

# Earnings Release 4Q18

4<sup>th</sup> Quarter of 2018 and 2018



## **Net Operating Revenue, R\$ 205 million accumulated in 2018, an increase of 64% on 2017.**

**Juiz de Fora, December 18, 2019** - A company engaged in the development of medium and large real estate ventures primarily in the popular housing segment (MCMV), INTER Construtora e Incorporadora S.A. (B3: BOVESPA MAIS – INNT3) is today publishing its earnings figures for the fourth quarter of 2018 and the year 2018. The financial information is consolidated and has been prepared in accordance with International Financial Reporting Standards (IFRS), including the guidelines in OCPC 04 regarding the application of Technical Interpretation ICPC 02 applicable to real estate development entities in Brazil, as approved by the Accounting Pronouncements Committee (CPC), the Brazilian Securities Commission (CVM) and the Federal Accounting Council (CFC).

### **KEY FACTS**

- ✓ **Net Sales 35% greater in 4Q18 than in 4Q17.**
- ✓ **Faster sales, with VSO reaching 36% in 4Q18.**
- ✓ **Number of contracted units 89% greater in 4Q18 than in 4Q17.**
- ✓ **Number of produced units (YTD) 73% greater in 4Q18 than in 4Q17.**



## MESSAGE FROM MANAGEMENT

Management is more optimistic about Brazil's macroeconomic prospects. Economic indicators continue to recover. Projected inflation assumes the approval of the pension reform will continue making progress, enabling continued interest-rate cuts.

This upturn is also being felt in the real estate development sector. The recent increase in the number of launches along with greater demand from clients are fueling the optimistic outlook for the sector. The change introduced by the new leadership of Caixa Econômica Federal, whereby real estate financing is no longer pegged to the Referential Rate (TR), but rather the IPCA+ price index and in the near future a fixed rate, is the seed necessary to revitalize the dynamics of Brazil's real estate sector. This transformation paves the way for the securitization of these property assets and consequent distribution to local and foreign investors, thereby substantially increasing the sources of funding for real estate financing.

In Brazil the real estate financing sector stands at 9% of GDP. This figure is as high as 16% in developing countries like Mexico and China, and upwards of 50% in developed countries. This sector has substantial room for growth in Brazil. The combination of low interest and inflation and the potential emergence of a real estate financing securitization market have the potential to trigger massive growth in the sector.

Management believes we are about to witness a super cycle in Brazil's real estate sector and has placed the Company in a position to leverage the opportunity. We remain focused on the low-income segment with the differential of offering a better quality product, "Smart Apartments", both for clients in brackets 2 and 3 of the Minha Casa, Minha Vida popular housing program and clients that qualify for real estate financing under Brazil's savings and loans system (SBPE). We are already buying new plots of land in areas meeting these guidelines. The land we purchased for this purpose could see potential launches of 7.3 thousand units in 3Q19. Our Landbank rose from potential launches of 23 thousand in the previous quarter to 30.7 thousand units. A substantial portion of these are undergoing feasibility analyses at the Caixa Econômica Federal and Banco do Brasil for contracting and launching in the coming quarters. The Company's operating income in the quarter and YTD was positive, with an increase in launches, net sales and contracted and produced units. Despite the intensive cycle of investment and expansion, the Company maintains a high net-income margin compared with peers.

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**FINANCIAL AND OPERATING FIGURES**

