FINANCIAL STATEMENTS 2018

TENDA
Construindo Felicidade

BRASIL BOLSA BALCÃO

TEND3 NOVO MERCADO

Índice Brasil IBRX

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Management Report 2018

Tenda's net income reached R$200.3 million in 2018 (+87.7% YoY), ROE of 17.0% and cash generation of R$261.4 million. The Company recorded R$1.85 billion in net sales (+ 20.1% YoY) and adjusted gross margin of 36.3% in the year

São Paulo, March 12, 2019 – Construtora Tenda S.A. ("Company", "Tenda"), a leading Brazilian homebuilder and real estate developer focused on low-income residential projects operating within the 1.5 and 2 brackets of the "Minha Casa, Minha Vida" ("MCMV") federal government housing program, today reports its operating and financial results for the fiscal year of 2018.

HIGHLIGHTS

- Net Income totaled R$200.3 million in 2018, an 87.7% increase YoY. 17.0% ROE in 2018, 7.3 p.p. above the return recorded in the previous year
- Cash generation totaled R$261.4 million in the full year, 9.3% growth over 2017. Capital structure remains deleveraged, with a net debt to shareholders' equity ratio of -26.0%.
- Landbank increased to R$8.89 billion in PSV, up 32.8% year-on-year
- Launches totaled PSV of R$1.91 billion in 2018, up 12.8% year-on-year.
- In 2018, net pre-sales reached PSV of R$1.85 billion, up 20.1% year-on-year.
- 10.244 units were delivered in 2018, up 5.5% year-on-year.

About Tenda

Construtora Tenda S.A. (B3:TEND3) is Brazil's second largest homebuilder focused on low-income residential projects listed at the Novo Mercado, B3's highest corporate governance level. The Company concentrates its activities in eight metropolitan regions of Brazil, uniquely operating within the brackets 1.5 and 2 of the "Minha Casa, Minha Vida" ("MCMV") federal government housing program. With a sustainable growth strategy, excellence in execution and strong business model, Tenda has been able to deliver solid cash generation and growing profits, sustaining its vision of offering to investors the highest returns in the low-income segment.

MESSAGE FROM THE MANAGEMENT

2018 was an year of consolidation for Tenda's current business model, which was implemented in 2013 and has been able to provide, with quality and agility, affordable housing units for low-income families, while at the same time has guaranteed consistent returns to investors.

With the launch of 13,636 units in the year, up 15.9% year-on-year, Tenda reached R$1.91 billion in PSV launched and continued the strategy to grow rationally, expanding to the eighth metropolitan area of operation, Goiânia, where it launched the Parque Cerrado I project in December 2018. In 2017, Tenda made its first expansion under the current business model, launching a project in Curitiba. In 2018, the Company entered Goiânia. The Company's business model has allowed the expansion of the operation to a new region per year, a strategy that has proved to be effective in increasing Tenda's presence in new metropolitan regions.

Tenda's landbank totaled R$8.89 billion in PSV at the end of 2018, an increase of 32.8% compared to the previous year. In 2018, the Company acquired R$4.11 billion in PSV, 2.15 times above the PSV launched during the year. As a result, the Company reiterates its commitment to maintain a landbank equivalent to three years of launch in each of its operating regions, guaranteeing operational stability.

In April 2018, the delivery of the first project with elevator in São Paulo was also a milestone, allowing the construction of popular units with better use of the land, an equally attractive price and similar costs, increasing the Company's potential to absorb demand in Brazil's largest metropolitan region.

Efficiency in production costs and in sales transfers, two of Tenda's business model pillars, led to good operating margins and cash generation. Adjusted gross margin for the year was 36.3%, 0.3 p.p. above the expectations of the Company, as disclosed in guidance. Cash generation totaled R$261.4 million in 2018, which further deleveraged the Company throughout the year, resulting in a net debt to shareholders' equity ratio of -26.0%.

Tenda has the long-term objective of reaching a leverage ratio between -10% and 10%, leading to a still conservative but more balanced capital structure. To support this process, the Company started initiatives to distribute capital to shareholders: two share buyback programs were announced in 2018, with a total of R$184.2 million in funds available, of which R$148.7 million were repurchased during the year; the buyback programs were complemented by the cancellation of 2 million shares, with a positive impact on the stock price; in addition, the Company also paid R$25.0 million in interim dividends at the end of the year.

Consistent operating results over time allowed Tenda to reach R$200.3 million in net income in 2018, which resulted in return on equity (ROE) of 17.0% in the year. As a result, the Company's shares (B3: TEND3) appreciated 61% in 2018, well above the 15% appreciation of Brazil's main stock exchange index, the IBOVESPA. As the daily trading volume increased throughout the year, the Company entered the IBRX100 index, composed of the 100 most traded shares in B3, in the beginning of 2019.

In 2019, changes in the format of the Minha Casa, Minha Vida should reduce Tenda's participation in the program's bracket 1.5, a solution created by the Federal Government in 2016 to give access to subsidized acquisition for families with monthly income lower than R$2,600. On the one hand, some of the Company's operating indicators (such as SoS and selling expenses) performed exceptionally well in 2018, mainly due to Tenda's greater participation in MCMV's bracket 1.5. On the other hand, the changes announced aim to reduce the pressure for FGTS resources, contributing positively to the long-term sustainability of the program. The Company's expectations for adjusted gross margin and net sales in 2019, released in February (see page 4), already take into account the changes in the format of the MCMV.

In a year that must provide a challenging business environment for the entire low-income market, Tenda maintains the ambition to be the company in the country's economic entrepreneurship market that delivers the best return to its shareholders.

LAUNCHES

Tenda launched 49 projects launched in 2018, or R$1.91 billion in PSV. In 4Q18, Tenda launched Parque Cerrado I, the first project launched in the metropolitan region of Goiânia since the adoption of Tenda's current business model, in 2013. With this expansion to Goiânia, Tenda now reaches eight Brazilian metropolitan areas.

Launches	2018	2017	YoY (%)
Number of projects launched	49	45	8.9% ↑
PSV (R$ million)	**1,912.7**	**1,695.2**	**12.8% ↑**
Number of units launched	13,636	11,768	15.9% ↑
Average price per unit (R$ thousand)	140.3	144.0	(2.6%) ↓
Average size of projects launched (in units)	278	262	6.4% ↑

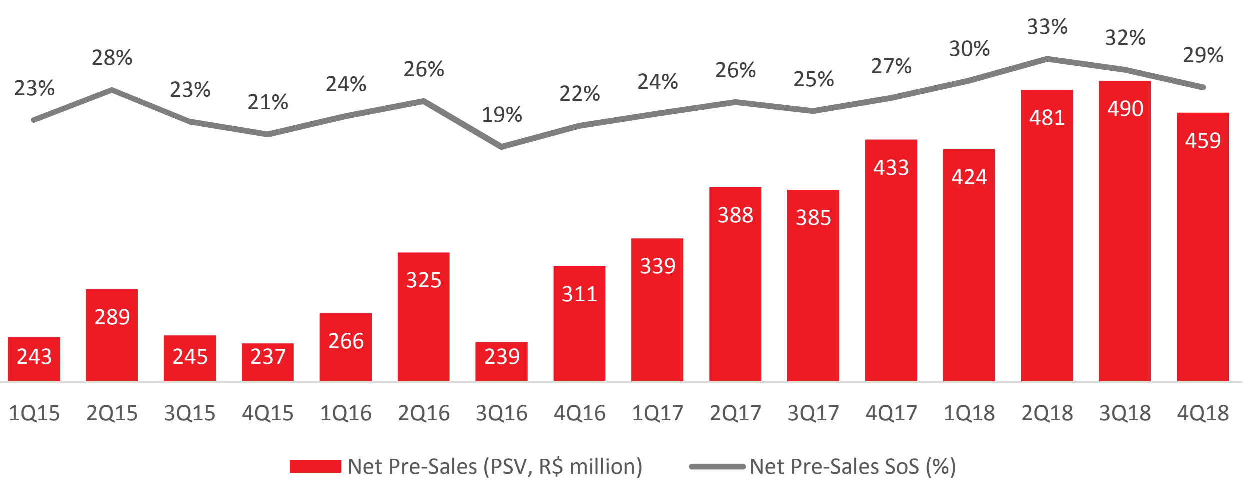
SALES

Net pre-sales totaled, in PSV, R$1.85 billion in 2018, up 20.1% year-on-year. Cancellations over gross sales ratio ended 2018 at 9.4%. In 2018, cancellations over gross sales ratio varied between 8.9% and 10.0%, below 2017 (14.5%).

(PSV, R$ million)	2018	2017	YoY (%)
Gross Sales	**2,047.2**	**1,807.5**	**13.3% ↑**
Cancellations	**192.4**	**262.7**	**(26.8%) ↓**
Net Pre-Sales	**1,854.8**	**1,544.9**	**20.1% ↑**
% Launches[1]	46.2%	53.2%	(7.0 p.p.) ↓
% Inventory	53.8%	46.8%	7.0 p.p. ↑
Cancellations / Gross Sales	**9.4%**	**14.5%**	**(5.1 p.p.) ↓**
Net SoS	**61.8%**	**56.7%**	**5.1 p.p. ↑**

1. Current year launches.

Net Sales (PSV, R$ million) e Net SoS (%)



UNITS TRANSFERRED, DELIVERED, AND CONSTRUCTION SITES

PSV transferred totaled R$1.65 billion in 2018, up 16.5% year-on-year. We ended 2018 with 10,244 units delivered, up 5.5% year-on-year.

Transfers, Deliveries and Construction Sites	2018	2017	YoY (%)
PSV Transferred (in R$ million)	**1,648.3**	**1,415.0**	**16.5% ↑**
Transferred Units	13,204	11,176	18.1% ↑
Delivered Units	**10,244**	**9,707**	**5.5% ↑**
Construction Sites	**44**	**38**	**15.8% ↑**

INVENTORY AT MARKET VALUE

Tenda ended 2018 with R$1.14 billion in inventory at market value, 3.0% lower than in 2017. Finished inventory units ended 2018 with a 31% decrease over 2017, totaling R$72.2 million (6.3% of the total inventory). Inventory turnover is 7.4 months, below 2017 figures (when it ranged 9.2 and 10.4 months).

Inventory at Market Value	2018	2017	YoY (%)
PSV (R$ million)	**1,144.5**	**1,179.8**	**(3.0%) ↓**
Number of Units	8,000	8,032.0	(0.4%) ↓
Average price per unit (R$ thousand)	143.1	146.9	(2.6%) ↓

Status of Construction	4Q18	Not Initiated	Up to 30% built	30% to 70% built	More than 70% built	Finished units
PSV (R$ million)	**1,144.5**	**312.6**	**452.9**	**221.7**	**85.1**	**72.2**

LANDBANK

Tenda ended 2018 with a total landbank of R$8.89 billion in PSV, 32.8% higher than in 2017. Acquisitions and adjustments, which account for the difference between PSV acquired and PSV launched, totaled R$4.11 billion.

Landbank[1]	2018	2017	YoY (%)
Number of Projects	253	206	22.8% ↑
PSV (in R$ million)	**8,893.6**	**6,695.0**	**32.8% ↑**
Acquisitions / Adjustments (in R$ million)	4,111.2	3,928.4	4.7% ↑
Number of Units	60,124	45,795	31.3% ↑
Average price per unit (in R$ thousands)	147.9	146.2	1.2% ↑
% Swap Total	24.2%	28.4%	(4.2 p.p.) ↓
% Swap Units	11.1%	17.7%	(6.6 p.p.) ↓
% Swap Financial	13.0%	10.6%	2.4 p.p. ↑

1. Tenda holds 100% equity interest of its landbank.

FINANCIAL RESULTS

In 2018, net operating revenue grew by 23.8% YoY. The adjusted gross profit (adjusted for capitalized interest) totaled R$610.5 million in 2018, up 22.4% over 2017, resulting in an adjusted gross margin of 36.3%, slightly higher than the guidance for the year (between 34.0% and 36.0%).

(R$ million)	2018	2017	YoY (%)
Net Revenue	1,681.3	1,357.9	23.8% ↑
Gross Profit	**585.8**	**468.6**	**25.0% ↑**
Gross Margin	34.8%	34.5%	0.3 p.p. ↑
(-) Financial Costs	24.7	30.1	(18.1%) ↓
Adjusted Gross Profit[1]	**610.5**	**498.8**	**22.4% ↑**
Adjusted Gross Margin	36.3%	36.7%	(0.4 p.p.) ↓

1. Adjusted by capitalized interest rates.

In 2018, selling expenses accounted for 7.1% of gross sales, a decrease of 0.5 p.p. compared to the previous year, demonstrating efficiency in the Company's commercial process. Selling expenses totaled R$145.3 million in the year, of which R$38.6 million in 4Q18. General and administrative expenses ("G&A") accounted for 7.4% of the year's net operating revenue, up 0.4 p.p. year-on-year.

(R$ million)	2018	2017	YoY (%)
Selling Expenses	(145.3)	(136.9)	6.1% ↑
General & Admin Expenses	(123.8)	(95.2)	30.2% ↑
Total SG&A Expenses	**(269.1)**	**(232.0)**	**16.0% ↑**
Gross Sales	2,047.2	1,807.5	13.3% ↑
Launches	1,912.7	1,695.2	12.8% ↑
Selling Expenses / Gross Sales	**7.1%**	**7.6%**	**(0.5 p.p.) ↓**
G&A Expenses / Launches	**6.5%**	**5.6%**	**0.9 p.p. ↑**
G&A Expenses / Net Operating Revenue	**7.4%**	**7.0%**	**0.4 p.p. ↑**

Other operating income and expenses totaled R$81.5 million in expenses in 2018, down 17.2% on the previous year, confirming the prospect of a progressive reduction of legal contingencies related to the legacy projects. In 4Q18, however, the increase in litigation expenses is mainly explained by provisions related to two taxable events referring to years prior to the current business model.

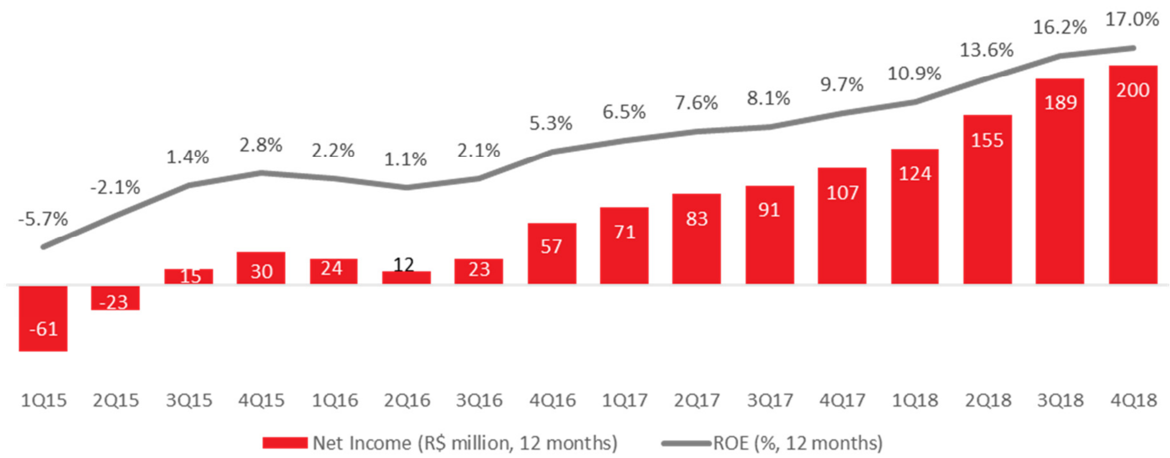
(R$ million)	2018	2017	YoY (%)
Other Operating Revenues and Expenses	**(81.5)**	**(98.5)**	**(17.2%) ↓**
Litigation Expenses	(53.9)	(51.8)	4.1% ↑
Outras	(27.6)	(46.7)	(40.9%) ↓
Equity Income	**0.6**	**(1.1)**	**(155.4%) ↓**

NET INCOME

Focus on the business model developed in 2013 has allowed continuous gains in operating efficiency and sustained growth in metropolitan areas where Tenda operates. As a result, the Company's net income and net margin kept growing in 2018, reaching R$ 200.3 million and 11.9%, respectively.

