	106	123
<b>Total</b>	<b>134,469</b>	<b>471,714</b>	<b>126,392</b>	<b>441,035</b>	<b>42,103</b>	<b>135,591</b>	<b>300</b>	<b>862</b>

The table below gives a breakdown of sale by launch year:

Year of launch	Total Sales (R\$ '000)		Melnick Sales (R\$ '000)		Usable area (sqm)		Units.	
	3Q20	2020	3Q20	2020	3Q20	2020	3Q20	2020
Up to 2014	3,968	36,441	3,497	30,636	1,125	10,739	13	49
2015	8,695	10,902	8,695	10,902	974	1,423	19	16
2016	1,235	12,451	802	11,157	1,113	7,455	-8	27
2017	7,876	11,882	4,405	8,175	10,667	13,558	33	53
2018	2,486	27,164	2,645	27,256	(527)	1,687	7	33
2019	46,869	95,039	45,394	92,531	13,233	25,617	75	395
2020	63,342	277,834	60,954	260,378	15,518	75,113	161	289
<b>Total</b>	<b>134,469</b>	<b>471,714</b>	<b>126,392</b>	<b>441,035</b>	<b>42,103</b>	<b>135,591</b>	<b>300</b>	<b>862</b>

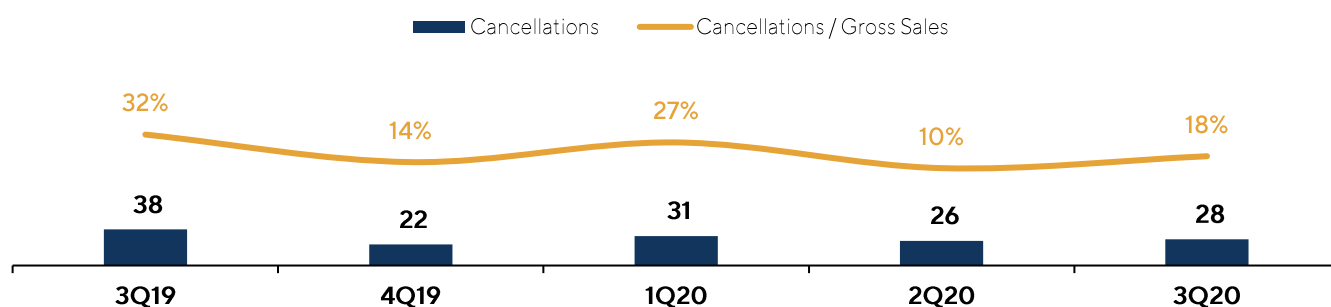
Finally, the table below gives a breakdown of sale by launch segment:

Segment	Total Sales (R\$ '000)		Melnick Sales (R\$ '000)		Usable area (sqm)		Units.	
	3Q20	2020	3Q20	2020	3Q20	2020	3Q20	2020
Residential	102,751	218,402	102,751	218,402	7,400	19,887	72	321
Commercial	(1,529)	152,327	(1,529)	152,327	(106)	10,489	46	115
Mixed use	8,932	8,169	8,932	8,169	1,069	1,234	3	(2)
Open	5,665	24,659	5,665	24,659	1,369	6,041	106	123
Lot development	18,651	68,158	10,573	37,479	32,370	97,941	73	305
<b>Total</b>	<b>134,469</b>	<b>471,714</b>	<b>126,392</b>	<b>441,035</b>	<b>42,103</b>	<b>135,591</b>	<b>300</b>	<b>862</b>

## CANCELLATIONS

In the third quarter, there were R\$ 28 million of cancellations, below is the indicator of the volume of cancellations for gross sales:

Cancellations (R\$ '000 – Melnick's share)	3Q19	4Q19	1Q20	2Q20	3Q20
Net Saltes	80	136	84	231	127
Total Cancellations	38	22	31	26	28
Gross Sales	118	158	115	257	154
Inventory	80	35	74	98	93
Launches of year	38	123	41	158	61
<b>Cancellations / Gross Sales</b>	<b>32%</b>	<b>14%</b>	<b>27%</b>	<b>10%</b>	<b>18%</b>

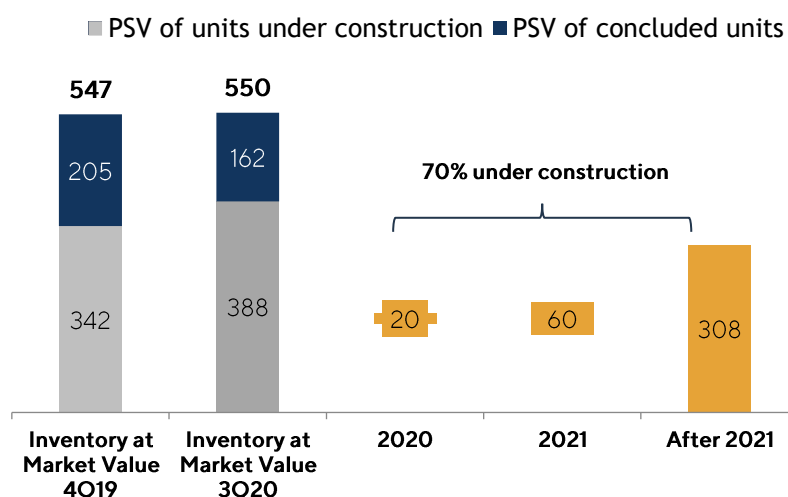


## INVENTORY

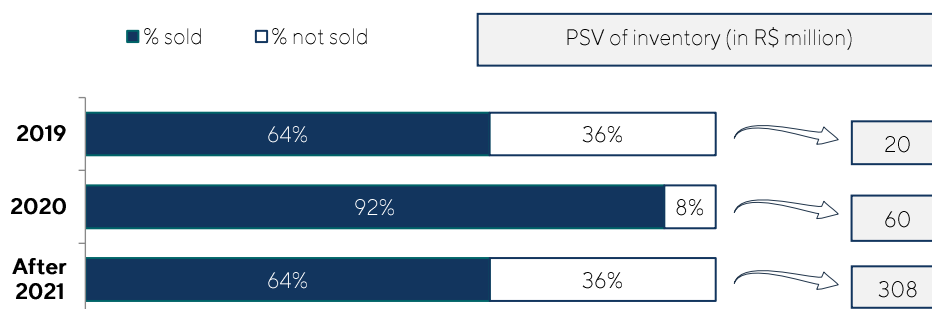
The inventory ended the 3Q20 amounting R\$500 million in potential sales value (Melnick's share), equivalent to 9 months of gross sales, based on the pace of gross sales in the last 12 months.