	4Q18	3Q18	Change 4Q18 vs. 3Q18	2018	2017	Change 2018 vs. 2017
Launched VGV (R\$ thousand)	0	150,979	-100%	322,021	206,916	56%
Net Sales (R\$ thousand)	80,749	59,834	35%	269,886	421,750	-36%
Net Operating Revenue (NOR) (R\$ thousand)	161,012	44,002	266%	205,014	125,389	64%
Construction Cost (R\$ thousand)	(103,464)	(22,424)	361%	(125,888)	(82,627)	52%
Construction Cost / NOR (%)	64.3%	51.0%		61.4%	65.9%	
Construction Cost / Net Sales (%)	128.1%	37.5%		46.6%	19.6%	
Gross Income (R\$ thousand)	62,842	16,284	286%	79,126	42,762	85%
Gross Margin (%)	39.0%	37.0%		38.6%	34.1%	
Net Finance Income (R\$ thousand)	(8,483)	(1,292)	557%	(9,775)	(3,280)	198%
Net Finance Income / NOR (%)	5.3%	2.9%		4.8%	2.6%	
Net Finance Income / Net Sales (%)	10.5%	2.2%		3.6%	0.8%	
Net Finance Income / Launched VGV (%)		0.9%		3.0%	1.6%	
Commercial Expenses (in R\$ thousands)	(6,705)	(2,464)	172%	(9,169)	(8,150)	13%
Commercial Expenses / NOR (%)	4.2%	5.6%		4.5%	6.5%	
Commercial Expenses / Net Sales (%)	8.3%	4.1%		3.4%	1.9%	
Commercial Expenses / Launched VGV (%)		1.6%		2.8%	3.9%	
General and Administrative Expenses (G&A) (R\$ thousand)	(6,305)	(2,163)	191%	(8,468)	(7,289)	16%
G&A Expenses / NOR (%)	3.9%	4.9%		4.1%	5.8%	
G&A Expenses / Net Sales (%)	7.8%	3.6%		3.1%	1.7%	
G&A Expenses / Launched VGV (%)		1.4%		2.6%	3.5%	
Net Income (in R\$ million)	37,612	9,429	299%	47,041	22,108	113%
Net Margin (%)	23.4%	21.4%		22.9%	17.6%	
EBITDA (R\$ thousand)	48,742	12,352	295%	61,094	26,916	127%
EBITDA Margin (%)	30.3%	28.1%		29.8%	21.5%	
Cash and equivalents + marketable securities (R\$ thousand)	89,169	29,984	197%	89,169	29,984	197%
Gross Debt (R\$ thousand)	102,936	38,462	168%	102,936	38,462	168%
Net Debt (R\$ thousand)	13,767	8,478	62%	13,767	8,478	62%
Total Equity (R\$ thousand)	23,414	7,146	228%	23,414	7,146	228%
Net Debt / Equity (%) Net Debt /	0.59	1.19		0.59	1.19	
EBITDA 12 months	0.16x	0.10x		0.17x	0.10x	

## OPERATING FIGURES

	4Q18	3Q18	4Q17	Change 4Q18 vs. 3Q18	Change 4Q18 vs. 4Q17	2018	2017	Change 2018 vs. 2017
Launched VGV (units)	0	1,186	0			2,290	1,620	41%
Gross Sales (units)	672	488	448	38%	50%	2,144	826	160%
Cancellations (units)	50	45	20	11%	150%	146	37	295%
Net Sales (units)	622	443	428	40%	45%	1,998	789	153%
Contracted Units (units)	306	160	480	91%	-36%	1,930	1,020	89%
Units Transferred	449	382	449	18%	0%	1,658	751	121%
Produced (units)	485	253	439	92%	10%	1,430	828	73%
Finished (units)	240	0	652		-63%	936	324	189%

## PROJECT LAUNCHES

The Company did not launch new ventures in 4Q18. In the nine months to date, the Launches VGV was R\$ 322 million, a year-on-year increase of 56%.

## GROSS SALES, CANCELLATIONS AND NET SALES

Gross sales were 672 units in 4Q18, of which 622 resulted in net sales. The VSO was 36% in the quarter.

## INVENTORY

Inter closed 4Q18 with 1,119 units under construction. This amount comprises potential estimated sales of R\$ 153 million.

Venture	4Q18	4Q18	4Q18
	Built Inventory (units)	Inventory under construction (units)	Estimated value of sales (R\$ thousand)
PARK MARILANDIA		22	2,770
PARK QUINET		340	52,483
PARK NOVA CALIFORNIA		71	69,367
RESERVA DAS ACACIAS		161	22,040
PARK UBERABA		525	7,093
<b>Total</b>	<b>0</b>	<b>1119</b>	<b>153,753</b>
<b>OVERALL TOTAL</b>		<b>1119</b>	

## UNAPPROPRIATED REVENUE

In 4Q18, Inter had unappropriated revenue on sold units of R\$ 438 million reais.