(R$ million)	2018	2017	YoY (%)
Net Income after Income Tax and Social Contribution	201.3	104.6	92.4% ↑
(-) Minority shareholders	(1.1)	2.1	(151.4%) ↓
Net Income	**200.3**	**106.7**	**87.7% ↑**
Net Margin	11.9%	7.9%	4.1 p.p. ↑

Net Income (R$ million, 12 months) e ROE (%, 12 months)



CASH AND CASH EQUIVALENTS, AND FINANCIAL INVESTMENTS

(R$ million)	December 18	September 18	QoQ (%)	December 17	YoY (%)
Cash & Cash Equivalents	34.3	35.6	(3.8%) ↓	39.4	(12.9%) ↓
Short-term Investments	821.3	811.8	1.2% ↑	458.3	79.2% ↑
Total Cash Position	**855.6**	**847.5**	**1.0% ↑**	**497.7**	**71.9% ↑**

INDEBTEDNESS

The Company ends 2018 with a total debt of R$ 542.5 million, duration of 30.7 months and weighted average cost of debt of 7.8% per year. The Company's gross debt is lower than its cash, cash equivalents and financial investments position, which totaled R$855.6 million at the end of 2018.

Debt Maturity Schedule (R$ million)	Total
2019	10.1
2020	36.8
2021	380.2
2022	65.4
2023	50.0
2024 onwards	0.0
Total Debt	**542.5**
Duration (in months)	30.7

RATING

As a result of good operating and financial results, Standard & Poor’s Global Ratings (“S&P”) reaffirmed Tenda’s brAA+ corporate credit rating, with a stable outlook.

NET DEBT

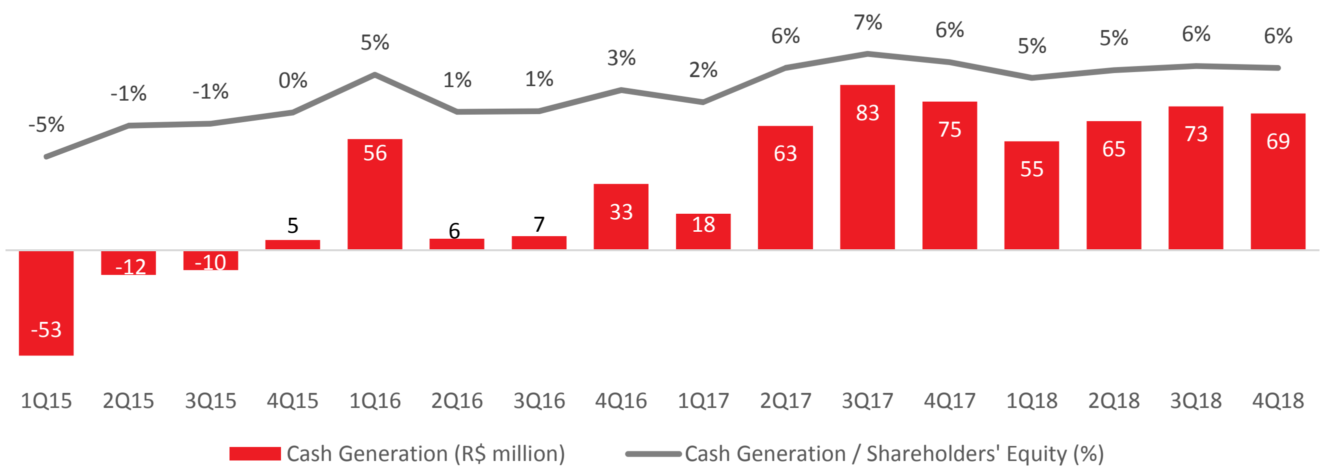
Tenda has an adjusted net debt to shareholders' equity ratio of -26.0%, being one of the most deleveraged companies in the sector. To support its long-term goal of maintaining leverage closer to 0%, resulting in a still conservative, but more balanced capital structure, several initiatives to distribute capital to shareholders were promoted. The Company opened two share buyback programs in 2018, with a total of R$ 184.2 million in funds available, and paid R$ 25.0 million in interim dividends at the end of the year.

Cash generation totaled R$ 68.9 million in 4Q18, down 5.0% QoQ.

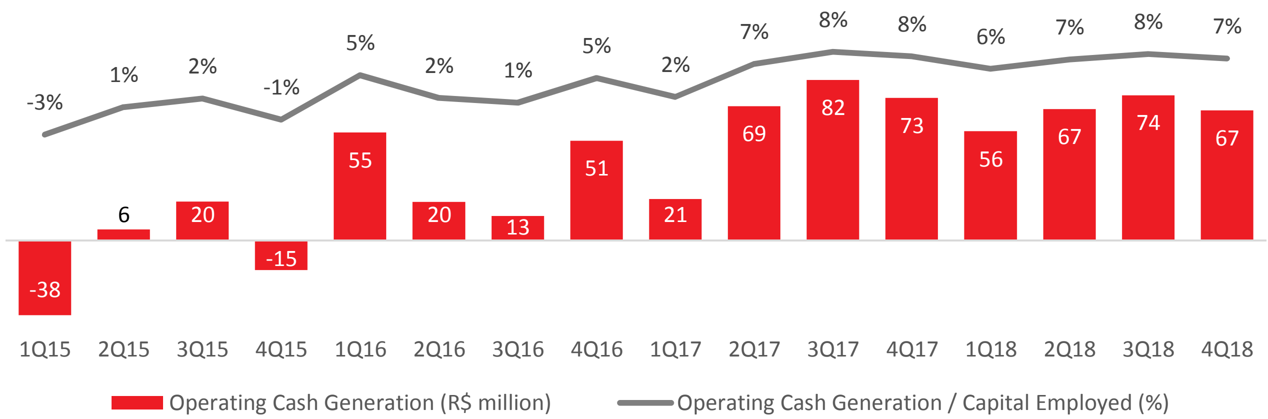
(R$ million)	December 18	September 18	QoQ (%)	December 17	YoY (%)
Gross Debt	542.5	541.2	0.2% ↑	270.2	100.8% ↑
(-) Cash and cash equivalents and financial investments	(855.6)	(847.5)	1.0% ↑	(497.7)	71.9% ↑
Net Debt	**(313.1)**	**(306.2)**	**(2.2%) ↓**	**(227.6)**	**(37.6%) ↓**
Shareholders' Equity + Minority Shareholders	1,203.8	1,218.1	(1.2%) ↓	1,163.7	3.4% ↑
Net Debt/ (Shareholders' Equity + Minority Shareholders)	(26.0%)	(25.1%)	(0.9 p.p.) ↓	(19.6%)	(6.5 p.p.) ↓
Adjusted EBITDA (Last 12 months)	282.7	270.1	4.6% ↑	169.5	66.7% ↑
Cash Generation[1]	68.9	72.5	(5.0%) ↓	74.9	(8.0%) ↓
Operating Cash Generation[2]	66.8	74.5	(10.3%) ↓	73.1	(8.6%) ↓

1. Cash Generation is obtained through the difference between the variation of Available Cash and the variation of Gross Debt, adjusted to the amounts of Share Buyback, Dividends Capital Reduction and non-operating effects
2. Operating Cash Generation is a result of the company's managerial calculation which neither reflects nor is compared with the figures reported in the financial statements.

Cash Generation (R$ million) and Cash Generation / Shareholders' Equity (%)



Operating Cash Generation (R$ million) and Operating Cash Generation / Capital Employed (%)



BOARD OF DIRECTORS

Our Board of Directors is our decision-making body responsible for the formulation and implementation of the general guidelines and policies of our business, including our long-term strategies. Our Board of Directors is also responsible for appointing and supervising our executive officers.

The decisions of the Board of Directors take place through a majority vote of its members. In the event of a tie, it is up to the Chairman of the Board of Directors, in addition to his personal vote, to cast a decisive vote.

Our Board of Directors must have a minimum of five and a maximum of sevenmembers. Board members are elected as a body at our Shareholders' Meeting (AGM) for a two-year term, and re-election is allowed. The members of the Board of Directors indicate, among those elected by the General Meeting, what will be the Chairman of the Board of Directors.

Board Member	Position	Most Recent Date of Election
Cláudio José Carvalho de Andrade	Chairman and Member of the Board	July 26, 2017
Eduardo Ferreira Pradal	Member of the Board	July 26, 2017
Flavio Uchôa Teles de Menezes	Member of the Board	July 26, 2017
José Urbano Duarte	Member of the Board	July 26, 2017
Mauricio Luis Luchetti	Member of the Board	July 26, 2017
Mario Mello Freire Neto	Member of the Board	July 26, 2017
Rodolpho Amboss	Member of the Board	July 26, 2017

BOARD OF EXECUTIVE OFFICERS

The Board of Executive Officers is the responsible for the management and daily monitoring of the general policies and guidelines established by the Shareholders' General Meeting and by the Board of Directors for the Company.

Tenda's Board of Executive Officers shall be comprised of at least two and a maximum of twelve members, including the President, the Chief Financial Officer and the Investor Relations Officer, elected by the Board of Directors for a term of up to three years, eligible for re-election, as provisions of the Bylaws. In the current mandate, twelve members make up the Board.

Executive Officers	Position	Most Recent Date of Nomination
Rodrigo Osmo	Chief Executive Officer	April 22, 2015
Renan Barbosa Sanches	Chief Financial Officer & Investor Relations Officer	January 10, 2018
Alex Fernando Hamada	Operations Officer	April 22, 2015
Alexandre Millen Grzegorzewski	Operations Officer	April 22, 2015
Daniela Ferrari Toscano de Britto	Operations Officer	April 22, 2015
Fabricio Quesiti Arrivabene	Operations Officer	April 22, 2015
Luis Gustavo Scrassolo Martini	Operations Officer	February 11, 2019
Marcelo de Melo Buozi	Operations Officer	April 22, 2015
Ricardo Couto de Prada	Operations Officer	December 1, 2015
Rodrigo Fernandes Hissa	Operations Officer	April 22, 2015
Sidney Ostrowski	Operations Officer	April 22, 2015
Vinicius Faraj	Operations Officer	February 20, 2018

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(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the Management and Shareholders of
Construtora Tenda S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of Construtora Tenda S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2018, and the related statements of income, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion on the individual financial statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Construtora Tenda S.A. as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil, applicable to real estate development entities in Brazil, registered with the Brazilian Securities and Exchange Commission (CVM).

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Construtora Tenda S.A. as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards - IFRSs issued by the International Accounting Standards Board - IASB, applicable to real estate development entities in Brazil, registered with the CVM.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements set out in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("CFC"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Emphasis of matter

As described in note 2.1, the individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil and the IFRSs, applicable to real estate development entities in Brazil, registered with the CVM. Accordingly, the accounting policy adopted by the Company for the recognition of revenue from uncompleted real estate unit purchase and sale agreements, on the aspects related to transfer of control, follows the understanding expressed by the CVM in CVM/SNC/SEP Circular Letter 02/2018 on the application of NBC TG 47 (IFRS 15). Our opinion is not qualified regarding this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

   The Company recognizes revenue from the sale of properties during the performance of works as set forth in CVM/SNC/SEP Circular Letter 02/2018, as described in note 2.6.3 to the individual and consolidated financial statements. The procedures adopted by the Company require the use of estimates to calculate real estate development amounts, such as, for example, estimating the costs to be incurred until the end of construction works and their percentage-of-completion. Consequently, the matter was considered a key audit matter due to the risk of those estimates related to the budgeted cost using subjective assumptions that may be materialized or not, as well as due to the relevance of the related amounts.

   Accordingly, we have identified the control process and activities designed and implemented by the Company, and we have performed audit procedures, including, without limitation: (a) obtaining the estimated cost to be incurred approved by the Engineering Department and Committee established by the Company for such purpose; (b) performing tests, on a sampling basis, in relation to the existing documentation, to assess the reasonableness and reliability of the cost estimates approved for the real estate projects; (c) conducting analytical reviews of the estimated costs incurred and to be incurred; and (d) assessing the disclosures in the financial statements.

   Based on the audit procedures performed, we understand that: (a) the assumptions used by Management to estimate the costs to be incurred are acceptable within the context of the individual and consolidated financial statements; and (b) the calculations made by Management of the percentage-of-completion correspond to the criteria defined pursuant to CVM/SNC/SEP Circular Letter 02/2018.

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2. Impairment of trade receivables

Management conducts periodic tests to determine the existence of indicators that the economic benefits associated with the balance of trade receivables, as described in notes 2.6.2 a) and 2.6.18 (ii) to the individual and consolidated financial statements, may not be realized in full, resulting in the need to recognize an allowance for impairment. If there is such evidence, the related allowance for expected credit losses is recorded. Consequently, considering the relevance of balances and as there is a reasonable risk related to the fact that those estimates may or may not be materialized, this matter was considered a key audit matter.

We have identified the Company's significant control processes and activities, and we have performed audit procedures, including, without limitation: (a) assessing the criteria adopted in the credit analysis upon the sale of the property; (b) obtaining and analyzing the assumptions and data used by Management to calculate the allowance for expected credit losses, including default per customer and per maturity of the existing property sale agreements; and (c) assessing the appropriateness of the disclosures in the financial statements.

Based on the audit procedures performed, we understand that the estimated allowance for expected credit losses recorded by Management is acceptable within the context of the individual and consolidated financial statements.

3. Contingent liability - labor charges and related effects on the stock option plans

The measurement, recognition and disclosure of provisions and contingent liabilities, mentioned in notes 2.6.2 b) and 2.6.18 (i) to the individual and consolidated financial statements, require Management's judgment. The provision for risks and litigations is recognized when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of funds will be required to settle the obligation, and its present value can be reliably estimated. During the year, the Company started to challenge in courts the levy of labor charges and related effects on stock option plans approved in 2014. As this is a non-recurring fact in the year and with possible impacts on the individual and consolidated financial statements, we considered this transaction a key audit matter.

Our audit procedures included: (a) holding periodic meetings with the Company and its Board of Directors; (b) reading the case records and legal opinions issued by the outside legal counsel to understand the possible monetary impacts on the individual and consolidated financial statements for the year ended December 31, 2018; (c) involving our tax and labor specialists in order to analyze the reasonableness and reliability of the assessment conducted by the Company and its outside legal counsel in relation to such litigation; (d) obtaining confirmation from the outside legal counsel hired by the Company to obtain an opinion on the litigation outcome at the date closest to the disclosure of the individual and consolidated financial statements; and (e) assessing the adequacy of the disclosures in the individual and consolidated financial statements.

Based on the audit procedures performed, we understand that the assumptions and judgments adopted by Management to assess and disclose potential contingent liabilities, arising from such matter, are acceptable within the context of the individual and consolidated financial statements.