Estimated year of completion	Total Inventory (R\$ '000)	Inventory at Melnick's share (R\$ '000)	% Value	Units	% Units
Concluded units	175,749	162,317	30%	684	39%
2020	34,545	19,725	4%	341	19%
2021	70,615	59,934	11%	272	15%
After 2021	307,989	307,989	56%	464	26%
<b>Total</b>	<b>588,899</b>	<b>549,965</b>	<b>100%</b>	<b>1,761</b>	<b>100%</b>

Of the Company's total stock, 70% is under construction, of which 79% will be delivered in 2022 or after:



The graph below shows the percentage of projects sold by expected year of completion:



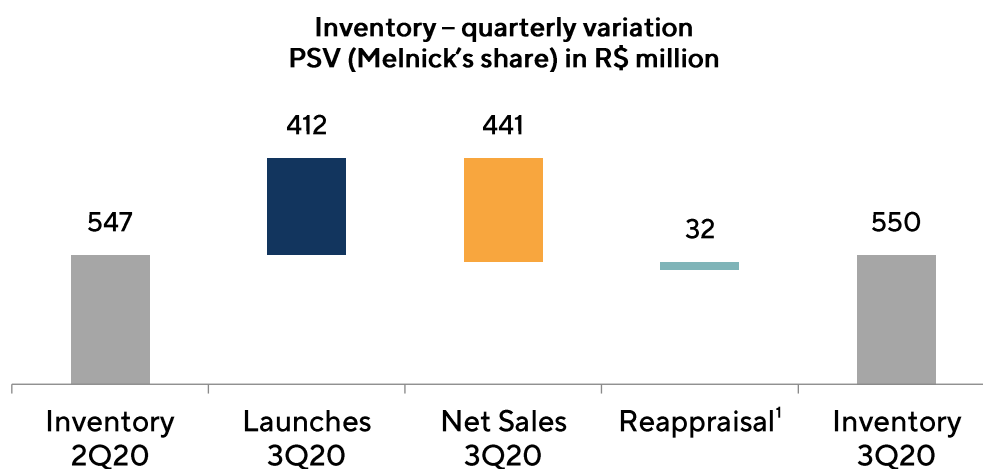
The table below gives a breakdown of inventory PSV by year of launch:

Year of launch	Total PSV	Melnick's PSV	Projects	Units	% Units
Up to 2014	37,983	37,983	11	112	6%
2015	71,631	71,631	2	148	8%
2016	47,763	41,680	10	243	14%
2017	52,022	44,674	5	252	14%
2018	40,891	30,740	4	179	10%
2019	152,217	146,494	8	346	20%
2020	186,391	176,764	5	481	27%
<b>Total</b>	<b>588,899</b>	<b>549,965</b>	<b>45</b>	<b>1,761</b>	<b>100%</b>

E abaixo, o nosso estoque por unidade de negócio:

Business unit	Total PSV	Melnick's PSV	Melnick's PSV completed	Finished Inventory		Inventory under Construction	
	(R\$ '000)	(R\$ '000)	(R\$ '000)	Projects	Units	Projects	Units
Real State	469.062	469.062	142.169	18	353	14	394
Lot development	90.659	51.726	20.148	7	331	4	504
Open	29.178	29.178	-	-	-	2	179
<b>Total</b>	<b>588.899</b>	<b>549.965</b>	<b>162.317</b>	<b>25</b>	<b>684</b>	<b>20</b>	<b>1.077</b>

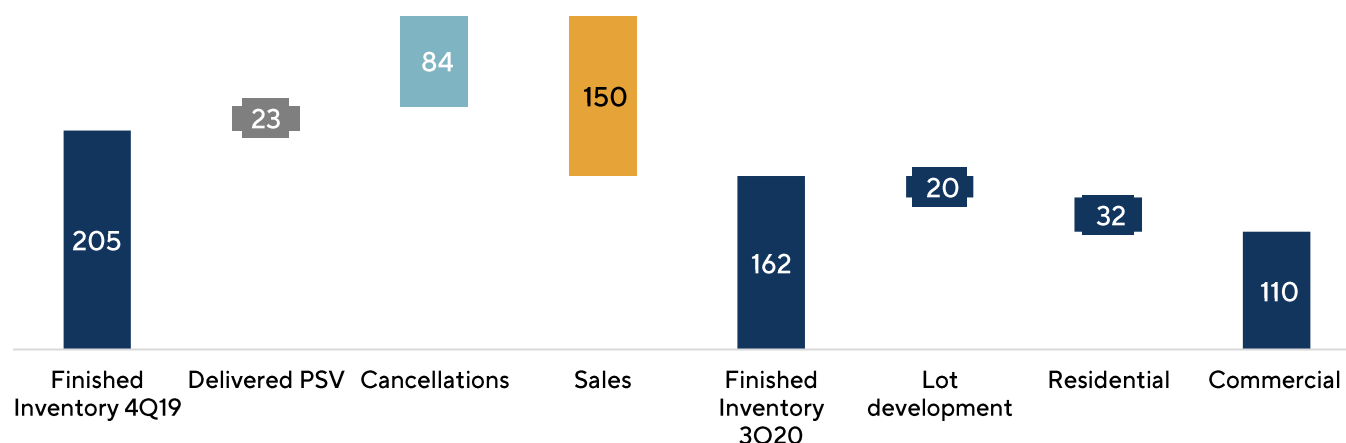
It is worth noting that the company is constantly reappraising its inventory in order to reflect the best expected sales price, given the current state of the market.



<sup>1</sup> A substantial part refers to a unit of the Teená project valued at R\$ 20 million, which was considered as physical swap on 12/31/2019 and became our stock in 2020. The rest refers to the readjustment in the stock price.

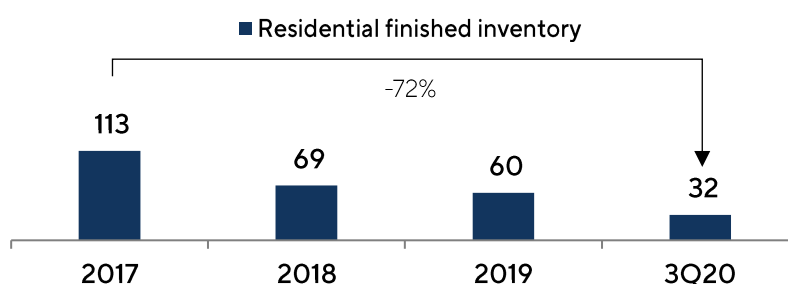
## FINISHED INVENTORY

As the graphic bellow shows, we sold R\$ 150 million (Melnick's share) of finished inventory in the nine months of 2020, reaching a ready inventory of R\$ 162 million.



<sup>1</sup> Considering that 100% of the cancellations are from finished units.

Due to our sales performance in 2020, we have a very healthy level of residential ready inventory, the lowest value since 2017:



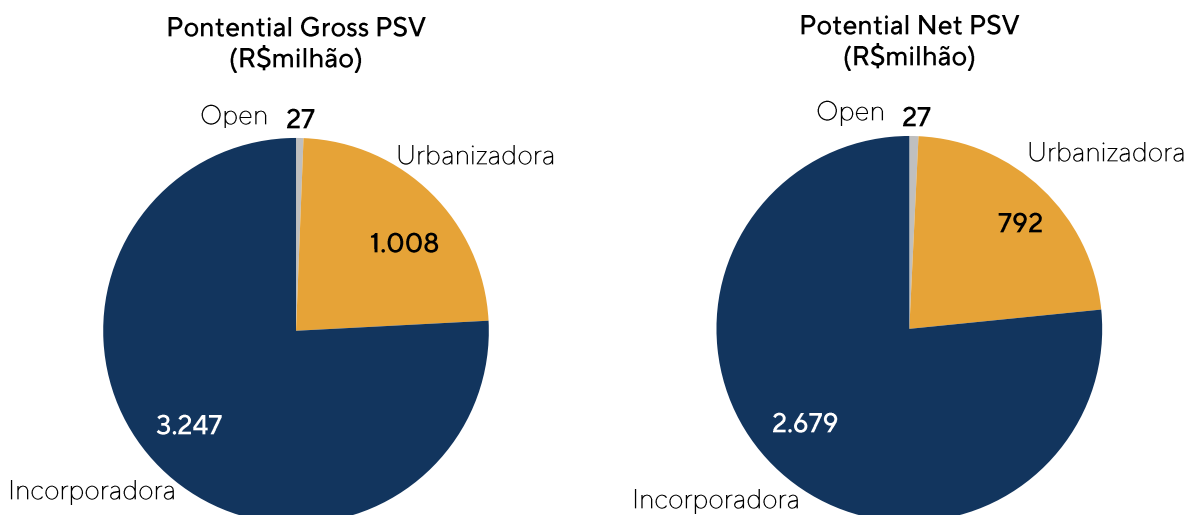
As a strategy to accelerate sales of commercial inventories, in 2019 we started a reversible lease program, which consists of the lease of our ready-to-sell inventory with a purchase option by the lessee during the lease period, using the amounts paid on a rental basis as at the time of purchase. Until September 30, 2020, we had R\$ 52 million of our inventory leased under this strategy.