Ventures in Progress	City	4Q18	4Q18
		Works Progress (accum.)	Unappropriated Revenue (R\$ thousand) Sold Unit * Average Ticket
RESIDENCIAL YUNI PREVIDENCIARIOS	Juiz de Fora/MG	100%	
UNIQUE SAO GERALDO	Juiz de Fora/MG	100%	
UNIQUE BORBOLETA	Juiz de Fora/MG	100%	
UNIQUE UBA	Ubá/MG	100%	
RESIDENCIAL SAO GERALDO DA INTER II	Juiz de Fora/MG	100%	
UNIQUE FONTESVILLE	Juiz de Fora/MG	100%	
UNIQUE MARILANDIA	Juiz de Fora/MG	96%	
PARK MARILANDIA	Juiz de Fora/MG	100%	175
PARK JARDIM NORTE	Juiz de Fora/MG	95%	262
PARK QUINET	Juiz de Fora/MG	23%	
PARK UBERABA	Uberaba/MG	0%	
RESERVA DAS ACACIAS	Juiz de Fora/MG	2%	
PARK CALIFORNIA	Juiz de Fora/MG	48%	
<b>Total</b>			<b>438</b>

## FINANCIALS

**Net Operating Revenue (ROL)** amounted to R\$ 161 million in 4Q18, compared with R\$ 44 million in 3Q18.

The **Gross Margin** in 4Q18 was 39% compared with 37% in 3Q18. The Company slightly increased its gross margin due to improving the efficiency of works and cost efficiency when buying land.

Commercial Expenses rose from 5.6% of NOR in 3Q18 to 4.2% in 4Q18. A reduction due to the lack of launches in 4Q18.

**General and Administrative Expenses (G&A)** on NOR stood at 4.1 % in the 12-month YoY. This metric remains above our target thanks to investments made in human resources and infrastructure to support business growth.

**Net Finance Income** on NOR was 5.3% in 4Q18 compared with 2.9% in 3Q18.

Net income (NI) in 4Q18 amounted to R\$ 37.6 million with a net margin of 23.4%. The YTD NI in 4Q18 was R\$ 47 million, producing a net margin of 22.9%.

EBITDA in 4Q18 was R\$ 48 million, equal to an EBITDA margin of 30.3%.

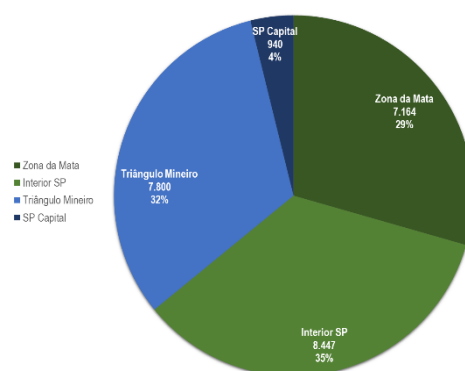
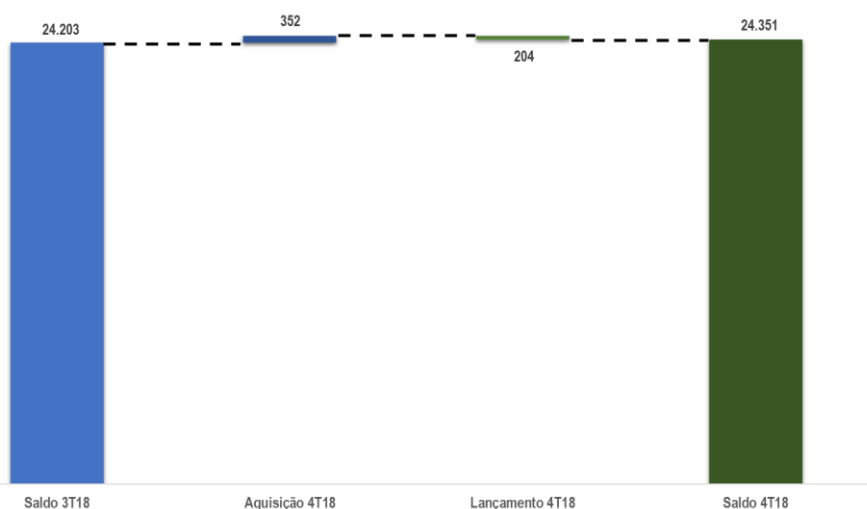
Net debt in 4Q18 was R\$ 13.7 million. **Net Debt** the YTD in 4Q18 rose by R\$ 5.3 million.