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Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2018, prepared under the responsibility of the Company's Management and disclosed as supplemental information for purposes of the IFRSs, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these individual and consolidated statements of value added are reconciled with the other financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in NBC TG 09 - Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material respects, in accordance with the criteria set out in such standard and are consistent in relation to the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with accounting practices adopted in Brazil and the IFRSs issued by the IASB, applicable to real estate development entities in Brazil, registered with the CVM, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Deloitte.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company and its subsidiaries to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

São Paulo, March 12, 2019

DELOITTE TOUCHE TOHMATSU Auditores Independentes	Roberto Torres dos Santos Engagement Partner

CONSTRUTORA TENDA S.A. AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
ASSETS	Notes	12/31/2018	12/31/2017	12/31/2018	12/31/2017
CURRENT ASSETS					
Cash and cash equivalents	4.1	11,674	19,480	34,287	39,377
Securities	4.2	597,775	280,327	821,272	458,346
Receivables from developments and services provided	5	61,574	59,308	317,515	277,073
Properties for sale	6	65,902	109,262	533,317	517,172
Due from related parties	7.1	3,081	110,097	7,797	13,222
Land for sale	8	24,286	35,211	37,456	64,827
Escrow deposits	17.2	10,705	10,557	10,987	10,752
Other receivables		13,445	21,173	25,229	31,960
Total current assets		788,442	645,415	1,787,860	1,412,729
NONCURRENT ASSETS					
Receivables from developments and services provided	5	27,683	32,968	158,181	119,768
Properties for sale	6	52,808	56,453	515,993	417,033
Due from related parties	7.1	43,812	43,136	34,513	33,837
Escrow deposits	17.2	19,519	19,247	20,032	19,603
Deferred taxes	16	-	3,323	-	3,323
Investments in equity interests	9	964,356	909,627	39,376	65,417
Property and equipment	10	37,181	41,824	39,018	41,824
Intangible assets	11	26,066	21,644	26,066	21,644
Total noncurrent assets		1,171,425	1,128,222	833,179	722,449
TOTAL ASSETS		1,959,867	1,773,637	2,621,039	2,135,178

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

CONSTRUTORA TENDA S.A. AND SUBSIDIARIES

STATEMENT OF FINANCIAL POSITION 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
LIABILITIES AND EQUITY	Notes	12/31/2018	12/31/2017	12/31/2018	12/31/2017
CURRENT LIABILITIES					
Borrowings and financing	12	993	17,315	6,744	31,033
Debentures	13	3,344	-	3,344	-
Payables for materials and services		6,381	5,699	21,449	22,749
Taxes and contributions		11,559	14,964	26,951	27,387
Payroll, related taxes and profit sharing	14	12,180	9,932	45,024	36,995
Payables for purchase of properties and advances from customers	15	10,641	5,980	258,240	204,661
Provisions and contract terminations payable		4,730	3,347	8,476	6,716
Due to related parties	7.1	156,342	265,145	21,801	30,793
Allowance for loss on investments	9	11,448	21,027	5,728	5,456
Dividends payable	18.4	13,338	-	13,338	-
Other payables		6,497	5,435	9,706	8,413
Provision for contingencies	17.1	30,100	27,158	32,782	31,564
Total current liabilities		267,553	376,002	453,583	405,767
NONCURRENT LIABILITIES					
Borrowings and financing	12	14,646	20,683	98,038	85,130
Debentures	13	434,365	154,002	434,365	154,002
Payables for purchase of properties and advances from customers	15	4,415	11,007	361,302	240,139
Provision for contingencies	17.1	30,016	27,082	32,690	31,475
Income tax and social contribution	16	-	-	7,833	5,851
Due to related parties	7.1	-	15,860	-	19,884
Other payables		11,199	10,309	29,454	29,191
Total noncurrent liabilities		494,641	238,943	963,682	565,672
EQUITY					
Capital	18.1	1,095,511	1,094,171	1,095,511	1,094,171
Capital and stock option reserve	18.2	69,999	103,434	69,999	103,434
Earnings reserve	18.4 and 18.5	123,052	-	123,052	-
Treasury shares	18.3	(90,889)	-	(90,889)	-
Accumulated losses		-	(38,913)	-	(38,913)
Equity attributable to the Company’s owners		1,197,673	1,158,692	1,197,673	1,158,692
Noncontrolling interests		-	-	6,101	5,047
Total equity		1,197,673	1,158,692	1,203,774	1,163,739
TOTAL LIABILITIES AND EQUITY		1,959,867	1,773,637	2,621,039	2,135,178

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

CONSTRUTORA TENDA S.A. AND SUBSIDIARIES

INCOME STATEMENT
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$, except earnings per share)

		Parent		Consolidated	
	Notes	12/31/2018	12/31/2017	12/31/2018	12/31/2017
NET REVENUE	22	312,443	277,990	1,681,254	1,357,904
COSTS	23	(224,242)	(183,004)	(1,095,424)	(889,287)
GROSS PROFIT		88,201	94,986	585,830	468,617
(EXPENSES) INCOME					
Selling expenses	23	(23,247)	(22,961)	(145,288)	(136,873)
General and administrative expenses	23	(44,441)	(28,263)	(123,846)	(95,155)
Share of profit (loss) of investees	9	274,465	183,378	618	(1,115)
Other income (expenses) - net	23	(96,065)	(117,392)	(97,954)	(111,987)
PROFIT BEFORE FINANCE INCOME (COSTS)		198,913	109,748	219,360	123,487
FINANCE INCOME (COSTS)		1,379	(6,385)	8,506	(857)
Finance income	24	30,503	16,334	42,883	28,146
Finance costs	24	(29,124)	(22,719)	(34,377)	(29,003)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		200,292	103,363	227,866	122,630
INCOME TAX AND SOCIAL CONTRIBUTION		-	3,323	(26,520)	(17,994)
Current income tax and social contribution	16	-	-	(24,641)	(27,053)
Deferred income tax and social contribution	16	-	3,323	(1,879)	9,059
PROFIT FOR THE YEAR		200,292	106,686	201,346	104,636
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		200,292	106,686	200,292	106,686
Noncontrolling interests		-	-	1,054	(2,050)
EARNINGS PER SHARE ATTRIBUTABLE TO COMPANY OWNERS					
Basic earnings per thousand shares – in reais	20	3.90250	1.97556	3.90250	1.97556
Diluted earnings per thousand shares – in reais	20	3.57830	1.84798	3.57830	1.84798

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

CONSTRUTORA TENDA S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
PROFIT FOR THE YEAR	200,292	106,686	201,346	104,636
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	200,292	106,686	201,346	104,636
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the Company	200,292	106,686	200,292	106,686
Noncontrolling interests	-	-	1,054	(2,050)
	200,292	106,686	201,346	104,636

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

CONSTRUTORA TENDA S.A. AND SUBSIDIARIES

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

	Notes	Capital	Capital reserve	Treasury shares	Earnings reserve	Retained earnings (accumulated losses)	Total Parent	Noncontrolling interests	Total equity
		Attributable to owners of the Company							
BALANCES AS AT DECEMBER 31, 2016		1,094,000	100,725	-	-	(145,599)	1,049,126	26,496	1,075,622
Capital increase		171	-	-	-	-	171	-	171
Capital reserve		-	276	-	-	-	276	-	276
Recognized stock options granted		-	2,433	-	-	-	2,433	-	2,433
Acquisition of control		-	-	-	-	-	-	6,906	6,906
Acquisition of noncontrolling interests		-	-	-	-	-	-	(6,906)	(6,906)
Loss of control		-	-	-	-	-	-	(19,399)	(19,399)
Profit (loss) for the year		-	-	-	-	106,686	106,686	(2,050)	104,636
BALANCE AS AT DECEMBER 31, 2017		1,094,171	103,434	-	-	(38,913)	1,158,692	5,047	1,163,739
Capital increase		1,658	(1,658)	-	-	-	-	-	-
Increase of capital reserve		-	1,216	-	-	-	1,216	-	1,216
Share issuance costs	18.1	(318)	-	-	-	-	(318)	-	(318)
Recognized stock options granted	18.2	-	18,374	-	-	-	18,374	-	18,374
Share buyback	18.3		-	(142,256)	-	-	(142,256)	-	(142,256)
Share cancelation	18.3	-	(51,367)	51,367	-	-	-	-	-
Profit for the year		-	-	-	-	200,292	200,292	1,054	201,346
Allocation of profit:									
Recognition of legal reserve	18.4	-	-	-	8,069	(8,069)	-	-	-
Minimum mandatory dividends	18.4	-	-	-	-	(38,327)	(38,327)	-	(38,327)
Earnings retention	18.5	-	-	-	114,983	(114,983)	-	-	-
BALANCES AS AT DECEMBER 31, 2018		1,095,511	69,999	(90,889)	123,052	-	1,197,673	6,101	1,203,774

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

CONSTRUTORA TENDA S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

	Notes	Parent 12/31/2018	Parent 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
CASH FLOW FROM OPERATING ACTIVITIES					
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		200,292	103,363	227,866	122,630
Adjustments for:					
Depreciation and amortization	10 and 11	23,977	18,363	24,130	18,369
Estimated allowance for (reversal of) doubtful debts and contract terminations (net of termination costs)	5 and 6	12,748	(12,742)	40,015	11,319
Present value adjustment	5	(1,011)	1,536	(896)	7,978
Allowance for impairment of nonfinancial assets	6 and 8	(9,007)	5,332	(6,192)	5,045
Share of profit (loss) of investees	9	(274,465)	(183,378)	(618)	1,115
Provision for (reversal) contingencies and commitments	17	5,876	25,575	2,433	18,089
Unrealized interest and finance charges, net		2,799	17,186	5,381	18,860
Provision for warranties		611	(1,414)	2,262	187
Accrued profit sharing	23	8,619	10,947	22,196	18,452
Stock option costs	18.2	18,374	2,433	18,374	2,433
Disposal of property and equipment and intangible assets, net	10 and 11	99	1,083	99	1,121
Other provisions		1,285	5	1,662	1,008
Other operating income (expenses)		-	4,333	-	(882)
Deferred taxes (PIS and COFINS)		(4,316)	3,033	4,284	(7,075)
Decrease (increase) in operating assets					
Receivables from developments and services provided		(4,471)	33,511	(111,461)	26,991
Properties and land for sale		63,886	45,151	(122,755)	(108,041)
Other receivables		7,308	6,437	6,067	9,364
Increase (decrease) in operating liabilities					
Payables for materials and services		682	(2,128)	(1,300)	(8,915)
Taxes and contributions		(101)	2,009	11,820	216
Payroll, related taxes and profit sharing		(6,371)	(6,009)	(14,167)	(11,055)
Payables for purchase of properties and advances from customers		(3,127)	(5,256)	209,442	147,673
Other payables		5,456	(118,425)	(2,829)	(109,886)
Related-party transactions		192,510	129,920	3,480	51,205
Income tax and social contribution paid		-	-	(35,852)	(27,790)
Net cash provided by operating activities		241,653	80,865	283,441	188,411
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of tangible and intangible assets	10 and 11	(23,855)	(34,942)	(25,845)	(34,950)
Investments in securities		(1,163,410)	(1,242,412)	(1,418,036)	(1,501,275)
Redemption of securities		868,017	1,063,302	1,081,711	1,238,002
Total net cash used in investing activities		(319,248)	(214,052)	(362,170)	(298,223)
CASH FLOWS FROM FINANCING ACTIVITIES					
Share buyback		(142,256)	-	(142,256)	-
Capital increase		-	171	-	171
Increase of capital reserve		1,216	276	1,216	276
Dividends paid		(24,989)	-	(24,989)	-
Borrowings, financing and debentures		322,894	258,610	676,135	549,630
Repayment of borrowings, financing and debentures - principal		(84,555)	(113,103)	(426,953)	(417,054)
Payment of borrowings, financing and debentures - interest		(1,845)	(7,324)	(8,838)	(14,177)
Intragroup loans		(676)	1,913	(676)	1,929
Net cash used in (provided by) financing activities		69,789	140,543	73,639	120,775
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(7,806)	7,356	(5,090)	10,963
CASH AND CASH EQUIVALENTS					
At the beginning of the year		19,480	12,124	39,377	28,414
At the end of the year		11,674	19,480	34,287	39,377
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(7,806)	7,356	(5,090)	10,963

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

CONSTRUTORA TENDA S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In thousands of Brazilian reais - R$)

		Parent		Consolidated	
	Notes	12/31/2018	12/31/2017	12/31/2018	12/31/2017
GROSS REVENUE					
Real estate development and sale	22	328,662	273,086	1,746,577	1,420,369
Estimated allowance for (reversal of) doubtful debts and contract terminations	5 and 6	(4,338)	37,709	(24,909)	4,663
		324,324	310,795	1,721,668	1,425,032
INPUTS PURCHASED FROM THIRD PARTIES					
Costs - real estate development and sale		(211,191)	(171,441)	(1,063,049)	(854,263)
Supplies, power, outside services and other inputs		(104,806)	(115,838)	(157,621)	(124,093)
		(315,997)	(287,279)	(1,220,670)	(978,356)
GROSS VALUE ADDED		8,327	23,516	500,998	446,676
RETENTIONS					
Depreciation and amortization	10 and 11	(23,977)	(18,363)	(24,130)	(18,369)
WEALTH CREATED BY THE COMPANY		(15,650)	5,153	476,868	428,307
WEALTH RECEIVED IN TRANSFER					
Share of profit (loss) of investees	9	274,465	183,378	618	(1,115)
Finance income	24	31,984	17,126	44,864	29,382
		306,449	200,504	45,482	28,267
WEALTH FOR DISTRIBUTION		290,799	205,657	522,350	456,574
WEALTH DISTRIBUTED					
Employees and payroll taxes		38,966	34,069	165,470	173,088
Direct compensation		35,352	28,207	138,117	137,935
Benefits		2,384	4,032	17,847	22,250
Payroll taxes		1,230	1,830	9,506	12,903
TAXES, FEES AND CONTRIBUTIONS		16,917	35,463	96,479	119,707
Federal		16,498	32,757	95,759	116,792
Municipal		419	2,706	720	2,915
LENDERS AND LESSORS					
Interest and leases		34,624	29,439	59,055	59,143
SHAREHOLDERS					
Dividends	18.4	38,327	-	38,327	-
Retained earnings	18.4 and 18.5	161,965	106,686	161,965	106,686
Offset profit (losses) attributable to noncontrolling interests		-	-	1,054	(2,050)

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

1. GENERAL INFORMATION

The operations of Construtora Tenda S.A. (“Company” or “Tenda”) and its subsidiaries (“Group”) comprise the carry out of civil construction, real estate development, real estate purchase and sale, the provision of general construction management services, the intermediation of the sale of consortium shares, and holding of interests in other companies. The subsidiaries significantly share the Company’s management, operating, and corporate costs. The SPEs are exclusively engaged in real estate operations and are linked to specific projects.

The Company is a publicly-traded company with registered head office at Rua Álvares Penteado, 61, in the city of São Paulo, State of São Paulo, and registered with the São Paulo Stock Exchange - B3 (former BMF&BOVESPA) under the ticker symbol “TEND3”.

2. PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

The individual financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, applicable to real estate development entities, registered with the Brazilian Securities and Exchange Commission (CVM).

The consolidated financial statements have been prepared and are presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC), as approved by the Brazilian Securities and Exchange Commission (CVM) and in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (“IASB”), which takes into consideration the guidance contained in CVM/SNC/SEP Circular Letter 02/2018 regarding the application of CPC 47(IFRS 15) to real estate development entities in Brazil with regard to the aspects on the transfer of control on the sale of real estate units.

2.2 Basis of preparation

The financial statements have been prepared in the normal course of business, using the historical cost as the value base, and liabilities and assets at present or realizable value.

All relevant information related to the financial statements and only this information is being disclosed and corresponds to the information used by the Company’s Management in its management.

In preparing the annual financial statements, Management assesses the Company´s ability to continue as a going concern.

All the figures disclosed in these annual financial statements are expressed in thousands of Brazilian reais, unless otherwise stated.

2.3 Approval of the financial statements

The Company´s individual and consolidated financial statements were approved by the Board of Directors and authorized for issuance on March 12, 2019.

2.4 Functional and presentation currency

The Company’s functional and presentation currency is the Brazilian real (R$).

2.5 Statements of value added

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as supplemental information to the consolidated financial statements, since this statement is neither required nor mandatory under IFRSs. The statements of value added have been prepared using information obtained in the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 09 - Statement of Value Added.

2.6 Summary of significant accounting policies

2.6.1 Basis of consolidation

The Company's consolidated financial statements include the individual financial statements of the Parent and its direct and indirect subsidiaries. The Company has the control over an entity when it is exposed or has rights to variable returns from its involvement with the entity and has ability to affect those returns through power over an entity. The existence and the effects of potential voting rights, currently exercisable or convertible, are taken into consideration when determining whether the Company controls or not another entity. Subsidiaries are fully consolidated from the date on which control is transferred until the date control ceases.

The accounting policies have been consistently applied by all subsidiaries included in the Company's consolidated financial statements (note 9).

2.6.2 Key estimates and critical accounting judgments

In preparing these financial statements, Management used judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. All accounting estimates and assumptions used by the Company are in accordance with the CPCs (IFRSs) and correspond to the best estimates available.

The estimates and assumptions are revised on an ongoing basis. Revisions to estimates are recognized prospectively. Actual results may differ from these estimates.

The information on uncertainties related to the assumptions and estimates that have a significant risk of resulting in a material adjustment in the year ended December 31, 2018 is disclosed below:

a) <u>Estimated allowance for doubtful debts and contract termination</u>

The Company periodically reviews its assumptions to recognize an allowance for doubtful debts and contract termination, in view of the review of the history of its current operations and improvement of its estimates. Judgment made based on the historical, expected loss may differ from the amount expected to be realized, based on the specific characteristics of each customer. Note 2.6.18 (ii) describes the calculation method.

b) Provision for legal claims

The Company recognizes a provision for tax, labor and civil claims (note 17). The likelihood of loss is assessed based on available evidences, the hierarchy of laws, available case laws, most recent court decisions, their relevance within the legal system, and the assessment made by our outside legal counsel. Provisions are reviewed and adjusted so as to consider changes in circumstances, such as applicable statute of limitations, conclusions of tax audits, or additional exposures identified based on new matters or court rulings.

There are uncertainties related to the interpretation of complex tax regulations and the amount and timing of future taxable income.

c) Estimated costs of real estate projects

The estimated costs, mainly comprising incurred and future costs for the completing of real estate projects, are regularly reviewed, based on the percentage-of-completion, and potential adjustments identified based on such review are reflected in the Company's profit or loss. The effect of such reviews in estimates affects revenue recognition, as mentioned in note 2.6.3(b.ii).