## LAND BANK

Our potential sales value of the land bank in September 30, 2020 was R\$3,5 billion (Melnick's share).

Business unit	# of Launches	Area (sqm)	Units	Total Gross PSV (R\$ '000)	Melnick's share Gross PSV (R\$ '000)	Net PSV (R\$ '000)	Melnick's share Net PSV (R\$ '000)
Real State	20	256,190	5,242	3,247	3,247	2,679	2,679
Lot development	15	4,156,809	7,284	1,681	1,008	1,321	792
Open	1	3,439	160	27	27	27	27
<b>Total</b>	<b>36</b>	<b>4,416,438</b>	<b>12,686</b>	<b>4,955</b>	<b>4,282</b>	<b>4,027</b>	<b>3,498</b>





The land bank shown above represents land purchases approved by the Company's committee. The Company also maintains, in addition to the land bank presented, a significant volume of land where it has purchase options, preemptive rights among other legal instruments.

## DELIVERY AND EXECUTION OF PROJECTS

In the third quarter of 2020, we delivered 2 projects with gross PSV of R\$ 185.4 million (R\$140.9 million net PSV), totaling R\$250 million gross PSV (R\$180.2 million net PSV) during the nine-month of the year:

Projects	Business	Gross PSV <sup>2</sup> (R\$ '000)	Net PSV <sup>3</sup> (R\$ '000)	Melnick's PSV <sup>4</sup> (R\$ '000)	Usable Area <sup>5</sup>	Unit <sup>5</sup>	Average Unit Value (R\$ '000)	Segment
<b>2<sup>nd</sup> quarter</b>		<b>64,640</b>	<b>39,335</b>	<b>23,601</b>	<b>66,535</b>	<b>95</b>	<b>680</b>	
Península - Ponta da Figueira	LOT	64,640	39,335	23,601	66,535	95	680	Lot development
<b>3<sup>rd</sup> quarter</b>		<b>185,381</b>	<b>140,885</b>	<b>129,793</b>	<b>84,918</b>	<b>701</b>	<b>553</b>	
Gran Park Lindoia - Fase 1	R.E.	143,399	113,155	113,155	14,547	325	441	Mixed use
Domingos de Almeida	LOT	41,982	27,730	16,638	70,371	376	112	Lot development
<b>Total</b>		<b>250,021</b>	<b>180,221</b>	<b>153,394</b>	<b>151,453</b>	<b>796</b>	<b>314</b>	

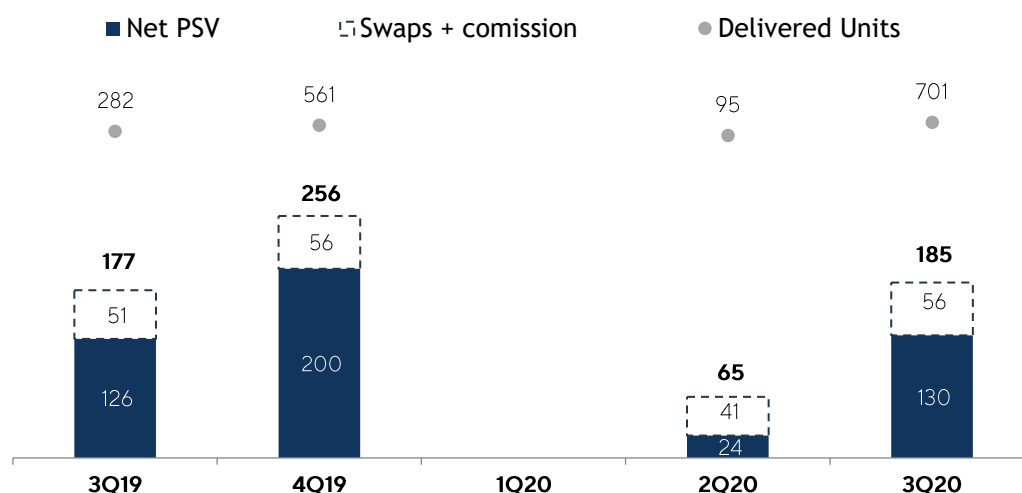
<sup>2</sup> PSV gross of swaps and commission.

<sup>3</sup> PSV net of swap and commission.

<sup>4</sup> Net PSV represented by the Company's current share in the projects, considering the corporate reorganization on July 10, 2020..

<sup>5</sup> Net of swaps.

<sup>6</sup> Considering the sales price at time of launch.



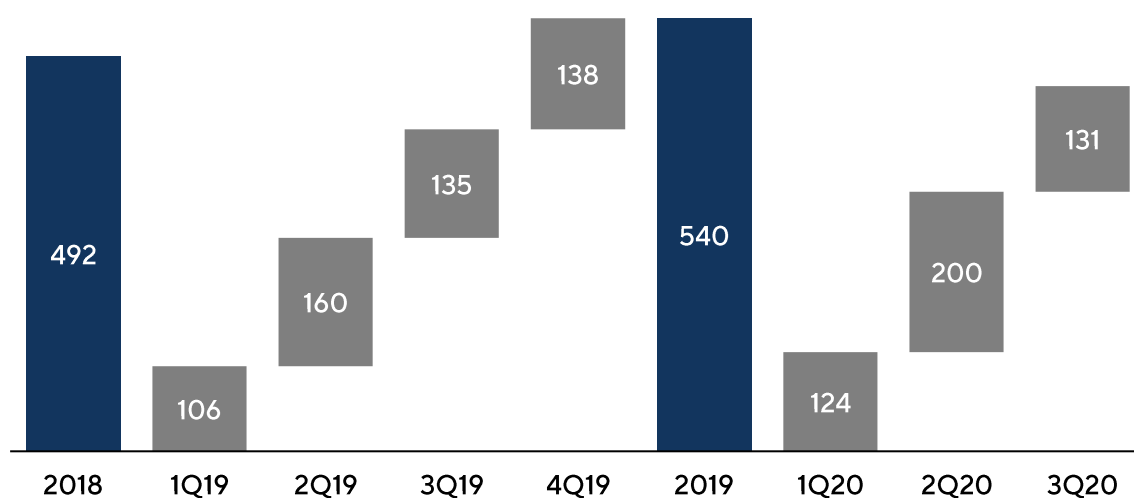
As of September 30, 2020, the Company had 17 active construction sites, of which 12 are from the developer, 4 from the developer and 1 from the Open (MCVM).

## TRANSFERS AND RECEIPT

The transfer process (bank loans to clients) remains as a priority for the company given its relevance to the cash flow.

As the following table shows, our total receivables from clients (units under construction and completed) in the third quarter of 2020, came to R\$131,4 million.