Metrics and debt	4Q18	4Q17
Net debt / Equity	0.59	1.19
Net Debt / 12-month EBITDA	0.17x	0.10x

(R\$ thousand)	4Q18	4Q17
Bank Loans	16,157	9,245
Production Support	18,097	29,214
Debenture	68,682	
Total	102,936	38,462

## LANDBANK

Inter acquired 352 units in 4Q18 and launched 204 units. The Company closed 4Q18 with a Landbank of 24,351 units, equal to a potential VGV of R\$ 2.2 billion.



## INVESTMENTS

The change in equity income and movements at the subsidiaries (SPEs) in 4Q18 is R\$ 5.2 million.

## DIVIDENDS

In 4Q18 the Company paid R\$ 5 million in advanced dividends for FY 2019.

## RESEARCH AND DEVELOPMENT

The Company has invested in the planning, development and acquisition of land for ventures to be sold in Brazil's savings and loans system (Sistema Brasileiro de Poupança e Empréstimo - SBPE).



This investment aims to meet demand for units in ventures from clients in income brackets just above the brackets qualifying for the Minha Casa, Minha Vida popular housing program (MCMV). These ventures offer higher standards of quality, infrastructure and recreational areas. The Company is equipping itself for this level of delivery, whilst maintaining the standards of productivity and scale already enjoyed by its ventures in the popular housing segment serviced by the Minha Casa, Minha Vida program.

## HUMAN RESOURCES

The Company continues investing in staff recruitment and training. In 4Q18 it had a turnover of 2%.

<b>Position</b>	<b>4Q18</b>	<b>3Q18</b>	<b>2Q18</b>	<b>1Q18</b>
Works Production	56	59	61	60
Works Administrative	27	30	35	31
Administrative Office	81	74	75	73
<b>TOTAL</b>	<b>164</b>	<b>163</b>	<b>171</b>	<b>164</b>
Turnover	2%	4%	4%	9%

**PRODUCT**

*Apartmentos*  
INTELIGENTES

- ✓ We deliver quality popular housing.
- ✓ 100% of the ventures launched by the Company are “Smart Apartments”.
- ✓ Towers with elevators.
- ✓ Surveillance cameras and electronic barriers.
- ✓ Waste segregation and individual water meters.
- ✓ Solar energy and Wifi in public areas.



- ✓ Laminated flooring in front room and bedrooms, ceramic floor tiles in kitchens and bathrooms and granite work surfaces.



- ✓ Fully equipped recreation area.



**STATEMENT OF FINANCIAL POSITION – ASSETS | IFRS | CONSOLIDATED**

Assets	Note	Parent Company			Consolidated		
		12/31/2018 Restated	12/31/2017 Restated	1/1/2017	12/31/2018 Restated	12/31/2017 Restated	1/1/2017
<b>Current</b>							
Cash and cash equivalents	5	26,744	29,984	17,511	30,363	29,984	17,511
Short-term investments (Securities)	5	54,805	-	-	54,805	-	-
Receivables for real estate development	6	37,679	3,718	5,005	38,469	3,718	5,005
Inventories	7	8,060	18,036	6,477	70,825	18,036	6,477
Other current assets		813	1,475	-	2,656	1,475	-
		<u>128,101</u>	<u>53,212</u>	<u>28,993</u>	<u>197,118</u>	<u>53,212</u>	<u>28,993</u>
<b>Non-current</b>							
Noncurrent assets:							
Inventories	7	-	-	-	168,513	-	-
Receivables for real estate development	6	5,694	-	-	4,233	-	-
Short-term investments (Securities)	5	4,000	-	-	4,000	-	-
Related parties (Loans)	8	11,017	1,346	-	251	1,346	-
Prepaid expenses		-	1,407	962	-	1,407	962
Judicial deposits		-	-	153	-	-	153
		<u>20,711</u>	<u>2,753</u>	<u>1,115</u>	<u>176,997</u>	<u>2,753</u>	<u>1,115</u>
Investment	9	7,922	19	19	19	19	19
Property, plant and equipment	10	21,056	18,806	5,023	21,056	18,806	5,023
Intangible assets		43	43	44	43	43	44
		<u>29,021</u>	<u>18,869</u>	<u>5,085</u>	<u>21,118</u>	<u>18,869</u>	<u>5,085</u>
<b>Total assets</b>		<u>177,833</u>	<u>74,834</u>	<u>35,194</u>	<u>395,233</u>	<u>74,834</u>	<u>35,194</u>

See the accompanying notes to the quarterly financial information.