2.6.3 Recognition of revenues, costs and expenses.

a) Revenue recognition

In recognizing revenue from contracts with customers, the principles introduced by CPC 47 (IFRS 15) were adopted beginning January 1, 2018, comprising the guidance in CVM/SNC/SEP Circular Letter 02/2018, where the transfer of control of the asset or service can be evidenced "at a point in time" or "over time".

To define the revenue recognition method, it is necessary to verify the fulfillment of performance obligations. Such verification is performed in five steps: 1) identification of the contract; 2) identification of performance obligations; 3) determination of the transaction price; 4) allocation of the transaction price to performance obligations; 5) recognition of revenue.

In such assessment, the Company's business model refers to sales fully transferred to the financial institution, with respect to real estate projects under construction and also those not completed. Upon execution of the bank financing contract, ownership is transferred to the financial institution, and the real estate developer is no longer responsible for any risk of receipt and/or control of the asset. Therefore, the performance obligation with respect to the real estate project is fulfilled at this time.

The contractual financial flow is as follows:

i) 10 to 20% directly paid to the real estate developer; and
ii) 80 to 90% to the financial institution.

The table below summarizes the contract entered into as "financing at the construction stage and completed", the relevant parties, collaterals and underlying risks:

Contract	Parties	Property collateral	Credit risk	Market risk	Termination risk
Bank financing	Developer (Seller); Buyer and financial institution (Creditor)	Financial institution	10 to 20% of the Developer and 80 to 90% of the financial institution	Buyer and financial institution	Not applicable. In case of default by the customer, the financial institution can transfer the ownership to its named for subsequent sale of the property to third parties, according to procedures set forth in art. 27 of Law 9.514/97. The proceeds will be mainly used to settle the customer's debt balance

(b) Recognition of revenue from and costs on real estate development and sale

i) For sales of completed real estate units, profit or loss is recognized when sales are made upon transfer of control over these units, irrespective of the period for receipt of the contractual amount.
ii) For sales of uncompleted units, the procedures below are followed:

- Sales revenue is recognized in profit or loss when there is continuous transfer of control to the financial institution or customer, under the percentage-of-completion method for each project. This percentage is based on the ratio of the cost incurred in relation to the total estimated cost of the respective projects. In those cases that, during the period of approval of the customer by the financial institution, there are indications that the customer will fail to perform its contractual obligations, an allowance for termination is recognized at its full amount.

- Recognized sales revenues that are higher than the amounts effectively received from customers are recorded in current or noncurrent assets, in line item “Receivables from developments and services provided”. The amounts received from the sale of units that are higher than the recognized amounts of revenue are recorded in line item " Payables for purchase of properties and advances from customers ";

- Inflation adjustment to trade receivables until delivery of keys, as well as present value adjustment to the balance of trade receivables, are recognized in profit or loss from real estate development and sale when earned or incurred, on the accrual basis on a pro rata basis;

- The incurred cost of units sold, including cost of land and other expenditures directly related to the cost of inventory formation, is fully recognized in profit or loss. For unsold units, the cost incurred is allocated to inventories (note 2.6.6);

- Finance charges on payables for acquisition of land and those directly related to construction financing are capitalized and recorded in inventories of properties for sale, and recognized at the cost incurred of units under construction until completion, based on the same recognition criteria adopted for costs on real estate development proportionally to units sold under construction;

- Taxes levied and deferred taxes on the difference between the revenue from real estate development and the accumulated revenue subject to taxation are calculated and recorded when such revenue difference is recognized;

- Other expenses, including advertising and publicity expenses, are recognized in profit or loss, when incurred.

2.6.4 Cash and cash equivalents and securities

Cash and cash equivalents mainly include demand deposits and repurchase bank certificates of deposit, denominated in Brazilian reais, which are highly liquid and mature within up to 90 days, for which there are no fines or any other restrictions on the part of their issuers that would prevent them from being immediately redeemed.

Cash equivalents are classified as financial assets at fair value through profit or loss, where its positive and negative fluctuation affects the income statement. Cash equivalents are held to meet short-term cash requirements.

Securities include bank certificates of deposit, government bonds, exclusive investment funds and pledges, which are measured at fair value through profit or loss or at amortized cost (note 4.2).

2.6.5 Receivables from developments and services provided

Carried at present and realizable values. Classification between current and noncurrent is carried out based on the expected maturity of the contract installments.

Outstanding installments are adjusted based on the National Civil Construction Index (INCC) for the project construction stage, and the General Market Price Index (IGP-M), after the delivery of the completed real estate units.

The adjustment to present value is calculated from the contract execution date to the expected unit delivery date to the committed buyer, using a discount rate represented by the average rate of the financing obtained by the Company, net of the higher of the inflationary effect or NTN-B.

The derecognition of the adjustment to present value, taking into consideration that a major share of the Company's operations is to finance its customers, was made as a contra entry to line item 'Revenue from real estate development', consistently with the interest incurred on the portion of receivables.

2.6.6 Properties for sale

The Company and its subsidiaries acquire land for future real estate development, payable in local currency or through barter. Land acquired through barter transactions are stated at the "fair value" of the units to be delivered and revenues and costs are recognized according to the criteria described in note 2.6.3.

Properties are carried at construction cost, and reduced by an allowance when such amount exceeds its net realizable value. In the case of properties under construction, the inventory portion represents the cost incurred with unsold units. The cost incurred comprises construction costs (materials, own or third-party labor and other related costs), land and project legalization costs, land costs and finance charges incurred with the real estate project during the construction stage.

Land is classified in current and noncurrent assets by Management based on the expected launch date of real estate projects. Management periodically reviews these real estate project launch estimates.

2.6.7 Financial instruments

(a) Non-derivative financial assets – classification and measurement

The Company classifies non-derivative financial assets into the following categories: financial assets measured at fair value through profit or loss and or amortized cost. Such classification is based on the contractual cash flow characteristics and the business model used to manage the entity's asset, or can be designated upon initial recognition at fair value through profit or loss on irrevocable basis.

The Company measures financial assets at amortized cost when: the contractual cash flows are held to maturity and their objective is only the receipt of principal and interest on principal at specific dates; for measurement purposes, the effective interest method is adopted.

The Company measures financial assets at fair value through profit or loss when it intends to immediately manage its "cash", so as to be free to sell its asset or not. These assets are held to receive contractual cash flows and for sale purposes.

(b) Impairment of financial assets

The Company assesses the need to recognize impairment losses for all financial assets at amortized cost.

The amount of the impairment loss is measured as the difference between the present value of estimated future cash flows, discounted at the original interest rate of the financial assets and their carrying amount, which difference is recognized in profit or loss for the year. If, in a subsequent period, the impairment loss decreases, the reversal of such loss previously recognized will also impact the income statement.

(c) Non-derivative financial liabilities – classification and measurement

The Company classifies non-derivative financial liabilities into the following categories: financial liabilities measured at amortized cost or at fair value through profit or loss.

A financial liability is initially classified and measured at fair value, less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities are measured at fair value through profit or loss upon initial recognition and on irrevocable basis, when they eliminate or reduce differences between gains and losses from mismatches that would arise from the measurement of assets and liabilities.

Financial instruments are recognized as follows:

(i) Non-derivative financial assets and financial liabilities - recognition and derecognition

The Company initially recognizes loans, receivables and debt instruments on the date they were originated. All other financial assets and liabilities are recognized on the trade date when the Company becomes a party to the underlying contract.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in these transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company derecognizes a financial liability when its contractual obligations are discharged (through payment or contract) or canceled, or when they expire.

Financial assets or liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company has a current legally enforceable right to offset the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Derivative instruments, including hedge accounting

As at December 31, 2018 and 2017, the Company did not have any transaction involving derivative instruments.

2.6.8 Expenses on sales intermediation – commissions

Expenses on brokerage fees are recorded in profit or loss in line item “Selling expenses” based on the same criterion adopted for the recognition of revenue from units sold. Charges related to sales commission payable by the buyer of the property are not recognized as the Company’s revenue or expense.

2.6.9 Land for sale

Land for sale is measured based on the lower of its carrying amount and fair value, less cost to sell, and is classified as held for sale if its carrying amount is recovered through a sales transaction. This condition is considered fulfilled only when the sale is highly probable and the asset is available for immediate sale “as is”.

2.6.10 Investments in equity interests

Investments in equity interests are accounted for in the parent under the equity method.
When the Company’s share in the investees’ losses is equal to or exceeds the investment amount, the Company recognizes the residual portion in line item “Allowance for investment losses”, since it assumes obligations and makes payments in the name of such investees. Consequently, the Company recognizes an allowance in an amount considered appropriate to fulfill the investee’s obligations (Note 9).

2.6.11 Property and equipment

Property and equipment is stated at acquisition cost, less accumulated depreciation and/or accumulated impairment losses, if applicable.

An item of property and equipment is written off when sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulting from the write-off of the asset (calculated as the difference between the net sales amount and the carrying amount of the asset) is included in the income statement in the year in which the asset is written off.

Depreciation is calculated on a straight-line basis, based on the estimate useful lives of the assets (note 10).

Property and equipment items are subject to periodic impairment tests.

2.6.12 Intangible assets

The costs related to the acquisition and implementation of IT systems and software licenses are stated at acquisition cost and amortized on a straight-line basis based on the estimated useful life, and are subject to periodic impairment tests.

2.6.13 Payables for properties and advances from customers through barter

Payables on the acquisition of properties are recognized at the amounts corresponding to the contractual obligations assumed. Subsequently, they are stated at amortized cost, i.e., plus charges and interest, when applicable, on a pro rata basis to the incurred period, less the present value adjustment.

Payables related to barter of land for real estate units are stated at the fair value of the units to be delivered.

2.6.14 Income tax and social contribution

(i) Current income tax and social contribution

The Company and its subsidiaries calculate income tax (IRPJ) and social contribution (CSLL) based on the taxable income, deemed income or earmarked assets regime, with RET ("Special Tax Regime"), as detailed below:

- Taxable income – adopted by the Company. Under this regime, IRPJ is calculated based on a 15% rate, plus a 10% surtax on taxable income exceeding R$240 per year, and CSLL is calculated at the rate of 9% on taxable income, and consider the offset of tax loss carryforwards, limited to 30% of taxable income in each fiscal year.

- Deemed income – adopted by certain subsidiaries. Under this regime, the IRPJ and CSLL tax base is calculated at the rates of 8% and 12% on gross revenue (100% of finance income), respectively. The income tax and social contribution rates prevailing at the reporting date (15% plus a 10% surtax on income exceeding R$240 per year for IRPJ, and 9% for CSLL) are levied on deemed income.

- Special Tax Regime (RET) – adopted for certain Company's real estate projects. As prescribed by Law 12.024 of August 27, 2009, which amended Law 10.931/2004 that established the RET, an option was made to submit real estate projects to the earmarked assets regime and elect to adopt the RET. For these projects, the consolidated IRPJ and CSLL and taxes on revenue (COFINS and PIS) rates are applied at the overall rate of 4% on gross revenues received, as prescribed by the law. The overall IRPJ and CSLL tax rate is 1.92% and the overall PIS and COFINS tax rate is 2.08% on gross revenues for the RET.

(ii) Deferred income tax and social contribution

Deferred tax is recognized on tax losses and temporary differences between the amounts of assets and liabilities recognized for accounting purposes and the corresponding amounts used for taxation purposes.

Deferred taxes are recognized to the extent that it is probable that future taxable income will be available against which the deferred tax assets can be utilized, based on projections of results prepared on the basis of internal assumptions and future economic scenarios that allow their full or partial utilization, upon recognition of an allowance for non-realization of the balance. The recorded amounts are periodically reviewed and the related realization or settlement impacts are recorded as provided for in the tax law.

Deferred income tax on tax losses can be carried forward indefinitely, however, its offset in future years is limited to 30% of the taxable income for each year.

Deferred tax assets and liabilities are stated at their net amounts in the balance sheet when there is a legally enforceable right and the intent to set off them upon the calculation of current taxes, related to the same legal entity and same tax authority.

2.6.15 Stock option plan

The Company offers to employees and Management, as duly approved by the Board of Directors, two stock option and stock grant plans, according to which it receives the services as considerations for the stock options granted.

The fair value of stock options is set on the grant date and recognized as expense in the income statement for the year (as a contra entry to equity) as services are provided by employees and Management.

When the terms of an equity-settled plan are modified, a minimum expense is recognized and corresponds to the expenses as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the options granted, or is otherwise beneficial to the employee, as measured at the date of modification.

When a stock option is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not recognized under the plan is recognized immediately. However, if a new plan replaces the cancelled plan, it is designated as a replacement plan on the date that it is granted, and the cancelled and new plans are treated as if they were a modification of the original plan, as mentioned above.

The Company annually reviews its estimated number of options which rights will be vested, considering the vesting conditions not related to the market and the conditions for length of service. The Company recognizes the impact of the review of the initial estimates, if any, in the income statement, as a contra entry to equity.

2.6.16 Present value adjustment of assets and liabilities

Items comprising assets and liabilities, arising from material long- or short-term transactions, are adjusted to present value.
Real estate development entities, in the installment sale of uncompleted units, have receivables adjusted for inflation, including the interest-free key money, which should be discounted to present value, since the contracted inflation adjustment indices do not include the interest component.

Finance charges of resources used in the construction of real estate development projects, and those relating to the financing of real estate construction projects, are capitalized. Therefore, the reversal of the present value adjustment of an obligation related to these items is recognized in cost of sales or inventories of properties for sale, if applicable, until the date construction is completed.

Accordingly, certain asset and liability components are adjusted to present value, based on discount rates, which aim at reflecting the best estimates of the time value of the money.

2.6.17 Borrowing costs

Borrowing costs directly related to real estate projects during the construction stage and to land when making the asset ready for sale, are capitalized as part of the cost of the corresponding asset, which are recognized in profit or loss proportionally to the units sold. All other borrowing costs are recorded as expenses when incurred. Borrowing costs comprise interest and other costs incurred related to borrowings, including borrowing costs.

Charges not recognized in profit or loss of subsidiaries must be presented in the parent's financial statements, in an investment line item in noncurrent assets (note 9).

2.6.18 Provisions and losses

Provisions are recorded when considered probable and based on the best estimates of the underlying risk. Provisions recognized refer mainly to:

(i) Provision for legal claims

The Company is a party to several lawsuits and administrative proceedings. Provisions are recognized for all lawsuits assessed as probable losses.

Contingent liabilities assessed as possible losses are only disclosed in an explanatory note while contingent liabilities assessed as remote losses are neither accrued nor disclosed.

(ii) Estimated allowance for doubtful debts and contract terminations

The Company recognizes estimates allowance for doubtful debts and contract terminations for customers with installments past due and falling due, according to assumptions defined by the Company for incurred and expected losses. Such allowance is calculated based on the percentage-of-completion of construction, the methodology applied in the recognition of profit or loss (note 2.6.3).

In recognizing estimated losses, a matrix based on historical and expected loss is used, or adjusted based on current observable data to reflect current and future conditions, provided that such data is available with no cost or excessive effort. Such loss is calculated based on the percentage-of-completion of construction, the methodology applied in the recognition of profit or loss. The Company assesses the risk of its entire customer portfolio to determine which are the risk levels.

The Company recognizes an allowance for termination for customers that intend to formalize contractual terminations, or pose significant risk of default.

(iii) Provision for warranties

The Company and its subsidiaries recognize a provision to cover expenditures on repair in projects within the warranty period, based on an estimate that considers the history of expenditures incurred adjusted by future expectation, except for subsidiaries that use outsourced companies, which are the own guarantors of the construction services provided. The warranty period offered is five years as from the delivery of the real estate project.

(iv) Allowance for impairment of non-financial assets

Annually and whenever evidence of impairment of assets is identified, and the carrying amount exceeds the recoverable value, an allowance for impairment is recognized to adjust the carrying amount to the recoverable value. Intangible assets with indefinite useful life are tested for impairment annually, irrespective of indicators of impairment, based on the comparison between the realizable value measured using cash flows discounted at present value, using a pretax discount rate, that reflects the weighted average cost of the Company's capital.

2.6.19 Sales taxes

For companies under the non- cumulative taxable income regime, PIS and COFINS rates are 1.65% and 7.6%, respectively, calculated on gross operating income, subject to discount of some credits calculated based on costs and expenses incurred. For companies under the cumulative deemed income regimen, PIS and COFINS rates are 0.65% and 3%, respectively, on gross operating income, not subject to discount of credits in relation to costs and expenses incurred. For companies under the special tax regime (RET), see note 2.6.14 (i).