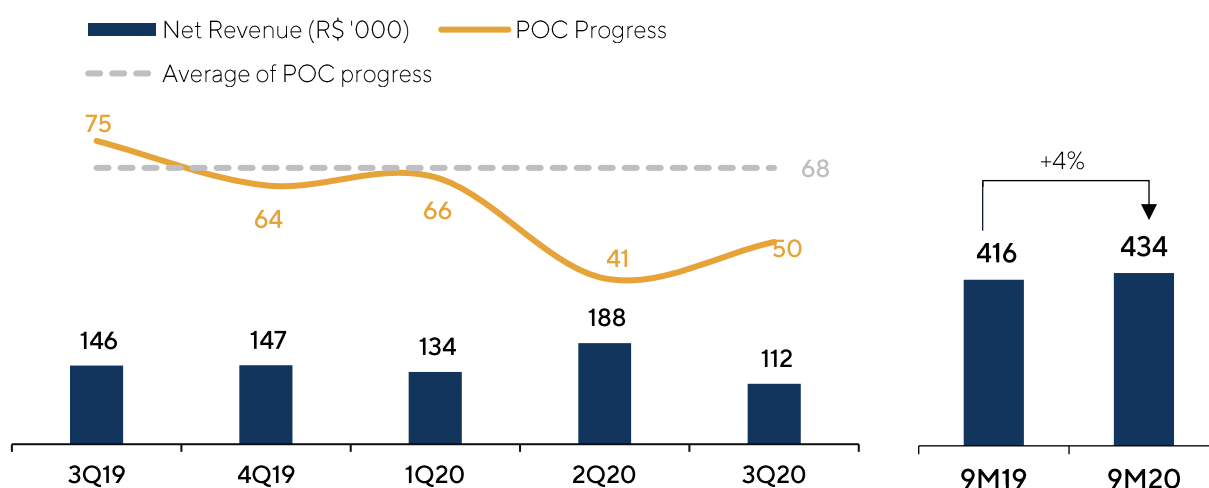
R\$ '000	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20
Units under construction	183.654	50.944	98.290	67.458	61.201	277.893	70.878	156.981	84.227
Performed (finished) units	308.686	55.115	61.623	67.951	76.959	261.649	52.785	42.925	47.152
<b>Total</b>	<b>492.340</b>	<b>106.059</b>	<b>159.913</b>	<b>135.409</b>	<b>138.160</b>	<b>539.541</b>	<b>123.663</b>	<b>199.906</b>	<b>131.379</b>



## ECONOMIC-FINANCIAL PERFORMANCE

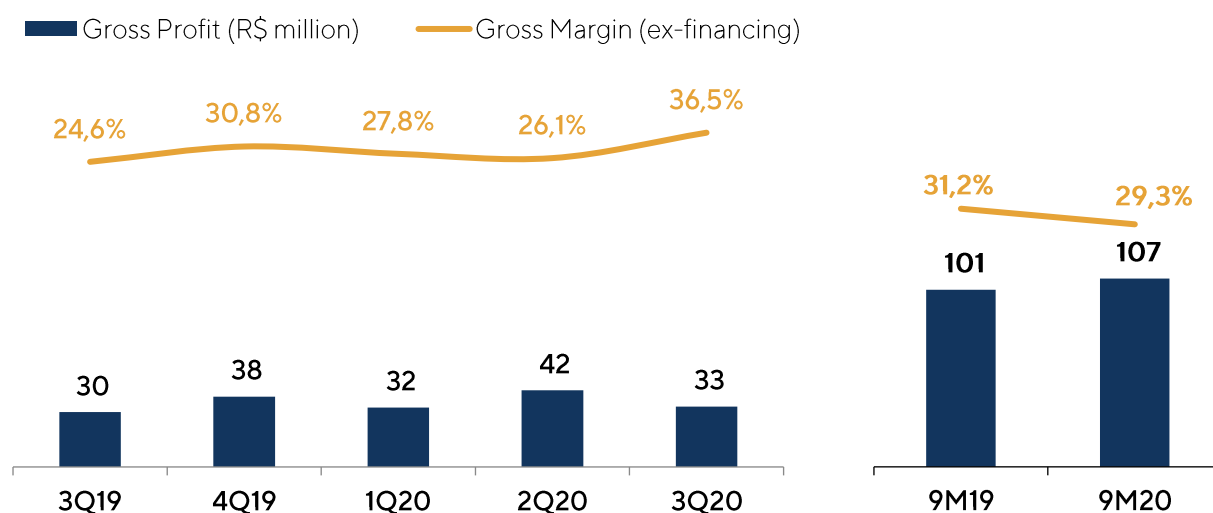
### NET REVENUE

In the third quarter of 2020, we had a net operating revenue from sales and services of R\$ 112 million. During the worsening of the COVID-19 pandemic throughout the year, our construction sites in the city of Porto Alegre were paralyzed for 92 days due to municipal decrees. As shown below, this stoppage led to lower revenue during the last 6 months due to the lower POC progress:



### GROSS PROFIT AND GROSS MARGIN

Gross profit came to R\$ 33 million in 3Q20. Third quarter gross margin stood at 36.5%, excluding the effects of financial charges appropriated to cost.



The table below presents the (i) booked gross margin, (ii) the backlog margin (REF) and (iii) the inventory gross margin (including the effects of financial charges apportioned to costs):

3 <sup>rd</sup> quarter of 2019 (R\$ '000)	Gross Margin	Gross Margin	Gross Margin Backlog Margin
Net revenue	111,748	758,413	576,650
Cost of goods sold			
Construction and lot	(71,002)	(536,126)	(421,679)
Financial charges	(7,841)	-	(15,396)
<b>Gross profit</b>	<b>32,905</b>	<b>222,287</b>	<b>139,574</b>
<b>Gross margin (%)</b>	<b>29.5%</b>	<b>29.3%</b>	<b>24.2%</b>
<b>Gross margin (%) excluding financing</b>	<b>36.6%</b>	<b>29.3%</b>	<b>26.9%</b>

<sup>1</sup> When realized, backlog and inventory margins will benefit from service revenue and the indexation of the portfolio to the INCC.

<sup>2</sup> Excluding the cost of unlaunched phased project units amounting to R\$28,5 million.

It is important to note that Melnick updates the budgeted cost of projects every month not only based on the period variation in the INCC, but also considering the actual budgeted cost effectively updated by the technical department.

The table below shows annual costs to be incurred from all projects under construction, including units sold and units in inventory

Year	Costs to be incurred (3Q20)		
	Units sold Inventory (R\$ '000)	Units sold Inventory (R\$ '000)	Units sold (R\$ '000)
2020	111,731	28,668	140,399
2021	273,428	82,087	355,515
2022	111,287	49,205	160,492
2023	35,952	17,741	53,693
2024	3,727	1,764	5,491
<b>Total</b>	<b>536,126</b>	<b>179,465</b>	<b>715,590</b>

<sup>1</sup> Excluding the total cost in phased projects ( R\$28,5 million).

## SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND OTHERS EXPENSES

In the third quarter, operational expenses totalled R\$ 22,6 million. The breakdown is as follows:

	3Q19	4Q19	1Q20	2Q20	3Q20	9M19	9M20
Selling expenses	9,939	16,261	10,563	6,438	13,230	31,523	30,231
General and administrative	7,277	8,621	8,863	5,086	7,225	26,632	21,174
Other expenses	(965)	(2,129)	3,244	2,545	2,156	2,156	7,945
<b>Operating expenses</b>	<b>16,251</b>	<b>22,753</b>	<b>22,670</b>	<b>14,069</b>	<b>22,611</b>	<b>60,311</b>	<b>59,350</b>
<b>% of Net Revenue (LTM)</b>	<b>13.4%</b>	<b>14.8%</b>	<b>15.7%</b>	<b>12.3%</b>	<b>14.2%</b>	<b>13.4%</b>	<b>14.2%</b>

### Selling expenses:

Selling Expenses were in line with the same period last year in the nine months of the year, however compared to the same quarter of the previous year, we observed an increase due to the postponement of some expenses from 2Q20 to 3Q20.