**STATEMENT OF FINANCIAL POSITION – LIABILITIES | IFRS | CONSOLIDATED**

Liabilities	Note	Parent Company			Consolidated		
		12/31/2018 Restated	12/31/2017 Restated	1/1/2017	12/31/2018 Restated	12/31/2017 Restated	1/1/2017
<b>Current</b>							
Trade payables	11	6,114	5,821	3,895	31,770	5,821	3,895
Loans, financings, and debentures	13	11,168	2,098	2,192	11,168	2,098	2,192
Payroll and labor obligations	14	1,648	1,138	806	1,665	1,138	806
Tax liabilities	15	3,654	1,956	455	4,117	1,956	455
Mandatory Dividends payable		12,663	-	-	12,663	-	-
Customer advances	16	12,881	-	-	29,795	-	-
Liabilities towards third parties	12	4,895	6,510	392	18,462	6,510	392
Provision for Guarantees	17	3,051	2,544	-	3,192	2,544	-
		<u>56,074</u>	<u>20,066</u>	<u>7,740</u>	<u>112,832</u>	<u>20,066</u>	<u>7,740</u>
<b>Noncurrent</b>							
Liabilities towards third parties	12	4,573	6,404	301	162,482	6,404	301
Trade payables	11	-	2,688	-	-	2,688	-
Loans, financings, and debentures	13	87,450	36,364	13,258	91,768	36,364	13,258
Provision for Guarantees	17	3,658	-	-	3,773	-	-
Provision for contingencies	17	963	2,165	1,524	963	2,165	1,524
Provision for devaluation of investments	9	1,643	-	-	-	-	-
Related Parties (Loans)	8	-	-	-	-	-	-
Customer Advances	16	-	-	-	-	-	-
		<u>98,287</u>	<u>47,621</u>	<u>15,083</u>	<u>258,986</u>	<u>47,621</u>	<u>15,083</u>
<b>Total liabilities</b>		<u>154,361</u>	<u>67,688</u>	<u>22,823</u>	<u>371,818</u>	<u>67,688</u>	<u>22,823</u>
<b>Equity</b>	18						
Share capital		20,389	12,371	12,371	20,389	12,371	100
Revenue reserves		4,077	1,784	-	4,077	1,784	12,271
Accumulated losses		(995)	(7,009)	-	(995)	(7,009)	-
		<u>23,471</u>	<u>7,146</u>	<u>12,371</u>	<u>23,471</u>	<u>7,146</u>	<u>12,371</u>
Noncontrolling interests -			-	-	(57)	-	-
Total equity		<u>23,471</u>	<u>7,146</u>	<u>12,371</u>	<u>23,414</u>	<u>7,146</u>	<u>12,371</u>
<b>Total liabilities and equity</b>		<u>177,833</u>	<u>74,834</u>	<u>35,194</u>	<u>395,233</u>	<u>74,834</u>	<u>35,194</u>

See the accompanying notes to the quarterly financial information.