2.6.20 Dividends

The proposed distribution of dividends made by Management within the mandatory minimum dividend is recognized as current liabilities in line item “Dividends payable” as it is considered a legal obligation under the Company’s bylaws.

2.6.21 Basic and diluted earnings/(loss) per share

Basic earnings (loss) per share are calculated by dividing profit for the year attributable to common shares by the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated similarly to basic earnings (loss) but increased by the weighted average number of common shares that would be issued in the conversion of all potential shares diluted into common shares.

2.6.22 Treasury shares

Treasury shares are recognized at cost plus deemed costs and recorded as a reduction of equity. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Company’s own equity instruments, and the income (loss) from the transaction is recognized as earnings reserve.

3. ISSUED NEW AND REVISED STANDARDS AND INTERPRETATIONS

a. New and revised standards and interpretations already adopted in the current period:

In the current year, the Company adopted new interpretations to IFRSs and CPCs issued by the IASB and the CPC. The adoption of these new and revised IFRSs did not have any significant impact on the amounts reported and/or disclosed for the current and prior years.

New and revised standards and interpretations	Effective beginning
CPC 48 (IFRS 9) - Financial Instruments (a)	January 1, 2018
CPC 47 (IFRS 15) - Revenue from Contracts with Customers (b)	January 1, 2018

(a) IFRS 9 supersedes the guidelines prescribed by IAS 39 (CPC 38) - Financial Instruments: Recognition and Measurement. IFRS 9 includes new models for the classification and measurement of financial instruments and the measurement of expected credit losses for financial and contractual assets, as well as new requirements on hedge accounting. The new standard maintains the existing guidelines on the recognition and derecognition of financial instruments in IAS 39. The Company adopted the new criteria on expected credit losses for financial and contractual assets and their impact was immaterial, including those related to the classification of financial instruments whose impact was also immaterial.

(b) IFRS 15 – Revenue from Contracts with Customers.

CPC 47 (IFRS 15) requires that an entity recognize the amount of revenue reflecting the consideration it expects to receive in exchange for the control over such goods or services. The new standard supersedes most of the detailed guidance on revenue recognition that currently exists under IFRSs when it is adopted. For the real estate development industry, the evaluation will focus on the recognition of revenue by maintaining the percentage of completion (“over time”) method, or adopting the delivery of keys method (“at a point time”). The Company has adopted the new revenue recognition principles according to the guidance in Circular Letter/CVM/SNC/SEP 02/2018 regarding the application of CPC 47(IFRS 15) to real estate development entities in Brazil with regard to the aspects on the transfer of control on the sale of real estate units, which did not impact the Company’s individual and consolidated financial statements.

b. New and revised standards and interpretations not yet adopted:

A series of new and revised standards and interpretations will become effective as described below:

New and revised standards and interpretations	Effective beginning
CPC 06 R2 (IFRS 16) – Leases (a)	January 1, 2019
CPC00 – Conceptual Framework – Revision (b)	January 1, 2020

(a) IFRS 16 - Leases

IFRS 16 introduces a single model for the recognition of leases in the lessees’ balance sheet. A lessee recognizes a right of use asset that represents its right to use the asset and lease liability that represents its obligation to make lease payments. Optional exemptions are available for short-term leases and low-value items. The lessor’s accounting remains similar to the current standard, i.e., the lessors continue to classify the leases as finance or operating leases.

IFRS 16 supersedes the existing lease standards, including CPC 06 (IAS 17) - Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Supplemental Aspects of Leases.

Management assessed the impacts and will be affected at most at: 1.04% of its total consolidated assets; 1.92% of its total consolidated liabilities; and no effect on equity.

(b) Change of conceptual framework

The revision of the Conceptual Framework introduces the following new concepts: definitions of assets and liabilities; criteria for recognition, write-off, measurement, presentation and disclosure of asset and liability and profit and loss components. These changes are effective for annual periods beginning on or after January 1, 2020 and the possible impacts are being assessed.

4. CASH AND CASH EQUIVALENTS AND SECURITIES

4.1 Cash and cash equivalents

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Cash and banks	4,192	19,480	24,284	39,377
Bank certificate of deposit	7,482	-	10,003	-
Cash and cash equivalents (note 21.(b.i))	11,674	19,480	34,287	39,377

4.2 Securities

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Fixed-income funds	-	-	1,705	1,718
Exclusive funds (a)	576,233	248,290	704,956	330,447
Repurchase transactions	34	7,828	34	7,828
Bank certificate of deposit (b)	403	70	1,149	230
Restricted short-term investments (c)	21,105	24,139	113,428	118,123
Total securities (note 21(b.i))	597,775	280,327	821,272	458,346

(a) Exclusive funds

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
National Treasury Bills (LTN)	203,422	147,654	271,935	196,512
Bank Certificates of Deposit (CDBs)	16,188	2,989	20,940	3,979
Financial Treasury Bill (LFT)	221,742	97,647	277,200	129,956
Private securities	115,873	-	115,873	-
Repurchase transactions	19,008	-	19,008	-
Total exclusive funds	576,233	248,290	704,956	330,447

(b) As at December 31, 2018, the Bank Certificates of Deposit (CDBs) include interest earned through the end of the reporting period, ranging from 75% to 112.09% (from 78.64% to 100% as at December 31, 2017) of the Interbank Deposit Certificates (CDI) rate.

(c) Restricted short-term investments are represented by the onlending of real estate pool funding receivables about to be approved by Caixa Econômica Federal (Federal savings bank). This funding is approved as the contracts entered into with customers are formalized with the financial institution, which the Company expects to occur in up to 90 days.

5. RECEIVABLES FROM DEVELOPMENTS AND SERVICES PROVIDED

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Receivables from real estate development and sales	145,054	140,002	605,803	496,490
(-) Estimated allowance for doubtful debts	(64,311)	(55,947)	(130,478)	(99,007)
(-) Allowance for contract terminations	(6,183)	(10,209)	(15,126)	(21,688)
(-) Present value adjustment	(1,985)	(2,996)	(9,983)	(10,879)
Receivables from land sales and services provided	16,682	21,426	25,480	31,925
	89,257	92,276	475,696	396,841
Current	61,574	59,308	317,515	277,073
Noncurrent	27,683	32,968	158,181	119,768

The aging list of trade receivables is as follows:

	Parent		Consolidated	
Maturity	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Past due				
Up to 90 days	1,547	374	10,395	13,549
91-180 days	488	1,564	15,290	9,888
More than 180 days (a)	35,185	50,702	58,873	76,773
Subtotal – past due	37,220	52,640	84,558	100,210
Current				
2018	-	79,630	-	287,400
2019	93,284	14,911	386,287	79,792
2020	15,501	6,072	98,320	24,056
2021	6,077	3,720	28,261	21,408
2022	4,445	4,455	19,027	15,549
2023 and thereafter	5,209	-	14,830	-
Subtotal – current	124,516	108,788	546,725	428,205
(-) Present value adjustment	(1,985)	(2,996)	(9,983)	(10,879)
(-) Estimated allowance for doubtful debts and contract termination	(70,494)	(66,156)	(145,604)	(120,695)
	89,257	92,276	475,696	396,841

(a) Of the amount past due for more than 180 days, amounts being transferred to financial institutions total R$11,652 in Parent and R$23,513 in consolidated (R$28,301 in the Parent and R$55,255 in consolidated as at December 31, 2017).

The variations in the allowances for doubtful debts and contract terminations in the periods ended December 31, 2018 and 2017 are summarized below:

Parent				
	Trade receivables - Allowance for doubtful debts	Trade receivables - Allowance for contract terminations	Properties for sale (note 6)	Net balance
Balance as at December 31, 2016	(60,775)	(43,090)	34,514	(69,351)
Additions	(8,968)	(5,403)	4,526	(9,845)
Reversals	13,796	38,284	(29,493)	22,587
Balance as at December 31, 2017	(55,947)	(10,209)	9,547	(56,609)
Additions	(13,224)	(2,427)	1,289	(14,362)
Reversals	697	6,453	(5,536)	1,614
Write-offs	4,163	-	-	4,163
Balance as at December 31, 2018	(64,311)	(6,183)	5,300	(65,194)

Consolidated				
	Trade receivables - Allowance for doubtful debts	Trade receivables - Allowance for contract terminations	Properties for sale (note 6)	Net balance
Balance as at December 31, 2016	(79,586)	(45,772)	36,357	(89,001)
Additions	(39,342)	(35,720)	27,631	(47,431)
Reversals	19,921	59,804	(43,613)	36,112
Balance as at December 31, 2017	(99,007)	(21,688)	20,375	(100,320)
Additions	(40,096)	(10,657)	6,916	(43,837)
Reversals	32	17,219	(13,429)	3,822
Write-offs	8,593	-	-	8,593
Balance as at December 31, 2018	(130,478)	(15,126)	13,862	(131,742)

The total adjustment to present value recognized in revenue for real estate development for the year ended December 31, 2018 was R$1,011 (R$1,536 in December 2017), in Parent, and R$896 (R$7,978 in December 2017) in consolidated.

The discount rate applied by the Company and its subsidiaries was 3.10% for 2018 (3.93% in 2017, net of INCC).

6. PROPERTIES FOR SALE

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Land	77,245	76,483	852,831	654,009
Properties under construction	23,022	57,816	189,098	226,364
Cost of properties in the recognition of the allowance for contract terminations (note 5)	5,300	9,547	13,862	20,375
Completed units	17,458	31,744	44,647	70,846
(-) Present value adjustment in land purchases	(338)	(1,593)	(46,816)	(28,368)
(-) Impairment of properties for sale	(3,977)	(8,282)	(4,312)	(9,021)
	118,710	165,715	1,049,310	934,205
Current	65,902	109,262	533,317	517,172
Noncurrent	52,808	56,453	515,993	417,033

The Company has commitments to build bartered units, relating to the acquisition of land, recognized based on the fair value of bartered units at the acquisition date. As at December 31, 2018, the balance of obligations for land acquired under barter agreements totals R$1,862 (R$1,921 as at December 31, 2017) in Parent and R$101,785 (R$118,037 as at December 31, 2017) in consolidated (note 15).

As described in note 12, the balance of capitalized finance charges as at December 31, 2018 was R$5,452 (R$7,357 as at December 31, 2017) in Parent and R$23,705 (R$28,394 as at December 31, 2017) in consolidated.

7. RELATED PARTIES

7.1 Related-party balances

The asset and liability balances with related parties are as follows:

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Assets				
Subsidiaries				
Related parties' current account (a)	3,047	96,875	-	-
Loan receivable (c)	9,299	9,299	-	-
Total subsidiaries	12,346	106,174	-	-
Joint ventures				
Related parties' current account (a)	34	13,222	7,797	13,222
Loan receivable (c)	34,513	33,837	34,513	33,837
Total	34,547	47,059	42,310	47,059
Total assets	46,893	153,233	42,310	47,059
Current	3.081	110.097	7.797	13.222
Noncurrent	43.812	43.136	34.513	33.837

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Liabilities				
Subsidiaries				
Related parties' current account (b)	134,541	230,328	-	-
Total subsidiaries	134,541	230,328	-	-
Joint ventures				
Related parties' current account (b)	21,801	34,817	21,801	34,817
Loan payable (c)	-	15,860	-	15,860
Total	21,801	50,677	21,801	50,677
Total liabilities	156,342	281,005	21,801	50,677
Current	156,342	265,145	21,801	30,793
Noncurrent	-	15,860	-	19,884

(a) The Company participates in real estate development projects with other partners, either directly or through related companies. These projects' management structure and cash management are centralized in the company leading the project, which also oversees the construction and budget progress. Thus, the project leader ensures that the necessary funds are used and allocated as planned. The sources and uses of the projects' funds are reflected in these balances, to the extent of the equity interest held by each investor, which is not subject to inflation adjustments or finance charges imposed by each investor, and do not have a fixed maturity date. The purpose of these transactions is to streamline the business relationships that demand a joint management of amounts mutually owned by the parties and, consequently, the control over the movements of amounts mutually handed over, which are netted when the current account is closed. The average period of time to develop and complete the projects in which the funds are invested ranges from 18 to 24 months;

(b) Amount relating to funds transferred between the group companies, which will be derecognized through a capital increase or decrease;

(c) The intragroup loans between the Company and its joint ventures—detailed below—result from the need to meet cash requirements for the development of their corresponding activities and are subject to the finance charges set forth in the underlying agreements. Related-party transactions are conducted at arm's length and appropriate in order to preserve the interests of both parties involved in each transaction.

The table below shows the breakdown, type, and terms and conditions of the balances of intragroup loans and borrowings. The maturities of intragroup loans are contingent on the duration of the related projects.

	Parent		Consolidated			
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	Type	Interest rate
Subsidiaries						
FIT 09 SPE Empr. Imob. Ltda. (b)	9,299	9,299	-	-	Construction	120% to 126.5% p.a. of CDI
Loans to subsidiaries	9,299	9,299	-	-		
Joint ventures						
Atua Construtora e Incorporadora S.A. (a)	12,167	12,167	12,167	12,167	Construction	112% of 113.5% of CDI
FIT 19 SPE Empr. Imobiliários Ltda. (b)	17,775	17,389	17,775	17,389	Construction	100% of CDI

	Parent		Consolidated			
	12/31/2018	12/31/2017	12/31/2018	12/31/2017	Type	Interest rate
Acedio SPE Empr. Imobiliários Ltda. (b)	4,571	4,281	4,571	4,281	Construction	100% of CDI
Loans to joint ventures	34,513	33,837	34,513	33,837		
	43,812	43,136	34,513	33,837		

(a) Amount related to a Company loan to Atua Construtora e Incorporadora S.A., which is being disputed in arbitration, at the Center for Arbitration and Mediation of the Chamber of Commerce Brazil-Canada (CAM/CCBC). The amount is no longer adjusted based at the agreed finance charges in light of the arbitration.

(b) Amounts receivable across SPEs that are adjusted through August 2014 (date of last request in arbitration) using the contractually agreed financial charges. These amounts are being disputed in arbitration, at the Center for Arbitration and Mediation of the Chamber of Commerce Brazil-Canada (CAM/CCBC). The loan to Fit 09 SPE Empr. Imob. Ltda. was eliminated for purposes of the consolidated financial statements, and the balance changes shown arise from the new amounts to guarantee the companies' operations.

7.2 Guarantees, collaterals and sureties

The financial transactions of the Group are collateralized by guarantees or sureties in proportion to the Company's interests in the capital of such companies, totaling R$493,490 as at December 31, 2018 (R$375,306 as at December 31, 2017).

8. LAND FOR SALE

The Company, in line with its implemented strategic guidelines, opted for putting for sale the land not taken into consideration in the business plan approved for 2018. Similarly, it designed a specific plan for selling such land. The carrying amount of the land for sale, adjusted to market value, when applicable, after impairment tests, is as follows:

	Parent			Consolidated		
	Cost	Allowance for impairment	Net balance	Cost	Allowance for impairment	Net balance
Balance as at December 31, 2016	53,705	(10,218)	43,487	87,270	(12,043)	75,227
Additions	1,121	(2,024)	(903)	12,828	(2,044)	10,784
Reversals/write-offs	(10,080)	2,707	(7,373)	(24,241)	3,057	(21,184)
Balance as at December 31, 2017	44,746	(9,535)	35,211	75,857	(11,030)	64,827
Additions	811	(510)	301	5,936	(3,729)	2,207
Reversals/write-offs (a)	(16,438)	5,212	(11,226)	(34,790)	5,212	(29,578)
Balance as at December 31, 2018	29,119	(4,833)	24,286	47,003	(9,547)	37,456

a) Reclassification of R$2,200 to properties for sale.