### General and administrative expenses:

General and Administrative Expenses were in line with the same quarter last year, in the nine-month period we observed a reduction of 20%, due to the measures that the Company took to reduce its administrative costs during the COVID-19 pandemic.

## Other expenses, net:

Other expenses are mainly comprised of the provisions for contingencies and cancellations - IFRS 9.

On January 1, 2018, IFRS 9 / CPC 48 - Financial Instruments came into effect. Until this date, the Company's cancellation provisions were based on objective evidence of losses, and under IFRS 9 the provision started to incorporate the forecast of future cancellations, including defaulting contracts (expected for the next 12 months), taking into account, among others, past experiences. The provision established by IFRS 9 concepts with the characteristic of provision for realization of financial assets, maintained its classification as "other expenses".

## EBITDA

The graphs below show EBITDA trends:<sup>1</sup>

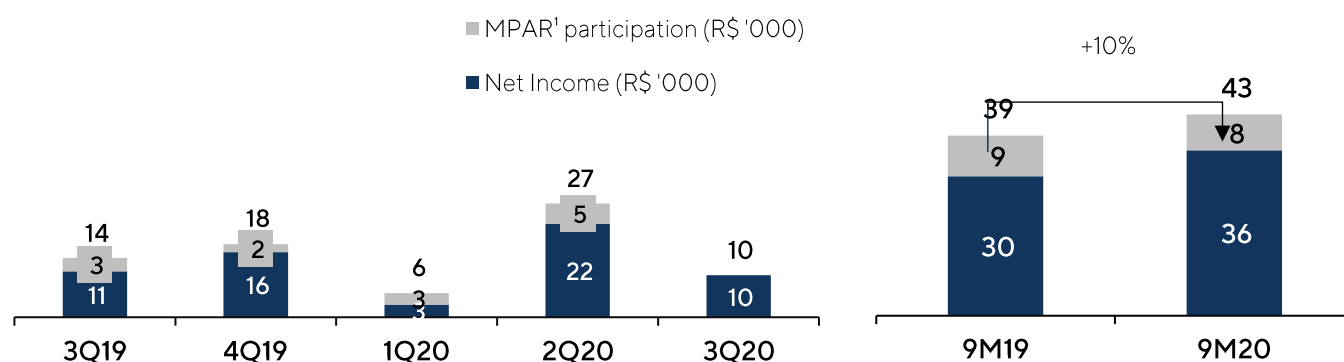
EBITDA reconciliation	3Q19	4Q19	1Q20	2Q20	3Q20	9M19	9M20
Earnings before income taxes	16,639	19,832	12,167	32,557	13,495	48,091	92,815
(+) Financial result	(3,082)	(4,306)	(2,576)	(4,820)	(1,790)	(7,813)	(15,209)
(+) Depreciation and amortization	465	1,971	593	901	361	1,069	1,855
(+) Expenses apportioned to cost	5,999	6,909	5,078	7,116	7,841	20,740	20,035
<b>EBITDA</b>	<b>20,021</b>	<b>24,406</b>	<b>15,262</b>	<b>35,754</b>	<b>19,907</b>	<b>61,483</b>	<b>99,496</b>
<b>EBITDA margin (%)</b>	<b>13.74%</b>	<b>16.65%</b>	<b>11.37%</b>	<b>19.06%</b>	<b>17.81%</b>	<b>14.77%</b>	<b>13.48%</b>

<sup>1</sup> EBITDA: earnings before taxes, interest, financial charges recognized to cost, depreciation and amortization.

In accordance with the accounting rules applied to real estate development entities, the financial costs regarding financing to production are capitalized in Cost of Property Sold. Therefore, the EBITDA, which should not include interest in its calculation, ends up including the portion related to financing to production and corporate debt. The Company understands that the Adjusted EBITDA offers a better perception of the operating results.

## NET INCOME AND NET MARGIN

In the third quarter, net income was R \$ 10 million, with a net margin of 9.6% and in the nine months of the year it totaled R \$ 43 million, with a net margin of 10.0%.



<sup>1</sup> Considering the profit from the direct stake held by MPAR of 15% in the Company's SPEs, due to the corporate reorganization of July 10, 2020.



## FINANCIAL STRUCTURE

On September 30, 2019, cash, cash equivalents, securities and restrict cash totaled R\$ 863.4 million.

Loans, production financing came to R\$ 268 million, which are fully guaranteed by the projects receivables or inventory.

The table below shows our capital structure, leverage and receivables from completed units on September 30, 2020:

	09/30/2020 (R\$ '000)	
Financing to production - SFH	224,5	84%
Financing to production - CRI	43,5	16%
Gross Debt	268,0	100%
Cash	(863,4)	
Net Debt	(595,4)	
Shareholders' Equity	1,158.7	
<b>Net debt /Shareholders' equity</b>	<b>-51.4%</b>	

## CASH GENERATION / CASH BURN

Cash generation in the third quarter was positive in R\$ 33,6 million.

	3Q19	4Q19	1Q20	2Q20	3Q20	9M19	9M20
Initial net debt	109.7	115.8	119.6	104.3	(14.7)	154.3	119.6
Final net debt	115.8	119.6	104.3	(14.7)	(595.4)	115.8	(595.4)
<b>Net debt variation</b>	<b>6.1</b>	<b>3.8</b>	<b>(15.3)</b>	<b>(119.1)</b>	<b>(580.7)</b>	<b>(38.4)</b>	<b>(715.0)</b>
Dividends and capital contributions	(10.9)	5.6	17.7	(2.4)	(34.1)	(12.3)	(18.8)
Incorporation of MEIC <sup>1</sup>	-	-	-	6.4	-	-	6.4
IPO's funds	-	-	-	(0.7)	581.2	-	580.5
<b>Cash burn</b>	<b>(4.8)</b>	<b>9.4</b>	<b>2.4</b>	<b>(115.7)</b>	<b>(33.6)</b>	<b>(50.7)</b>	<b>(146.9)</b>

<sup>1</sup> On 06/30/2020 the Company incorporated the cash balances of Melnick Even Incorporações e Construções S.A.

## ACCOUNTS RECEIVABLE FROM CLIENTS

We ended the third quarter with R\$ 189.4 million of receivables from completed units. These amounts, for the most part, are in the process of being transferred to the banks (customer financing).

Accounts receivable (R\$ 484 million) were stable in relation to the 2nd quarter of 2020. The balance of accounts receivable from units sold and not yet concluded is not fully reflected as an asset in the financial statements, since the balance is recognized as the construction progresses.

According to the schedule below, of the total receivables of R\$ 1.2 billion (accounts receivable plus receivables to be appropriated in the balance sheet), R\$ 1 billion are falling due and have the following receipt schedule:

Year	(R\$ '000)
2020	144.4
2021	373.7
2022	333.7
2023 em diante	156.4
<b>Total</b>	<b>1,008.2</b>

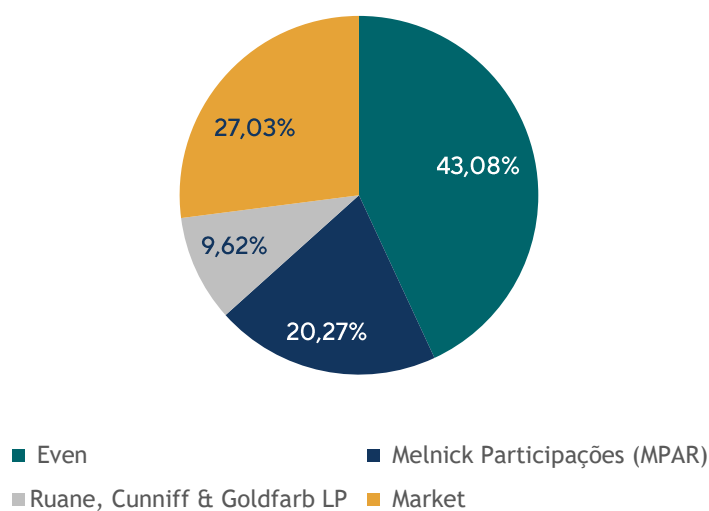
The balance of accounts receivable is adjusted by the variation in the INCC until the delivery of the keys and subsequently by the variation in the price index adopted (IPCA or IGPM), plus annual interest of 12%, recognized on a pro rata temporis basis. The balance of accounts receivable is net of swaps.