**STATEMENT OF INCOME FOR THE YEAR | IFRS | CONSOLIDATED**

	Note	Parent Company		Consolidated	
		2018 (Restated)	2017 (Restated)	2018 (Restated)	2017 (Restated)
Net operating revenue	19	180,869	125,389	205,014	125,389
Cost of property sold	20				
		<u>(111,266)</u>	<u>(82,627)</u>	<u>(125,888)</u>	<u>(82,627)</u>
Gross profit		<u>69,603</u>	<u>42,762</u>	<u>79,126</u>	<u>42,762</u>
Operating income (expenses): Sales expenses	21	(6,863)	(8,150)	(9,169)	(8,150)
General and administrative expenses	22	(7,848)	(7,289)	(8,468)	(7,289)
Share of profit (loss) of equity-accounted investees		5,238	-	-	-
Other operating expenses, net	23				
		<u>(940)</u>	<u>(738)</u>	<u>(1,049)</u>	<u>(738)</u>
		<u>(10,413)</u>	<u>(16,177)</u>	<u>(18,686)</u>	<u>(16,177)</u>
Operating income before financial income/loss:		59,190	26,585	60,440	26,585
Net finance income:	24				
Financial revenue		2,380	1,041	2,538	1,041
Finance costs		<u>(11,873)</u>	<u>(4,322)</u>	<u>(12,313)</u>	<u>(4,322)</u>
		<u>(9,493)</u>	<u>(3,280)</u>	<u>(9,775)</u>	<u>(3,280)</u>
Income and social contribution taxes					
Current		-	-	(539)	-
Deferred		<u>(2,060)</u>	<u>(1,197)</u>	<u>(3,085)</u>	<u>(1,197)</u>
	25	<u>(2,060)</u>	<u>(1,197)</u>	<u>(3,624)</u>	<u>(1,197)</u>
Net income for the year		<u>47,637</u>	<u>22,108</u>	<u>47,041</u>	<u>22,108</u>
Earnings per share		<u>2.34</u>	<u>1.79</u>	<u>2.31</u>	<u>1.79</u>
Net income attributable to:					
Company Shareholders				47,637	22,108
Noncontrolling shareholders (596)				-	-

See the accompanying notes to the quarterly financial information.

**STATEMENT OF CASH FLOWS | IFRS | CONSOLIDATED**

	Parent Company		Consolidated	
	2018	2017	2018	2017
	Restated	Restated	Restated	Restated
<b>Cash flows from operating activities:</b>				
Net income for the year 47,637		22,108	47,041	22,108
Adjustments:				
Depreciation	213	313	313	313
Provision for credit risk	1,297	1,137	1,482	1,137
Provision for/reversal of contingencies	(1,202)	640	(1,202)	640
Provision for warranties	4,165	2,544	4,421	2,544
Share of profit (loss) of equity-accounted investees	(5,238)	-	-	-
Provision for interest expense	3,726	-	3,727	-
	<u>50,598</u>	<u>26,742</u>	<u>55,782</u>	<u>26,742</u>
<b>(Increase) decrease in operating assets</b>				
Accounts receivable	(39,655)	151	(38,984)	151
Inventories	9,976	(11,559)	(221,302)	(11,559)
Other current and noncurrent assets	(587)	(1,767)	(1,156)	(1,767)
<b>(Increase) decrease in operating liabilities</b>				
Trade payables	(2,395)	4,614	23,261	4,614
Liabilities towards third parties	(3,446)	12,221	168,030	12,221
Tax liabilities	1,698	1,501	2,161	1,501
Personnel/payroll obligations	510	332	527	332
Other accounts payable and customer advances	12,881	-	29,795	-
<b>Net cash provided by operations</b>	<u>29,580</u>	<u>32,236</u>	<u>18,114</u>	<u>32,236</u>
<b>Cash flows from investment activities</b>				
Short-term investments	(58,805)	-	(58,805)	-
Loans to related parties	(9,671)	(1,346)	1,095	(1,346)
Acquisition of property, plant and equipment	-	-	-	-
	<u>(2,250)</u>	<u>(14,097)</u>	<u>(2,250)</u>	<u>(14,097)</u>
<b>Net cash used in investment activities</b>	<u>(70,726)</u>	<u>(15,442)</u>	<u>(59,960)</u>	<u>(15,442)</u>
<b>Cash flows from financing activities</b>				
Loans (proceeds less amortization/net)	56,556	23,012	60,873	23,012
Net payment of Capital	390	-	390	-
Dividends distributed	(19,038)	(27,333)	(19,038)	(27,333)
	<u>37,908</u>	<u>(4,321)</u>	<u>42,225</u>	<u>(4,321)</u>
<b>Net cash produced by (used in) financing activities</b>	<u>37,908</u>	<u>(4,321)</u>	<u>42,225</u>	<u>(4,321)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,240)</u>	<u>12,472</u>	<u>379</u>	<u>12,472</u>
<b>Increase in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of year	29,984	17,511	29,984	17,511
Cash and cash equivalents at end of year	<u>26,744</u>	<u>29,984</u>	<u>30,363</u>	<u>29,984</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(3,240)</u>	<u>12,472</u>	<u>379</u>	<u>12,472</u>

See the accompanying notes to the quarterly financial information.