9. INVESTMENTS IN EQUITY INTERESTS

(i) Equity interests:

	Parent		Consolidated	
Subsidiaries	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Wholly-owned	911,820	822,372	-	-
Due to management of material operations	8,929	16,980	-	-
Capitalized interest	4,231	4,858	-	-
	924,980	844,210	-	-
Joint ventures	39,376	65,417	39,376	65,417
	964,356	909,627	39,376	65,417

Variations in investments

	Parent	Consolidated
Balance as at December 31, 2016	1,409,681	147,831
Share of profit (loss) of investees	183,378	(1,115)
Dividends	(92,704)	-
Advance for future capital increase	(65,671)	-
Capital payment	92,895	-
Capital decrease (a)	(623,577)	(13,353)
Acquisition (sale) of equity interests	11,757	(68,888)
Allowance for (reversal of) investment losses	(1,797)	60
Other investments	(4,335)	882
Balance as at December 31, 2017	909,627	65,417
Share of profit (loss) of investees	274,465	618
Capital payment	13,327	-
Dividends (b)	(185,719)	-
Advance for future capital increase	(11,426)	(592)
Capital decrease	(26,339)	(26,339)
Allowance for investment losses	(9,579)	272
Balance as at December 31, 2018	964,356	39,376

a) Capital decrease of investees mostly settled with related parties: Cita Itapoan; FIT 31 SPE Emp. Imob; AC Participações LTDA; FIT 32 SPE Emp. Imob;FIT 22 SPE Emp. Imob; FGM Incorporações S. A; FIT 24 SPE Emp. Imob; FIT 07 SPE Emp. Imob.; FIT SPE 05 Emp. Imob.; FIT SPE 01 Emp. Imob.; Tenda SP Jardim São Luiz; SPE Tenda SP Vila Park; Salvador Dali Emp. Imob; Guaianazes Life Emp. Imob.;SPE Tenda SP Osasco and SPE Tenda SP Itaquera.

b) Tenda Negócios Imobiliários recognized an accrual of R$185,719 for dividend distribution to its parent, Construtora Tenda.

Breakdown of investments as at December 31, 2018

EQUITY INTEREST AT 12/31/2018

Subsidiaries	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity and advance for future capital increase	Profit (loss) for the year	Equity interest %	Share of profit os investees	Investiment Balance
TENDA NEG. IMOB. S/A	980,493	560,740	319,972	445,024	776,237	288,691	100%	288,691	776,237
JD. SÃO LUIZ SPE INCORP. LTDA	63,445	3,069	362	219	65,933	197	100%	197	65,933
FIT 16 SPE EMP.IMOB.LTDA.	3,198	171	178	-	3,191	(18,405)	100%	(18,405)	3,191
FIT 34 SPE EMP.IMOB.LTDA.	17,179	-	4	-	17,175	(220)	100%	(220)	17,175
FIT 02 SPE EMP.IMOB.LTDA.	10,836	-	1,336	1	9,499	6	100%	6	9,499
FIT 06 SPE EMP.IMOB.LTDA.	9,937	-	927	-	9,010	2,392	100%	2,392	9,010
FIT 31 SPE EMP.IMOB.LTDA.	3,159	-	337	-	2,822	(1,845)	100%	(1,845)	2,822
ASPLENIUM EMP.IMOB.LTDA.	2,342	2,097	291	109	4,039	100	100%	100	4,039
FIT 32 SPE EMP.IMOB.LTDA.	2,864	321	90	-	3,095	13	100%	13	3,095
FIT 25 SPE EMP.IMOB.LTDA.	2,827	43	780	-	2,090	(239)	100%	(239)	2,090
FIT 10 SPE EMP.IMOB.LTDA.	1,584	151	539	-	1,196	(409)	100%	(409)	1,196
COTIA 1 EMP.IMOB.LTDA.	1,733	89	205	-	1,617	221	100%	221	1,617
FIT 11 SPE EMP.IMOB.LTDA.	2,080	-	264	-	1,816	216	100%	216	1,816
AC PART. LTDA.	1,174	13	59	91	1,037	(105)	100%	(105)	1,037
SPE TENDA SP VILA PARK EMP.IMOB.LTDA	715	-	175	-	540	(96)	100%	(96)	540
FIT 40 SPE EMP.IMOB.LTDA.	982	77	45	16	998	(24)	100%	(24)	998
SPE TENDA SP OSASCO LIFE EMP.IMOB.LTDA	918	5	7	-	916	(65)	100%	(65)	916
FIT 01 SPE EMP.IMOB.LTDA.	754	58	116	-	696	(124)	100%	(124)	696
TENDA 28 SPE EMP.IMOB.LTDA.	1,879	-	402	-	1,477	1,531	100%	1,531	1,477
FIT 05 SPE EMP.IMOB.LTDA.	762	1	230	21	512	(453)	100%	(453)	512
MARIA INÊS SPE EMP.IMOB.LTDA.	528	-	49	-	479	(183)	100%	(183)	479
SPE TENDA SP VALÊNCIA EMP.IMOB.LTDA	438	19	5	-	452	53	100%	53	452
SPE TENDA SP ITAQUERA LIFE EMP.IMOB.LTDA	271	7	2	-	276	16	100%	16	276
SPE TENDA SP JD. SÃO LUIZ LIFE EMP.IMOB.LTDA	191	28	23	-	196	(54)	100%	(54)	196
FIT 35 SPE EMP.IMOB.LTDA.	196	46	46	-	196	(77)	100%	(77)	196
FIT 42 SPE EMP.IMOB.LTDA.	144	-	36	-	108	(17)	100%	(17)	108
FIT 03 SPE EMP.IMOB.LTDA.	104	-	1	-	103	(11)	100%	(11)	103
FIT 07 SPE EMP.IMOB.LTDA.	494	3	164	-	333	(159)	100%	(159)	333
SPE TENDA SP SALVADOR DALI EMP.IMOB.LTDA	96	8	1	-	103	(17)	100%	(17)	103
FIT 38 SPE EMP.IMOB.LTDA.	64	12	3	-	73	(23)	100%	(23)	73
FIT 37 SPE EMP.IMOB.LTDA.	98	9	7	-	100	25	100%	25	100
FIT PALLADIUM SPE EMP.IMOB.LTDA.	17	6	1	-	22	(41)	100%	(41)	22
FIT 24 SPE EMP.IMOB.LTDA.	17	-	-	-	17	(29)	100%	(29)	17
FIT 39 SPE EMP.IMOB.LTDA.	11	3	10	-	4	(107)	100%	(107)	4
TENDA 25 SPE EMP.IMOB.LTDA.	2,423	-	-	-	2,423	4	70%	2	1,694
CITTÀ VILLE SPE EMP.IMOB.LTDA.	17,103	43	1,766	915	14,465	2,235	50%	1,117	7,231
FIT 12 SPE EMP.IMOB.LTDA.	422	42	101	4	359	209	100%	209	359
TENDA 30 SPE EMP.IMOB.LTDA	1	-	-	-	1	-	100%	-	1
MÁRIO COVAS SPE EMP.IMOB.LTDA.	188	39	76	-	151	(129)	100%	(129)	151
TDA NEG. IMOB. LTDA.	298	-	3	-	295	200	100%	200	295
TND NEG. IMOB. LTDA.	2,721	-	35	-	2,686	2,853	100%	2,853	2,686
TENDA 46 SPE EMP.IMOB.LTDA.	25,226	-	683	22,569	1,974	-	100%	-	1,974
Capitalized interest								(628)	4,231
Total Subsidiaries	**1,159,912**	**567,100**	**329,331**	**468,969**	**928,712**	**276,130**		**274,382**	**924,980**

Joint Venture	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity and advance for future capital increase	Net Revenue	Profit (loss) for the year	Equity interest %	Share of profit os investees	Investiment Balance
SPE FRANERE GAFISA 08 EMP.IMOB.LTDA.	15,808	9,797	2,094	3,194	20,317	2,476	(1,629)	50%	(815)	10,159
GRAND PARK PQ. PÁSSAROS EMP.IMOB.LTDA.	6,216	4,935	1,081	1,490	8,580	4,261	3,733	50%	1,867	4,290
FIT 13 SPE EMP.IMOB.LTDA.	16,855	3,506	655	-	19,706	-	6	50%	3	9,853
CIPESA PROJ. 02 EMP. IMOB. SPE LTDA.	18,217	-	79	58	18,080	(54)	(34)	50%	(17)	9,040
FIT JD. BOTÂNICO SPE EMP.IMOB.LTDA.	9,017	-	73	2	8,942	151	379	55%	208	4,918
IMBUI I SPE EMP.IMOB.LTDA.	992	11	137	408	458	(80)	(272)	50%	(136)	229
ACEDIO SPE EMP.IMOB.LTDA.	5,679	-	11	4,571	1,097	-	(263)	55%	(146)	603
CITTA ITAPUÃ EMP. IMOB. SPE LTDA.	2,778	9	538	1,768	481	205	(95)	50%	(47)	241
CITTA IPITANGA SPE EMP. IMOB.LTDA.	1,114	2	381	649	86	11	(55)	50%	(27)	43
Consolitated	**76,676**	**18,260**	**5,049**	**12,140**	**77,747**	**6,970**	**1,770**		**890**	**39,376**
Amount of excess of carrying at aquisition date										
Total Parent	**1,236,588**	**585,360**	**334,380**	**481,109**	**1,006,459**		**277,900**		**275,272**	**964,356**

Breakdown of investments as at December 31, 2017

EQUITY INTERESTS AT 12/31/2017

Subsidiaries	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity and advance for future capital increase	Profit (loss) for the year	Equity interest %	Share of profit of investees	Investment balance
SPE TENDA SP ITAQUERA LIFE EMP.IMOB.LTDA	320	28	30	-	318	259	100%	259	318
SPE TENDA SP OSASCO LIFE EMP.IMOB.LTDA	991	8	7	-	992	980	100%	980	992
SPE TENDA SP SALVADOR DALI EMP.IMOB.LTDA	129	10	19	-	120	1,013	100%	1,013	120
SPE TENDA SP VILA PARK EMP.IMOB.LTDA	1,191	42	194	-	1,039	341	100%	341	1,039
SPE TENDA SP VALÊNCIA EMP.IMOB.LTDA	403	16	20	-	399	90	100%	90	399
SPE TENDA SP JD. SÃO LUIZ LIFE EMP.IMOB.LTDA	316	38	31	-	323	176	100%	176	323
COTIA 1 EMP.IMOB.LTDA.	1,869	64	192	-	1,741	(1,386)	100%	(1,386)	1,741
FIT ROLAND GARROS EMP.IMOB.LTDA.	102	-	98	-	4	(270)	100%	(270)	4
MARIA INÊS SPE EMP.IMOB.LTDA.	676	-	54	8	614	(65)	100%	(65)	614
FIT 01 SPE EMP.IMOB.LTDA.	964	80	223	-	821	134	100%	134	821
FIT 02 SPE EMP.IMOB.LTDA.	9,566	-	73	-	9,493	(60)	100%	(60)	9,493
FIT 05 SPE EMP.IMOB.LTDA.	919	41	416	-	544	(666)	100%	(666)	544
FIT 10 SPE EMP.IMOB.LTDA.	2,201	241	277	-	2,165	(1,009)	100%	(1,009)	2,165
FIT 11 SPE EMP.IMOB.LTDA.	2,300	-	634	12	1,654	949	100%	949	1,654
FIT PALLADIUM SPE EMP.IMOB.LTDA.	64	-	1	-	63	(192)	100%	(192)	63
FIT 06 SPE EMP.IMOB.LTDA.	7,852	-	666	-	7,186	(1)	100%	(1)	7,186
FIT 07 SPE EMP.IMOB.LTDA.	503	-	342	-	161	(218)	100%	(218)	161
FIT 24 SPE EMP.IMOB.LTDA.	46	-	-	-	46	18	100%	18	46
FGM INCORP. S/A	230	1	178	-	53	(345)	100%	(345)	53
FIT 16 SPE EMP.IMOB.LTDA.	21,758	208	369	-	21,597	(1,654)	100%	(1,654)	21,597
FIT 25 SPE EMP.IMOB.LTDA.	3,344	60	1,075	-	2,329	(1,774)	100%	(1,774)	2,329
FIT 31 SPE EMP.IMOB.LTDA.	5,100	-	433	-	4,667	(247)	100%	(247)	4,667
FIT 32 SPE EMP.IMOB.LTDA.	2,435	782	135	-	3,082	(9)	100%	(9)	3,082
FIT 34 SPE EMP.IMOB.LTDA.	17,415	-	20	-	17,395	96	100%	96	17,395
FIT 35 SPE EMP.IMOB.LTDA.	227	51	5	-	273	(74)	100%	(74)	273
FIT 37 SPE EMP.IMOB.LTDA.	105	14	44	-	75	(77)	100%	(77)	75
FIT 38 SPE EMP.IMOB.LTDA.	99	16	19	-	96	(91)	100%	(91)	96
FIT 39 SPE EMP.IMOB.LTDA.	103	3	86	-	20	(47)	100%	(47)	20
FIT 40 SPE EMP.IMOB.LTDA.	845	256	47	33	1,021	210	100%	210	1,021
FIT 42 SPE EMP.IMOB.LTDA.	215	-	90	-	125	33	100%	33	125
FIT 03 SPE EMP.IMOB.LTDA.	207	-	82	11	114	(176)	100%	(176)	114
TENDA NEG. IMOB. S/A (Consolidated)	924,299	413,845	367,942	298,070	672,132	197,822	100%	197,822	672,132
TENDA 28 SPE EMP.IMOB.LTDA.	346	-	18	-	328	328	100%	328	328
AC PART. LTDA.	1,668	19	110	50	1,527	(1,326)	100%	(1,326)	1,527
EVP PART. S.A.	102	-	5	-	97	-	100%	-	97
ASPLENIUM EMP.IMOB.LTDA.	1,675	2,794	237	269	3,963	(1,158)	100%	(1,158)	3,963
TENDA SPE 19 EMP.IMOB.LTDA	9	-	-	-	9	(90)	100%	(90)	9
JD. SÃO LUIZ SPE INCORP. LTDA	62,140	4,438	366	427	65,785	(1,086)	100%	(1,086)	65,785
TENDA 25 SPE EMP.IMOB.LTDA.	15,290	-	-	-	15,290	(90)	70%	(63)	10,703
CITTÀ VILLE SPE EMP.IMOB.LTDA.	17,688	4	2,904	2,233	12,555	(4,102)	50%	(2,051)	6,278
Capitalized interest								(4,922)	4,859
Total Subsidiaries	**1,105,712**	**423,059**	**377,442**	**301,113**	**850,216**	**186,236**		**183,392**	**844,211**

Joint ventures	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity and advance for future capital increase	Net Revenue	Profit (loss) for the year	Equity interest %	Share of profit of investees	Investment balance
ACEDIO SPE EMP.IMOB.LTDA.	5,648	-	7	4,281	1,360	1	(1)	55%	(1)	748
FIT JD. BOTÂNICO SPE EMP.IMOB.LTDA.	8,685	-	106	16	8,563	442	(14)	55%	(10)	4,710
IMBUI I SPE EMP.IMOB.LTDA.	1,263	7,526	116	428	8,245	47	(22)	50%	(11)	4,123
CITTA IPITANGA SPE EMP. IMOB.S LTDA.	1,136	2	337	660	141	33	4	50%	2	71
GRAND PARK PQ. PÁSSAROS EMP.IMOB.LTDA.	6,629	25,742	1,907	1,843	28,621	2,087	(1,602)	50%	(801)	14,311
CITTA ITAPUÃ EMP. IMOB.S SPE LTDA.	2,801	9	459	1,775	576	66	31	50%	16	288
SPE FRANERE GAFISA 08 EMP.IMOB.LTDA.	21,553	27,360	2,150	3,427	43,336	322	500	50%	250	21,668
CIPESA PROJ. 02 EMP. IMOB. SPE LTDA.	18,369	-	168	87	18,114	866	(976)	50%	(488)	9,057
FIT 13 SPE EMP.IMOB.LTDA.	18,014	3,526	655	-	20,885	-	(7)	50%	(3)	10,443
Consolidated	**84,098**	**64,165**	**5,905**	**12,517**	**129,841**	**3,864**	**(2,087)**		**(1,046)**	**65,417**
Amount in excess of carrying amount at acquisition date									(12)	-
Total Parent	**1,189,810**	**487,224**	**383,347**	**313,630**	**980,057**	**3,864**	**184,149**		**182,334**	**909,627**