It is worth noting that these amounts may be settled by the client, transferred to the banks (client financing) or securitized.

## OWNERSHIP STRUCTURE

### Ownership Structure

(On October 31, 2020, as of the CVM 358 form + Shareholder information with more than 5% on 10/31/2020 – source: B3)



(Total share: 207,969,341)

## SUBSEQUENT EVENT

### Closing if the IPO

On October 30, 2020, the Company, through a notice to the market, communicated the closing of the IPO, and consequently, the closing of the stabilization service. Thus, resulting in the following percentages of participation in the company: Even 43.1%, MPAR 20.3% and the market 36.6%.

## ATTACHMENTS

### ATTACHMENT 1 – Income Statement

(Consolidated - in thousands of reais)

INCOME STATEMENT	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20
Revenues	124,493	146,061	145,722	146,617	134,213	187,589	111,748
Cost of goods sold	(88,134)	(111,639)	(115,914)	(108,33)	(101,952)	(145,783)	(78,843)
<b>Gross Income</b>	<b>36,359</b>	<b>34,422</b>	<b>29,808</b>	<b>38,279</b>	<b>32,261</b>	<b>41,806</b>	<b>32,905</b>
<i>Gross Margin</i>	<i>29.21%</i>	<i>23.57%</i>	<i>20.46%</i>	<i>26.11%</i>	<i>24.04%</i>	<i>22.29%</i>	<i>29.45%</i>
<i>Gross Margin (ex-financing)</i>	<i>36.56%</i>	<i>27.39%</i>	<i>24.57%</i>	<i>30.82%</i>	<i>27.82%</i>	<i>26.08%</i>	<i>36.46%</i>
Operating expenses	(15,980)	(28,080)	(16,251)	(22,753)	(22,670)	(14,069)	(21,200)
Selling	(7,600)	(13,984)	(9,939)	(16,261)	(10,563)	(6,438)	(13,230)
General and administrative	(6,784)	(12,571)	(7,277)	(8,621)	(8,863)	(5,086)	(7,225)
Other operating expenses, net	(1,596)	(1,525)	965	2,129	(3,244)	(2,545)	(745)
<b>Operating income before financial results</b>	<b>20,379</b>	<b>6,342</b>	<b>13,557</b>	<b>15,526</b>	<b>9,591</b>	<b>27,737</b>	<b>11,705</b>
Financial result	1,803	2,928	3,082	4,306	2,576	4,820	1,790
Financial expenses	(674)	(1,545)	(1,808)	(754)	(1,435)	(1,093)	(2,152)
Financial revenues	2,477	4,473	4,890	5,060	4,011	5,913	3,942
<b>Profit before income tax and social contribution</b>	<b>22,182</b>	<b>9,270</b>	<b>16,639</b>	<b>19,832</b>	<b>12,167</b>	<b>32,557</b>	<b>13,495</b>
Income tax and social contribution current	(2,715)	(3,952)	(2,636)	(3,308)	(2,436)	(4,305)	(2,751)
deferred	(2,302)	(3,921)	(2,942)	(3,113)	(2,730)	(4,255)	(2,481)
	(413)	(31)	306	(195)	294	(50)	(270)
<b>Net profit before non-controlling interest</b>	<b>19,467</b>	<b>5,318</b>	<b>14,003</b>	<b>16,524</b>	<b>9,731</b>	<b>28,252</b>	<b>10,744</b>
Non-controlling interest	(2,807)	(3,054)	(3,022)	(971)	(6,688)	(5,897)	(642)
<b>Net profit</b>	<b>16,660</b>	<b>2,264</b>	<b>10,981</b>	<b>15,553</b>	<b>3,043</b>	<b>22,355</b>	<b>10,102</b>
<i>Net Margin</i>	<i>13.38%</i>	<i>1.55%</i>	<i>7.54%</i>	<i>10.61%</i>	<i>2.27%</i>	<i>11.92%</i>	<i>9.04%</i>
<i>Net Margin (without non-controlling interest)</i>	<i>15.64%</i>	<i>3.64%</i>	<i>9.61%</i>	<i>11.27%</i>	<i>7.25%</i>	<i>15.06%</i>	<i>9.61%</i>

## ATTACHMENT 2 – Balance Sheet

(Consolidated – in thousands of reais)

ASSETS	12/31/2019	03/31/2020	06/30/2020	09/30/2020
Cash and cash equivalents	9,213	36,692	8,346	6,419
Securities	120,825	131,547	272,763	851,762
Restricted cash	5,587	5,024	3,880	5,224
Accounts receivable	324,680	300,675	343,381	324,929
Properties for sale	430,277	472,307	459,806	456,482
Other accounts receivable	14,949	12,347	16,622	22,394
<b>Total current assets</b>	<b>905,531</b>	<b>958,592</b>	<b>1,104,798</b>	<b>1,667,210</b>
Accounts receivable	143,948	173,327	158,210	159,095
Properties for sale	141,820	123,846	155,611	136,040
Related parties	20,110	20,210	22,649	1,971
Other accounts receivable	6,690	5,904	8,651	8,741
Investments	200	200	200	200
Right of use	1,951	1,621	1,621	1,150
Fixed	3,805	3,678	4,477	4,204
Intangible	363	317	289	289
<b>Total non-current assets</b>	<b>318,887</b>	<b>329,103</b>	<b>351,708</b>	<b>311,690</b>
<b>Total asset</b>	<b>1,224,418</b>	<b>1,287,695</b>	<b>1,456,506</b>	<b>1,978,900</b>
LIABILITIES AND SHAREHOLDERS' EQUITY	12/31/2019	03/31/2020	06/30/2020	09/30/2020
Suppliers	18,195	16,841	16,135	22,114
Accounts payable for property acquisition	39,321	27,041	38,534	36,191
Loans and financing	88,229	155,299	122,879	173,006
Current taxes and contributions	6,721	7,699	12,103	9,561
Deferred taxes and contributions	9,143	8,175	8,175	8,877
Advances from clients	135,399	154,980	262,475	251,551
Provisions	46,285	54,244	55,863	59,917
Related parties	118,314	71,283	76,266	30,853
Other accounts payable	20,854	15,380	19,678	21,373
<b>Total current liabilities</b>	<b>482,461</b>	<b>510,942</b>	<b>612,108</b>	<b>613,443</b>
Accounts payable for property acquisition	35,754	34,065	32,614	33,757
Provisions	22,741	24,417	27,096	26,486
Loans and financing	167,025	122,285	147,367	94,979
Deferred taxes and contributions	16,076	16,398	17,520	16,260
<b>Total non-current liabilities</b>	<b>241,596</b>	<b>197,165</b>	<b>224,597</b>	<b>171,482</b>
Share Capital attributed to the Parent Company's	394,111	457,222	467,026	1,154,604
Cost for issuing shares	-	-	(728)	(40,021)
Equity pick-upvaluation	-	-	-	(3,906)
Legal Reserve	21,334	32,389	21,334	21,334
Statutory reserve	32,389	21,334	32,389	-
Retained earnings	-	3,043	16,798	26,698
	447,834	513,988	536,819	1,158,709
Non-controlling interest	52,527	65,600	82,982	35,266
<b>Total shareholders' equity</b>	<b>500,361</b>	<b>579,588</b>	<b>619,801</b>	<b>1,193,975</b>
<b>Total liabilities and shareholders' equity</b>	<b>1,224,418</b>	<b>1,287,695</b>	<b>1,456,506</b>	<b>1,978,900</b>