## **INVESTOR RELATIONS**

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## RELATIONS WITH INDEPENDENT AUDITORS

In due accordance with CVM Directive 381/03 we hereby declare that in FY 2018 our independent auditors – KPMG Auditores Independentes - did not provide services other than those related to the independent audit. The Company's policy for procuring independent audit services ensures there is no conflict-of-interests or loss of independence or objectiveness.

## ARBITRATION CLAUSE

Art. 45 of chapter VIII – arbitration tribunal, of the Company's bylaws states: The Company, its shareholders, managers and audit committee members undertake to settle through arbitration at the Market Arbitration Chamber any and all disputes or conflicts between them arising from, or in connection with, the application, validity, effectiveness, interpretation, violation or effects thereof of the provisions in Brazilian Corporation Law, the Company's By-Laws, regulations issued by the Brazilian Monetary Council, the Brazilian Central Bank and the Brazilian Securities Commission, and any other regulations applicable to the capital market in general, as well as those contained in the BOVESPA MAIS Regulations, the Arbitration Regulations, the Sanctions Regulations and Participation Agreement of BOVESPA MAIS.

## NOTES

The financial information relied on consolidated accounting information prepared in accordance with International Financial Reporting Standards (IFRS), including the guidelines in OCPC 04 regarding the application of Technical Interpretation ICPC 02 applicable to real estate development entities in Brazil, as approved by the Accounting Pronouncements Committee (CPC), the Brazilian Securities Commission (CVM) and the Federal Accounting Council (CFC) and all CPC pronouncements.

The financial information is stated in thousands of Reais (R\$ thousand), except where stated otherwise. Forward-looking information in this document regarding business, projected operating and financial results and information related to INTER's prospects for growth are merely projections and, as such, are based solely on the executive board's future expectations for the business. These expectations substantially depend on the approvals and licenses necessary to ratify the projects, market conditions, the performance of the Brazilian economy,



the sector and international markets, and are therefore subject to change without prior notice. This performance report includes non-accounting data such as operating and

financial data and projections based on Company Management's expectations. The Company's independent auditors have not reviewed the nonaccounting information such as launched VGV, MCMV program figures, inventory at market value, landbank, unappropriated ink, cash consumption and projections.

### **EXECUTIVE BOARD REPRESENTATION**

Pursuant to CVM Directive 480, the Executive Board hereby represents it has discussed, reviewed and agreed with the opinions stated in the independent auditors' report on the financial statements for the financial year ended December 31, 2018.

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## GLOSSARY

**Landbank** - land held in the inventory, whose future VGV is estimated.

**BOVESPA MAIS** - A trading segment of B3, Bovespa Mais enables smaller funding operations than Novo Mercado, but sufficient to finance its growth project. Companies listed on Bovespa Mais tend to attract investors who see more accentuated development potential in the business. Share offerings can be targeted to select investors who tend to view return as a medium to long term matter. Bovespa Mais also allows listings without an offering, meaning you can list your company on the Exchange and have up to 7 years to hold the IPO. This is ideal for companies that wish to access the market gradually. You can work on the professionalization of your business with a view to the listing alone and afterwards have more time to hold the public offering. Detaching one moment from the other means access to the market tends to be easier and your company's preparedness higher.

**Swap** - Land purchasing system whereby the landowner receives as payment a number of units in the venture to be built on their land.

**Launched VGV** - General Sales Value of units launched in a given period. **Net Sales** - VGV deriving from all property sale contracts entered in a given period, including the sale of units launched in the period and the sale of units in inventory, net of cancellations and swaps.

**Contracted Units** - Units contracted with the financial institution.

**Sales to offering (VSO)** – sales in the period divided by inventory of the same period.

EBITDA: Earnings Before Interest, Taxes, Depreciation and Amortization

**Finished Units** - Units finished by the engineering department. Recorded after the works have finished.

**Units Produced** - Units produced by measurement of works progress, equivalent construction.

**Transferred units** - Number of clients (individuals) who have signed their financing contracts with a financial institution in the period.

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