(ii) Equity interests – equity deficiency

Breakdown of the allowance for losses on Investments as at December 31, 2018

ALLOWACE FOR INVESTIMENT LOSSES DEC/2018

Subsidiaries	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity and advance for future capital increase	Profit (loss) for the year	Equity interest %	Share of profit os investees	Investment Balance
FIT 22 SPE EMP.IMOB.LTDA.	5	-	25	-	(20)	(8)	100%	(8)	(20)
TENDA 35 SPE PART. S/A	1	-	38	-	(37)	-	100%	-	(37)
SPE TENDA SP GUAIANAZES LIFE EMP.IMOB.LTDA	4	5	10	-	(1)	(19)	100%	(19)	(1)
FIT BILD 09 SPE EMP.IMOB.LTDA.	2,740	-	871	9,304	(7,435)	(259)	75%	(195)	(5,577)
TENDA 24 SPE PART. S.A.	-	-	1	-	(1)	-	100%	-	(1)
TENDA 47 SPE EMP.IMOB.LTDA.	-	-	2	-	(2)	(2)	100%	(2)	(2)
FIT ROLAND GARROS EMP.IMOB.LTDA.	2	-	19	-	(17)	(125)	100%	(125)	(17)
TENDA SPE 19 EMP.IMOB.LTDA	8	-	65	-	(57)	(66)	100%	(66)	(57)
TENDA 26 SPE PART. S.A.	-	-	1	-	(1)	-	100%	-	(1)
EVP PART. S.A.	-	-	5	-	(5)	(102)	100%	(102)	(5)
FGM INCORP. S/A	168	4	174	-	(2)	(18)	100%	(18)	(2)
	2,930	9	1,211	9,304	(7,578)	(599)		(535)	(5,720)
Joint Venture									
FIT CAMPOLIM SPE EMP.IMOB.LTDA	7,389	-	29	17,775	(10,415)	(495)	55%	(272)	(5,728)
	7,389	-	29	17,775	(10,415)	(495)		(272)	(5,728)
Total allowace for investiment losses	**10,319**	**9**	**1,240**	**27,079**	**(17,993)**	**(1,094)**		**(807)**	**(11,448)**

Breakdown of the allowance for losses on Investments as at December 31, 2017

ALLOWANCE FOR INVESTMENT LOSSES DEC 2017	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Equity and advance for future capital increase	Profit (loss) for the year	Equity interest %	Share of profit of investees	Investment balance
Subsidiaries									
MÁRIO COVAS SPE EMP.IMOB.LTDA.	266	1	587	-	(320)	(811)	100%	(811)	(320)
FIT BILD 09 SPE EMP.IMOB.LTDA.	3,147	-	947	9,376	(7,176)	109	75%	83	(5,379)
FIT 12 SPE EMP.IMOB.LTDA.	138	23	550	-	(389)	(551)	100%	(551)	(389)
FIT 22 SPE EMP.IMOB.LTDA.	5	-	18	-	(13)	(63)	100%	(63)	(13)
TENDA 24 SPE PART. S.A.	-	-	1	-	(1)	(1)	100%	(1)	(1)
TENDA 26 SPE PART. S.A.	-	-	1	-	(1)	(1)	100%	(1)	(1)
SPE TENDA SP GUAIANAZES LIFE EMP.IMOB.LTDA	43	5	523	-	(475)	(524)	100%	(524)	(475)
TENDA 30 SPE EMP.IMOB.LTDA	1	-	107	-	(106)	(22)	100%	(22)	(106)
TND NEG. IMOB. LTDA.	1,526	-	8,262	-	(6,736)	2,644	100%	2,644	(6,736)
TENDA 35 SPE PART. S/A	3	-	35	-	(37)	(5)	100%	(5)	(37)
TDA NEG. IMOB. LTDA.	172	-	2,286	-	(2,114)	355	100%	355	(2,114)
	5,301	29	13,317	9,376	(17,368)	1,130		1,104	(15,571)
Joint ventures									
FIT CAMPOLIM SPE EMP.IMOB.LTDA	7,469	-	-	17,385	(9,920)	(107)	55%	(60)	(5,456)
	7,469	-	-	17,385	(9,920)	(107)		(60)	(5,456)
Total allowance for investment losses	**12,770**	**29**	**13,317**	**26,761**	**(27,288)**	**1,023**		**1,044**	**(21,027)**

10. PROPERTY AND EQUIPMENT

Description	Depreciation rate - % p.a.	Parent 12/31/2018	Parent 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
Cost					
Hardware	20%	22,619	21,483	22,619	21,483
Leasehold improvements and facilities	*	10,201	8,906	10,201	8,906
Furniture and fixtures	10%	3,883	3,353	4,014	3,353
Machinery and equipment	10%	3,009	2,729	3,009	2,729
Molds	20%	40,660	32,936	42,519	32,936
		80,372	69,407	82,362	69,407
Accumulated depreciation		(43,191)	(27,583)	(43,344)	(27,583)
		37,181	41,824	39,018	41,824

*Depreciated according to the lower of the lease agreement term, or its economic useful life.

The residual value, useful lives, and depreciation methods were reviewed at the closing of year 2018, and no change was made. Assets are subject to periodical impairment testing.

Variations in property and equipment

	Parent					
Cost	Hardware	Leasehold improvements and facilities	Furniture and fixtures	Machinery and equipment	Molds	Total
Balance as at 12/31/2016	18,662	9,338	4,171	1,450	18,681	52,302
Additions	5,166	1,529	345	1,294	14,255	22,589
100% depreciated items	(2,345)	(1,961)	(1,163)	(15)	-	(5,484)
Cost as at 12/31/2017	21,483	8,906	3,353	2,729	32,936	69,407
Depreciation						
Balance as at 12/31/2016	(7,384)	(4,621)	(3,264)	(694)	(6,232)	(22,195)
Additions	(3,968)	(1,455)	(390)	(216)	(4,843)	(10,872)
100% depreciated items	2,345	1,961	1,163	15	-	5,484
Depreciation as at 12/31/2017	(9,007)	(4,115)	(2,491)	(895)	(11,075)	(27,583)
Balance as at 12/31/2017	12,476	4,791	862	1,834	21,861	41,824

	Parent					
Cost	Hardware	Leasehold improvements and facilities	Furniture and fixtures	Machinery and equipment	Molds	Total
Balance as at 12/31/2017	21,483	8,906	3,353	2,729	32,936	69,407
Additions	1,136	1,510	530	280	7,724	11,180
Write-offs	-	(215)	-	-	-	(215)
Cost as at 12/31/2018	22,619	10,201	3,883	3,009	40,660	80,372
Depreciation						
Balance as at 12/31/2017	(9,007)	(3,809)	(2,492)	(895)	(11,380)	(27,583)
Additions	(3,719)	(3,935)	(234)	(285)	(7,551)	(15,724)
Write-offs	-	116	-	-	-	116
Depreciation as at 12/31/2018	(12,726)	(7,628)	(2,726)	(1,180)	(18,931)	(43,191)
Balance as at 12/31/2018	9,893	2,573	1,157	1,829	21,729	37,181

	Consolidated					
Cost	Hardware	Leasehold improvements and facilities	Furniture and fixtures	Machinery and equipment	Molds	Total
Balance as at 12/31/2016	18,662	9,338	4,239	1,450	18,681	52,370
Additions	5,166	1,529	353	1,294	14,255	22,597
Write-offs	-	-	(76)	-	-	(76)
100% depreciated items	(2,345)	(1,961)	(1,163)	(15)	-	(5,484)
Cost as at 12/31/2017	21,483	8,906	3,353	2,729	32,936	69,407
Depreciation						
Balance as at 12/31/2016	(7,384)	(4,315)	(3,297)	(694)	(6,537)	(22,227)
Additions	(3,968)	(1,455)	(396)	(216)	(4,843)	(10,878)
Write-offs	-	-	38	-	-	38
100% depreciated items	2,345	1,961	1,163	15	-	5,484
Depreciation as at 12/31/2017	(9,007)	(3,809)	(2,492)	(895)	(11,380)	(27,583)
Balance as at 12/31/2017	12,476	5,097	861	1,834	21,556	41,824

	Consolidated					
Cost	Hardware	Leasehold improvements and facilities	Furniture and fixtures	Machinery and equipment	Molds	Total
Balance as at 12/31/2017	21,483	8,906	3,353	2,729	32,936	69,407
Additions	1,136	1,510	661	280	9,583	13,170
Write-offs	-	(215)	-	-	-	(215)
Cost as at 12/31/2018	22,619	10,201	4,014	3,009	42,519	82,362
Depreciation						
Balance as at 12/31/2017	(9,007)	(3,809)	(2,492)	(895)	(11,380)	(27,583)
Additions	(3,719)	(3,935)	(243)	(285)	(7,695)	(15,877)
Write-offs	-	116	-	-	-	116
Depreciation as at 12/31/2018	(12,726)	(7,628)	(2,735)	(1,180)	(19,075)	(43,344)
Balance as at 12/31/2018	9,893	2,573	1,279	1,829	23,444	39,018

11. INTANGIBLE ASSETS

	Parent/Consolidated					
	12/31/2016					12/31/2017
	Balance	Additions	Write-offs	Amortization	100% amortized items	Balance
Software – cost	29,165	12,088	(1,083)	-	(3,273)	36,897
Software – amortization	(11,865)	156	-	(6,817)	3,273	(15,253)
Other	565	109	-	(674)	-	-
	17,865	12,353	(1,083)	(7,491)	-	21,644

	Parent/Consolidated			
	12/31/2017			12/31/2018
	Balance	Additions	Amortization	Balance
Software – cost	36,897	12,675	-	49,572
Software – amortization	(15,253)	-	(8,253)	(23,506)
	21,644	12,675	(8,253)	26,066

Refer mainly to the expenses on the acquisition and implementation of information systems and software licenses, amortized over a five-year period based on their economic useful life (20% per year).

Intangible assets with finite useful lives are amortized over their useful lives, and tested for impairment whenever there is indication of asset impairment. The amortization period and method for an intangible asset with finite useful life are reviewed at least at the end of each annual reporting period.

12. BORROWINGS AND FINANCING

			Parent		Consolidated	
Type of transaction	Maturity	Annual interest rate	12/31/2018	12/31/2017	12/31/2018	12/31/2017
National Housing System (SFH)	04/2018 to 12/2022	TR + 8.30% p.a.	15,639	22,064	103,317	92,395
Bank Credit Note (CCB)	04/2018 to 06/2019	CDI + 4.25% p.a.	-	15,934	-	20,126
		INCC-DI variance	-	-	1,465	3,642
Total			15.639	37,998	104,782	116,163
Current			993	17,315	6,744	31,033
Noncurrent			14,646	20,683	98,038	85,130

The current and noncurrent portions mature as follows:

	Parent		Consolidated	
Maturity	12/31/2018	12/31/2017	12/31/2018	12/31/2017
2018	-	17,315	-	31,033
2019	993	8,037	6,744	30,805
2020	5,277	9,562	36,787	38,290
2021	6,848	3,084	45,803	16,035
2022 and thereafter	2,521	-	15,448	-
	15,639	37,998	104,782	116,163

Finance costs on borrowings and financing are capitalized at the cost of each construction project and land plot, according to the use of funds, and recognized in profit or loss proportionally to the units sold, as shown below. The capitalization rate used to determine the amount of the borrowing costs eligible for capitalization was 7.78% as at December 31, 2018 (8.30% as at December 31, 2017).

The following table shows a summary of finance costs and charges, and the portion capitalized in line item 'Properties for sale'.

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Total finance charges for the year	27,859	9,623	44,391	23,990
Capitalized finance charges	(3,596)	(1,232)	(19,990)	(15,732)
Finance costs (note 24)	24,263	8,391	24,401	8,258
Finance charges allocated to line item 'Properties for sale':				
Opening balance	7,357	12,845	28,394	42,802
Capitalized finance charges	3,596	1,232	19,990	15,732
Finance charges charged to profit or loss (note 23)	(5,501)	(6,720)	(24,679)	(30,140)
Closing balance	5,452	7,357	23,705	28,394

13. DEBENTURES

Type of transaction	Maturity	Annual payout	Transaction costs		Parent/Consolidated	
			Appropriated	Incurred	12/31/2018	12/31/2017
Debentures (a)	January 2021	CDI + 0.90%	4,236	(9,058)	285,066	154.002
Debentures (b)	September 2023	CDI + 1.75%	50	(754)	152,643	-
Total debentures					437,709	154,002
Current						
Debentures					3,344	-
Noncurrent						
Debentures					439,891	160,071
Transaction costs					(5,526)	(6,069)
					437,709	154,002

a) On September 6, 2017, the Company launched the third issue of nonconvertible debentures, with maturity on January 15, 2021, in a single allotment, totaling R$270,000. The debentures are securitized through real estate receivables certificates issued by Ares Serviços Imobiliários Ltda. and back the CRIs issued by Apice Securitizadora S/A.

The proceeds from this issuance will be used exclusively in real estate projects specifically targeted at the lower-income population segment.

The Company has restrictive covenants that restrict some decision-making, such as debt issue and the power to require the debt acceleration or loan refinancing if such restrictive covenants are not complied with.

As at December 31, 2018 the ratio required by such covenant is as follows:

	12/31/2018	12/31/2017
Net leverage ratio, calculated as total net financial debt less SFH loans to equity, which cannot exceed 50% (note 21.c).	-34.15%	-27.09%

b) On September 10, 2018, the Company launched the fourth issue of nonconvertible debentures, with maturity on January 15, 2021, in a single series, totaling R$150,000. The proceeds from this issuance will be used in ordinary management, including working capital increase and capital structure growth. Maturity schedule:

i) Payment of principal: 33.30% in September 2021; 33.30% in September 2022; and 33.40% in September 2023; and

ii) Semiannual interest;

The Company has restrictive covenants that restrict some decision-making, such as debt issue and the power to require the debt acceleration or loan refinancing if such restrictive covenants are not complied with.

As at December 31, 2018 the ratio required by such covenant is as follows:

	12/31/2018	12/31/2017
Net leverage ratio, calculated as total net financial debt less SFH loans to equity, which cannot exceed 15% (note 21.c).	-34.15%	-

14. PAYROLL, RELATED TAXES AND PROFIT SHARING

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Payroll and related taxes	3,627	2,472	9,643	7,652
Accrued payroll and related taxes	2,418	2,480	16,407	13,941
Employee profit sharing (a)	6,135	4,980	18,974	15,402
	12,180	9,932	45,024	36,995

(a) The Company has a variable compensation program that grants its employees and management personnel and the employees and management personnel of its subsidiaries a share of the Company's profits. This program is linked to the fulfillment of specific goals, which are set, agreed-upon, and approved by the Board of Directors at the beginning of each year.

15. PAYABLES FOR PURCHASE OF PROPERTIES AND ADVANCES FROM CUSTOMERS

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Payables for properties purchased	12,013	14,848	515,915	325,784
Advances from customers	1,181	218	1,842	979
Physical barter - land	1,862	1,921	101,785	118,037
	15,056	16,987	619,542	444,800
Current	10,641	5,980	258,240	204,661
Noncurrent	4,415	11,007	361,302	240,139

The current and noncurrent portions mature as follows:

	Parent		Consolidated	
Maturity	12/31/2018	12/31/2017	12/31/2018	12/31/2017
2018	-	5,980	-	204,661
2019	10,641	6,726	258,240	118,388
2020	2,816	4,281	160,257	47,458
2021	1,599	-	88,309	74,293
2022 and thereafter	-	-	112,736	-
	15,056	16,987	619,542	444,800

16. INCOME TAX AND SOCIAL CONTRIBUTION

a) Current income tax and social contribution

The reconciliation at the effective tax rate for the years ended December 31, 2018 and 2017 is as follows:

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Profit before income tax and social contribution:	200,292	103,363	227,866	122,630
Income tax calculated at the statutory rate - 34%	34%	34%	34%	34%
	(68,099)	(35,143)	(77,474)	(41,694)
Net impact of subsidiaries taxed based on deemed income/RET	-	-	75,507	30,298
Other permanent differences	(3,866)	(1,510)	(4,318)	(1,057)
Unrecognized tax credits	(20,664)	(14,061)	(27,106)	(19,734)
Share of profit (loss) of investees	93,318	62,349	210	(379)
Recognized tax credits (PERT)	-	3,323	-	3,323
Tax credits utilized in the deterred taxes tax base	-	-	-	14,662
Other additions and deductions	(689)	(11,635)	6,661	(3,413)
Income tax and social contribution expenses (income)	-	3,323	(26,520)	(17,994)
Current tax expenses (income)	-	-	(24,641)	(27,053)
Deferred tax expenses (income)	-	3,323	(1,879)	9,059

b) Deferred income tax and social contribution

The origin of deferred income tax and social contribution as at December 31, 2018 and 2017 is as follows:

Description	Parent 12/31/2018	Parent 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
Assets				
Tax loss carryforwards	253,551	244,208	261,621	244,208
Allowance for doubtful debts	20,935	19,007	23,467	21,306
Allowance for impairment of nonfinancial assets	2,948	6,058	3,047	5,846
Other provisions	5,898	6,617	10,708	10,985
Provision for contingencies	20,439	18,442	21,604	19,848
Temporary differences - CPC	10,431	1,557	10,745	2,312
Temporary differences – deferred PIS and COFINS	1,944	2,077	2,561	2,423
Unrecognized tax credits	(300,286)	(279,622)	(312,400)	(285,294)
Subtotal	15,860	18,344	21,353	21,634
Liabilities				
Revenue taxation on a cash and an accrual basis	(15,860)	(15,021)	(21,353)	(18,311)
Deferred income tax and social contribution (Earmarked assets, or RET)	-	-	(7,833)	(5,851)
Subtotal	(15,860)	(15,021)	(29,186)	(24,162)
Recognized in line item deferred taxes (liabilities)	-	-	(7,833)	(5,851)
Recognized in line item deferred taxes (assets)	-	3,323	-	3,323

The Company holds unrecognized income tax loss and social contribution loss carryforwards that can be offset against 30% of annual taxable income and carried forward indefinitely in the following amounts:

	Parent					
	12/31/2018			12/31/2017		
Description	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Tax loss carryforwards	745,738	745,738		718,259	718,259	-
Tax assets (25%, 9%)	186,435	67,116	253,551	179,565	64,643	244,208
Recognized tax assets (PERT)	-	-	-	(2,443)	(880)	(3,323)
Unrecognized tax assets on tax loss carryforwards	186,435	67,116	253,551	177,122	63,763	240,885

	Consolidated					
	12/31/2018			12/31/2017		
Description	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Tax loss carryforwards	769,473	769,473		718,259	718,259	-
Tax assets (25%, 9%)	192,368	69,253	261,621	179,565	64,643	244,208
Recognized tax assets	-	-	-	(2,443)	(880)	(3,323)
Unrecognized tax assets on tax loss carryforwards	192,368	69,253	261,621	177,122	63,763	240,885

The balance of tax loss carryforwards was not recorded as we do not expect any taxable income in the Company and its Group.