## ATTACHMENT 3 – Cash Flow Statement

(Consolidated - in thousands of reais)

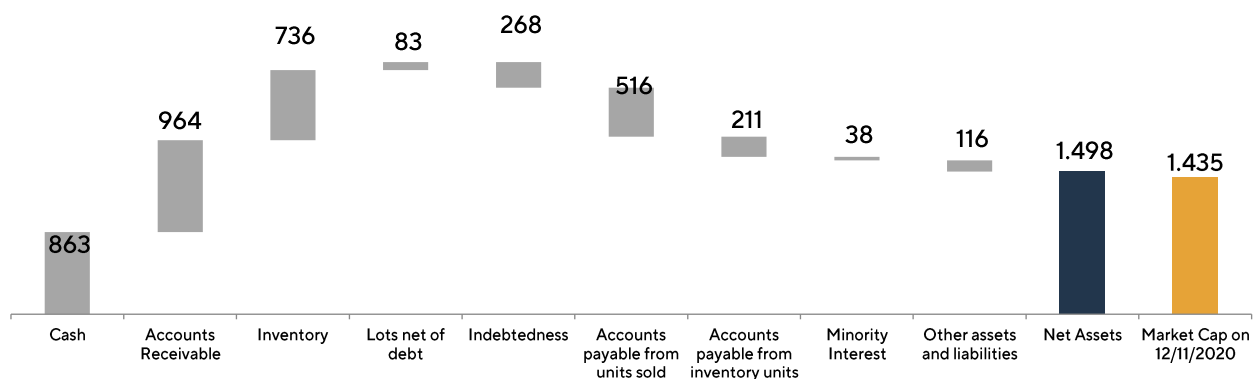
CASH FLOW	1T20	2T20	3T20
<b>OPERATING CASH FLOW</b>			
Earnings before income tax and social contribution	12.167	32.557	13.495
Adjustments to reconcile earnings before income tax and social contribution with the net cash generated by the operating activities:			
Depreciation and amortization	593	(2.087)	3.349
Provision for contingencies, net	7.360	(11.614)	7.022
Provision for warranties, net	284	(230)	(883)
Provision for cancellations, net	7.388	4.804	2.381
Provision for profit sharing	(5.397)	6.152	(5.076)
Expenses with interest and currency fluctuations	4.393	4.108	8.896
Variations of current and non-current assets and liabilities:			
Accounts receivable	(5.374)	(10.631)	17.567
Properties for sale	(24.056)	(12.898)	22.895
Other accounts receivable	3.388	(5.625)	(5.872)
Suppliers	(1.024)	(1.067)	5.649
Accounts payable for acquisition of properties	(13.969)	10.006	(1.200)
Advances from customers	19.581	103.989	(10.924)
Other liabilities	(4.848)	5.415	(1.665)
<b>Cash generated by (applied to) the operations</b>	<b>486</b>	<b>122.879</b>	<b>55.634</b>
Interests paid	(8.383)	(7.202)	(6.902)
Income tax and social contribution paid	(2.730)	(4.255)	(2.481)
<b>Net cash applied to operating activities</b>	<b>(10.627)</b>	<b>111.422</b>	<b>46.251</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Securities	(10.722)	(134.773)	(578.999)
Acquisition of fixed and intangible assets	(420)	2.585	(2.275)
<b>Net cash generated by investment activities</b>	<b>(11.142)</b>	<b>(132.188)</b>	<b>(581.274)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Restricted cash	563	1.144	(1.344)
Related parties	22.365	4.848	(6.015)
Capital increase	-	-	616.594
Cost for issuing shares	-	-	(40.021)
Borrowing and financing	53.544	23.041	18.811
Amortization of loans and financing	(27.224)	(27.285)	(23.066)
Dividends paid	-	(8.600)	(32.591)
<b>Net cash generated by (applied to) the financing activities</b>	<b>49.248</b>	<b>(6.852)</b>	<b>532.368</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>27.479</b>	<b>(28.346)</b>	<b>(1.927)</b>



## ATTACHMENT 4 – NET ASSET

(Consolidated – in thousands of reais)

Net Asset	09/30/2020
Cash and cash equivalents and financial investments	863,405
Loans, financing and debentures payable	(267,985)
<b>Net debt</b>	<b>595,420</b>
On-balance accounts receivable from clients	484,024
Off-balance accounts receivable from clients	771,506
Advances from clients	(251,551)
Taxes on accounts receivable from clients	(40,159)
Liabilities from construction of properties sold	(536,126)
Adjustment of cost to be incurred of phased accounted as launched	20,215
<b>Accounts receivable from clients, net</b>	<b>447,909</b>
Inventory units at market value	588,899
Provision of termination inventory at market value	178,010
Taxes on sale of inventory units	(30,676)
Budgeted cost to be incurred from inventory properties	(219,333)
Adjustment of cost to be incurred of phased accounted as launched	8,270
<b>Net inventory</b>	<b>525,170</b>
On-balance land inventory	153,354
On-balance land debt	(12,805)
Debt of lots already launched	(57,143)
<b>Land</b>	<b>83,406</b>
On-balance minority interest	(35,266)
Off-balance minority interest	(2,874)
<b>Minority interest</b>	<b>(38,140)</b>
On balance projects consolidated by equity accounting	200
Off-balance projects consolidated by equity accounting	-
<b>Projects consolidated by equity accounting</b>	<b>200</b>
Other assets	38,749
Other liabilities	(155,282)
<b>Other assets (liabilities)</b>	<b>(116,533)</b>
<b>NET ASSET</b>	<b>1,497,562</b>



## ATTACHMENT 5 – Land Bank

The table shows the plots of land acquired by the company, per undertaking, on September 30, 2010:

Lot	Bussiness unit	Purchase date	Area Lot (sqm)	Area Usable (sqm)	Units	Total Gross PSV (R\$ '000)	Total Net PSV (R\$ '000)	PSV Melnick's share (R\$ '000)
Land I	Lot development	may-10	1,008	181	389	322,438	241,251	144,750
Land II	Lot development	may-10	603	108	243	225,507	144,319	86,592
Land III	Lot development	may-10	603	108	243	232,941	144,319	86,592
Land IV	Open	sep-10	3,439	7,054	160	26,554	26,554	26,554
Land V	Real State	sep-14	44,145	22,541	352	152,563	135,755	135,755
Land VI	Real State	sep-14	15,475	7,273	194	53,480	47,588	47,588
Land VII	Real State	sep-14	40,206	22,447	288	138,950	123,642	123,642
Land VIII	Real State	dec-14	5,024	13,061	65	82,415	71,870	71,870
Land IX	Real State	mar-16	9,736	12,193	198	97,367	83,107	83,107
Land X	Real State	jun-16	25,299	50,468	703	118,295	90,315	90,315
Land XI	Lot development	nov-16	187,884	96,558	350	66,238	59,905	35,943
Land XII	Lot development	nov-16	187,884	36,994	146	14,482	12,867	7,720
Land XIII	Lot development	nov-16	183,438	137,132	393	61,947	53,753	32,252
Land XIV	Lot development	nov-16	183,438	78,686	398	36,558	31,656	18,994
Land XV	Real State	jan-17	11,123	30,440	756	349,950	306,181	306,181
Land XVI	Lot development	jan-17	366,875	48,198	558	47,349	41,710	25,026
Land XVII	Lot development	jan-17	366,875	136,584	876	140,828	120,030	72,018
Land XVIII	Lot development	mar-17	97,408	31,708	100	43,157	34,203	20,522
Land XIX	Real State	jun-17	11,721	33,389	518	276,879	249,760	249,760
Land XX	Real State	oct-17	4,000	7,593	56	101,935	89,169	89,169
Land XXI	Real State	oct-17	6,000	10,658	102	150,883	127,981	127,981
Land XXII	Lot development	oct-17	120,507	55,946	290	25,648	21,614	12,969
Land XXIII	Real State	dec-17	21,655	20,472	368	425,962	233,377	233,377
Land XXIV	Real State	jan-18	17,168	34,498	416	296,683	260,548	260,548
Land XXV	Real State	jan-18	17,168	33,895	260	317,531	278,856	278,856
Land XXVI	Lot development	feb-18	1,006,284	277,094	1,251	102,503	96,895	58,137
Land XXVII	Lot development	feb-18	1,166,352	405,863	1,446	253,660	231,973	139,184
Land XXVIII	Lot development	mar-18	114,990	55,560	139	48,465	42,042	25,225
Land XXIX	Lot development	jul-18	172,661	86,729	462	58,873	43,974	26,384
Land XXX	Real State	nov-18	7,947	12,726	326	189,633	165,347	165,347
Land XXXI	Real State	nov-18	4,671	6,431	109	80,781	69,362	69,362
Land XXXII	Real State	aug-19	4,191	8,677	49	91,385	75,322	75,322
Land XXXIII	Real State	dec-19	4,357	8,832	206	145,714	121,112	121,112
Land XXXIV	Real State	dec-19	883	1,790	61	27,916	23,088	23,088
Land XXXV	Real State	dec-19	3,697	6,310	129	99,644	82,771	82,771
Land XXXVI	Real State	jun-20	1,724	3,481	87	49,520	44,294	44,294

## ATTACHMENT 6 – Trade evolution and cost financial evolution

The table below presents the evolution of sales and the percentage of completion of the costs of our projects on September 30, 2020 in comparison to June 30, 2020 and March 31, 2020:

Project	Lauch	Melnick's share	% Sold			%POC		
			09/30/20	06/30/20	03/31/20	30/09/20	30/06/20	31/03/20
Ponta da Figueira	3Q10	25%	100%	99%	99%	100%	100%	100%
Hom	4Q10	100%	98%	98%	98%	100%	100%	100%
Grand Park Eucaliptos	3Q11	100%	99%	99%	99%	100%	100%	100%
Cobal - Rubi	4Q11	100%	99%	99%	99%	100%	100%	100%
Design Ofcece Center	3Q12	100%	97%	96%	96%	100%	100%	100%
Hom lindaia	4Q12	100%	93%	93%	93%	100%	100%	100%
Nine	4Q12	100%	99%	99%	99%	100%	100%	100%
Icon - RS	1Q13	100%	94%	94%	93%	100%	100%	100%
Icon RS – Fase 2	2Q13	100%	99%	98%	98%	100%	100%	100%
Terrara	4Q13	100%	100%	100%	95%	100%	100%	100%
Window RS	4Q13	100%	100%	100%	93%	100%	100%	100%
Anita Garibaldi	4Q13	100%	92%	93%	92%	100%	100%	100%
Icon RS – Fase 2	2Q14	100%	99%	98%	98%	100%	100%	100%
Viva Vida Club Canoas - Brita Fase 4	2Q14	100%	100%	100%	100%	100%	100%	100%
Ato	4Q14	100%	100%	100%	97%	100%	100%	100%
Viva Vida Boulevard	4Q14	100%	94%	93%	86%	100%	100%	100%
Hom Nilo	3Q15	100%	83%	82%	81%	100%	100%	100%
MaxPlaza	4Q15	100%	74%	79%	79%	100%	100%	100%
Blue Xangrilá	1Q16	60%	97%	97%	97%	100%	100%	100%
Central Park- Fase 1	1Q16	60%	91%	87%	87%	92%	92%	92%
Supreme Central Parque	1Q16	100%	99%	98%	98%	100%	100%	100%
Central Park-Fase 2	2Q16	60%	95%	90%	90%	92%	92%	92%
DOC Santana	2Q16	100%	70%	71%	71%	100%	100%	100%
MaxPlaza-Fase 2	2Q16	100%	87%	87%	87%	100%	100%	100%
Supreme Higienopolis	3Q16	100%	99%	99%	99%	100%	100%	100%
Reserva Bela Vista	4Q16	60%	91%	93%	93%	100%	100%	100%
Reserva do Lago	4Q16	60%	73%	71%	71%	100%	100%	100%
Vida Viva Horizonte – Fase 2	4Q16	100%	92%	91%	90%	100%	100%	100%
Linked Teresópolis	3Q17	100%	83%	85%	85%	68%	68%	64%
Domingos de Almeida	3Q17	60%	68%	66%	64%	93%	93%	93%
Grand Park Lindóia	4Q17	100%	71%	71%	68%	72%	72%	73%
GO 1092	4Q17	100%	91%	94%	94%	93%	93%	90%
Península (Brilhante)	4Q18	60%	85%	72%	73%	100%	100%	93%
Vida Viva Linked	1Q18	100%	91%	92%	95%	78%	78%	76%
Pontal	3Q18	100%	93%	93%	92%	63%	63%	62%
Praça do Sol	4Q18	48%	53%	53%	53%	83%	83%	82%
Vivio Lindaia	4Q18	100%	87%	85%	76%	53%	53%	48%
Artur 505	4Q18	100%	100%	99%	93%	60%	60%	57%
Teena	1Q19	100%	94%	76%	76%	46%	46%	44%
Pontal – Fase 2	1Q19	100%	96%	93%	92%	63%	63%	62%
Central Park- Fase 3	3Q19	60%	50%	29%	31%	92%	92%	92%
High Garden	3Q19	100%	70%	69%	68%	49%	49%	45%
Central Park Passo Fundo	4Q19	42%	96%	90%	89%	25%	25%	16%
OPEN Canoas Centro	4Q19	100%	43%	37%	29%	21%	21%	19%
Radisson Moinhos 1903	4Q19	100%	91%	91%	90%	51%	51%	50%
CasaVista	4Q19	100%	43%	40%	34%	43%	43%	42%
Sunset	1Q20	60%	69%	63%	60%	50%	50%	50%
GO24	1Q20	100%	85%	61%	53%	43%	43%	44%
Carlos Gomes Square - Fase 1	2Q20	100%	63%	59%	0%	38%	38%	-
Carlos Gomes Square - Fase 2	3Q20	100%	39%	0%	0%	38%	-	-

## **DISCLAIMER**

The declarations contained in this release referring to business perspectives, operating and financial result estimates, and the growth perspectives affecting Melnick activities, as well as any other declarations related to the Company business future, constitute future estimates and declarations involving risks and uncertainties and, therefore, are not guarantees of future results. Such considerations depend substantially on the changes to market conditions, governmental rules, competition pressures, sector performance and Brazilian economy, among other factors and are, therefore, subject to change without prior notice.

## **RELATIONSHIP WITH INDEPENDENT AUDITORS**

In compliance with CVM Instruction No. 381/03 we hereby inform that the independent auditors of PricewaterhouseCoopers Auditores Independentes did not provide during the third quarter of 2020 other services than those related to external auditing. The company's policy on hiring independent auditors ensures that there is no conflict of interest, loss of independence or objectivity.