17. PROVISION FOR CONTINGENCIES AND COMMITMENTS

17.1 Provision for contingencies

The variations in the provision for contingencies in the year ended December 31, 2018 and 2017 are summarized below:

	Parent			
	Civil lawsuits	Labor lawsuits	Other (b)	Total
Balance as at December 31, 2016	19,168	9,465	32	28,665
Additions (note 23)	57,091	8,897	55	66,043
Write-offs/transfers (note 23)	(32,308)	(8,121)	(39)	(40,468)
Balance as at December 31, 2017	43,951	10,241	48	54,240
Additions (note 23)	16,831	5,114	10,909	32,854
Write-offs/transfers (note 23)	(21,840)	(5,094)	(44)	(26,978)
Balance as at December 31, 2018	38,942	10,261	10,913	60,116
Current	19,498	5,137	5,465	30,100
Noncurrent	19,444	5,124	5,448	30,016

	Consolidated			
	Civil lawsuits	Labor lawsuits	Other *	Total
Balance as at December 31, 2016	30,341	14,303	306	44,950
Additions (note 23)	60,142	8,919	55	69,116
Write-offs/transfers (note 23)	(38,880)	(12,126)	(55)	(51,061)
Acquisition of control of investees	(36)	70	-	34
Balance as at December 31, 2017	51,567	11,166	306	63,039
Additions (note 23)	18,618	6,065	10,909	35,592
Write-offs (note 23)	(27,209)	(5,906)	(44)	(33,159)
Balance as at December 31, 2018	42,976	11,325	11,171	65,472
Current	21,518	5,670	5,594	32,782
Noncurrent	21,458	5,655	5,577	32,690

(a) Lawsuits mainly attributable to the Company's legacy project (construction defects and construction delay); and
(b) In 2018 a provision related to a tax lawsuit for 2011 taxes (IRPJ, CSLL, PIS and COFINS) of one of its subsidiaries was recognized; such lawsuit was assessed as possible loss.

17.2 Escrow deposits

As at December 31, 2018, the Company and its subsidiaries have the following amounts deposited in courts:

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Civil lawsuits	21,430	20,117	21,993	20,489
Environmental lawsuits	87	87	89	88
Tax lawsuits	3,719	3,447	3,817	3,512
Labor lawsuits	4,988	6,153	5,120	6,266
	30,224	29,804	31,019	30,355
Current	10,705	10,557	10,987	10,752
Noncurrent	19,519	19,247	20,032	19,603

17.3 Lawsuits with a possible likelihood of an unfavorable outcome

As at December 31, 2018, the Company and its subsidiaries are aware of other civil, labor, tax and environmental lawsuits. Based on the history of probable lawsuits and the specific analysis of the main claims, the lawsuits with a likelihood of an unfavorable outcome classified as possible total R$320,499 (R$529,120 as at December 31, 2017), based on the historical average of the lawsuits adjusted for current estimates, for which the Company's Management believes it is not necessary to recognize a provision for potential losses. The variation in the year is due to the revision of the involved amounts, as shown below.

	Consolidated	
	12/31/2018	12/31/2017
Civil lawsuits (a)	225,284	309,014
Tax lawsuits (b)	78,567	206,933
Labor lawsuits	14,746	11,317
Environmental lawsuits	1,902	1,856
	320,499	529,120

(a) As at December 31, 2018, the Company and its subsidiaries are aware of civil lawsuits and risks based on the history of probable lawsuits and a specific analysis of main claims, the measurement of the lawsuits with a likelihood of an unfavorable decision estimated as possible total RR225,284, mostly attributed to legacy projects (construction defects and delay). In August 2018 the Company entered into a settlement relating to a lawsuit which amount was estimated at approximately R$100 million and which was settled August at the amount of R$5.7 million, with subsequent final dismissal of the lawsuit. This amount was accrued in July 2018.

(b) The Company had received a tax assessment notice issued by the Brazilian Federal Revenue Service, in which it challenges the tax bases of income tax, social contribution, PIS and COFINS for FY 2010. The Company filed an objection to the tax assessment within the statutory deadline, which was partially upheld on March 31, 2017 by the lower administrative court, which reduced the tax assessment fine and rebate of the amounts paid as COFINS and PIS. The Company filed an administrative appeal with the competent body (CARF) against such decision. On January 24, 2019, the appeal decision was handed down, whereby the following issues worth attention: decrease of the voluntary fine; deduction of the amounts paid; statute of limitation of the periods from January to September 2010. After the decision, the likelihood of loss was assessed as "possible" by the legal counsel, substantially reducing the possible contingencies for this lawsuit (from R$206,933 million to R$78,567 million in 2018).

18. EQUITY

18.1 Capital

As at December 31, 2018, the Company's authorized and paid-in capital was R$1,095,511, represented by 52,172,123 registered common shares, with no par value (R$1,094,171 represented by 54,035,100 registered common shares, with no par value as at December 31, 2017).

On August 13, 2018, the Board of Directors approved the capital increase in the amount of R$1,658 due to the subscription of 137, new common shares of the 2014 stock option plan.

On December 6, 2018, the Board of Directors approved the cancellation of 2 million shares issued by the Company and held in treasury.

Capital in 2017	1,094,171
(-) Share issuance costs	(318)
Capital increase	1,658
Capital in 2018	1,095,511

18.2 Employee benefits

a) Stock option plan

The Company has a total of five stock option plans for common shares, launched since 2014 that follow the rules set out in the Company's Stock Option Plan.

The granted options entitle their holders (management personnel and employees designated by the executive committee and approved by the Board of Directors) to purchase Company common shares, after vesting periods that range from three to ten years while employed by the Company (essential condition to exercise a stock option), and expire ten years after the grant date.

The fair value of the stock options is set on the grant date and recognized as expenses in profit or loss (as contra entry to equity), during the plan's vesting period, as the services are provided by the employees and management personnel.

The variations in the outstanding stock options in the years ended December 31, 2018 and 2017, which include their related weighted average strike prices, are as follows:

	12/31/2018		12/31/2017	
	Number of stock options	Weighted average strike price for the year (reais)	Number of stock options	Weighted average strike price for the year (reais)
Outstanding options at beginning of year	5,479,451	6.74	5,489,848	6.53
Cancelled stock options	-	-	(162,079)	4.78
Granted stock options	-	-	190,102	12.84
Exercised stock options	(152,853)	9.42	(38,420)	4.78
Outstanding stock options at the end of the year	5,326,598	6.74	5,479,451	6.74

The fair value of the stock options granted from 2014 to 2017 was estimated based on the Black & Scholes pricing model, taking into consideration the following assumptions:

Grant date	Strike price	Weighted average	Expected volatility (%) (*)	Expected stock option life (years)	Risk-free interest rate (%) (**)
08/11/2014	6.63	6.52	31.02%	0.22 years	11.66% to 11.81%
11/12/2014	6.63	6.55	31.30%	0.20 years	12.77% to 12.84%
05/09/2016	6.86	6.83	26.70%	2.01 years	12.67% to 12.77%
04/10/2017	8.13	8.13	24.65%	2.95 years	9.69% to 10.07%
10/02/2017	14.73	14.73	24.84%	-	9.52% to 9.88%
10/02/2017	24.25	24.25	24.84%	-	9.71% to 10.11%

(*) The volatility was determined based on the history of the BM&FBOVESPA Real Estate Index (IMOBX).

(**) Risk-free market interest rate for the stock option period at the grant date.

The Company reviewed the number of stock options granted that will vest in 2018-2023, which generated expenses of R$9,092.

Outstanding stock options			Vested stock options	
Number of stock options	Remaining contractual weighted average life (years)	Weighted average strike price for the year (R$)	Number of stock options	Weighted average strike price for the year (R$)
5,326,598	1.34	6.74	1,026,716	13.16

Total expenses recognized in the year ended December 31, 2018 was R$13,774 (R$2,433 as at December 31, 2017) and are disclosed in note 23.

b) Restricted stock option plan

On August 13, 2018, the Company's Board of Directors, at the Extraordinary General Meeting, approved the Plan and the subsequent grant of 652,500 restricted stock options to the Company's statutory officers, directors and key executives. The Plan has a stock options ceiling that results in a maximum dilution of 5% of the Company's capital.

The plan's objectives are to: i) promote the growth, success and attainment of the corporate guidelines of the Company and the companies under its control; ii) align the interests of beneficiaries to those of the shareholders; and iii) encourage the maintenance of officers and employees at the Company or at the companies under its control.

Restricted shares granted confer upon their holders (officers, directors and employees appointed by the executive board and approved by the Board of Directors) the right to common shares in the Company's capital, after a period from two to three years. For officers and employees, the quantities granted will rely on the goals attained established by the Board of Directors and may range from 0% to 150%.

The fair value of the stock options is set on the grant date and recognized as expenses in profit or loss (as contra entry to equity), during the plan's vesting period, as the services are provided by the employees, directors and management personnel.

	12/31/2018	
	Number of stock options	Weighted average strike price for the year (reais)
Outstanding options at beginning of year	-	-
Cancelled stock options	-	-
Granted stock options	652,500	22.35
Exercised stock options	-	-
Outstanding stock options at the end of the year	652,500	22.35

The fair value of the restricted stock options was estimated based on the Monte Carlo pricing model, which may vary according to the attainment of goals, taking into consideration the following assumptions:

Grant date	Strike price	Weighted average	Expected volatility (%) (*)	Expected stock option life (years)	Risk-free interest rate (%) (**)
08/13/2018	22.35	22.35	29.52%	2-3 years	10.01%

(*) Volatility was determined based on the historical quotation of the Company's shares

(**) Risk-free market interest rate for the stock option period at the grant date.

Outstanding stock options	
Number of stock options	Remaining contractual weighted average life (years)
457,500	3 years
195,000	1 month

Total expenses recognized in the year ended December 31, 2018 was R$4,600 and are disclosed in note 23.

18.3 Treasury shares

On April 5, 2018, the Company's Board of Directors has approved a Share Buyback Program for the Company's Common Shares, to be held in treasury and subsequent disposal and/or cancelation and/or to support the "Company's Stock Option Plan", limited to 5,398,206 of the Company's common shares. Program terminated on August 13, 2018; 4,489,300 shares were acquired.

On November 8, 2018, the Company's Board of Directors has approved a Share Buyback Program for the Company's Common Shares, to be held in treasury and subsequent disposal and/or cancelation and/or to support the "Company's Stock Option Plan", limited to 5,408,832 of the Company's common shares. This program will be effective up to November 8, 2019, and 1,198,900 shares were acquired.

	Number (thousands)	Average cost – R$	Total cost
Balance as at December 31, 2017	-	-	-
Share buyback	5,688	25.00	142,256
Share cancellation (note 18.1)	(2,000)	25.68	(51,367)
Balance as at December 31, 2018	3,688	24.64	90,889

As at December 28, 2018, the fair value of the Company's treasury shares was R$118,354.

18.4. Allocation of profit for the year

Under the Company's bylaws, profit for the year will be allocated as follows: (a) 5% to the legal reserve, until reaching 20% of the paid-in capital or limit set forth in §1, art. 193, of Law 6.404/76; (b) of the balance of the profit for the year, obtained after the deduction referred to in letter "a" of this article and adjusted as prescribed by art. 202, of Law 6.404/76, 25% for payment of the mandatory dividend to all shareholders. See the calculation below:

Calculation	Amounts
2018 profit	200,292
Allocations:	
(-) Absorption of accumulated losses	(38,913)
(-) Legal reserve	(8,069)
Dividend base	153,310
Mandatory minimum dividends - 25%	38,327
(-) Payments in 2018	(24,989)
Balance payable	13,338

18.5 Earnings retention reserve

The balance of this reserve (R$114,983) corresponds to the remaining amount after allocation of annual profit, the allocation is made after decision of the Board of Directors at the Annual General Meeting approving the financial statements for the year.

19. INSURANCE

The Group has insurance against engineering risk, barter guarantee, construction completion guarantees, and civil liability, associated to involuntary bodily harm caused to third parties, and property damages caused to tangible assets, as well as fire, lightening, electrical damage, natural phenomenon, and gas explosion hazards. The insurance coverage purchased is considered sufficient by Management to cover probable losses on its assets and/or liabilities. The table below shows the liabilities covered by insurance and the related amounts as at December 31, 2018:

Insurance line (in effect)	Coverage - R$ thousand
Engineering risks and construction completion guarantee	2,203,376
Civil liability - Directors and Officers (D&O) (*)	50,000

(*) The effective period of the D&O civil liability policy is from February 25, 2019, renewed until February 25, 2020 by the Company.

Insurance line (future periods)	Coverage - R$ thousand
Engineering risks and construction completion guarantee (effective from 01/2019 to 01/2027)	55,546

20. EARNINGS PER SHARE

The table below shows the calculation of basic and diluted earnings per share.

	12/31/2018	12/31/2017
Basic numerator		
Undistributed earnings	200,292	106,686
Undistributed earnings, available to the holders of common shares	200,292	106,686
Basic denominator (in thousands of shares)		
Weighted average number of shares	51,324	54,003
Basic earnings per share in Brazilian reais	3.90250	1.97556
Diluted numerator		
Undistributed earnings	200,292	106,686
Undistributed earnings, available to the holders of common shares	200,292	106,686
Diluted denominator (in thousands of shares)		
Weighted average number of shares	51,324	54,003
Stock options	4,650	3,728
Diluted earnings per share in Brazilian reais	3.57830	1.84798

21. FINANCIAL INSTRUMENTS

The Company and its subsidiaries enter into transactions with financial instruments. These financial instruments are managed through operating strategies and internal control that aim at liquidity, profitability and security. Financial instruments for hedging purposes are contracted based on a periodic analysis of the risk exposure Management intends to mitigate (foreign exchange, interest rate, etc.) which are submitted to the competent Management bodies for approval and subsequent roll out of the presented strategy. The control policy consists of a permanent monitoring of contracted terms and conditions compared to market terms and conditions. The Company and its subsidiaries do not make investments involving derivatives or any other risk assets for speculative purposes. Gains and losses on these transactions are consistent with the policies and strategies designed by the Company's Management. The Company's and its subsidiaries' operations are subject to the following risk factors described below:

(a) <u>Risk considerations</u>

(i) Credit risk

The Company and its subsidiaries restrict their exposure to credit risks related to cash and cash equivalents by making their investments in prime financial institutions and in interest-bearing short-term investments.

With respect to trade receivables, the Company restricts its exposure to credit risks by selling to a broad customer base and continuously analyzing credit. Additionally, there is no material history of losses since there is a collateral on the units sold, represented by real estate unit, which can be repossessed in the case of default during the construction period. As at December 31, 2018 and 2017, there was no material credit risk concentration related to customers.

(ii) Derivatives

As at December 31, 2018, the Company does not conduct transactions involving derivative financial instruments.

(iii) Interest rate risk

Arises from the possibility of the Company and its subsidiaries incurring gains or losses due to fluctuations in the interest rates on their financial assets and financial liabilities. To mitigate this risk, the Company and its subsidiaries try to diversify their borrowings into fixed and floating rates. The interest rates on borrowings and financing are described in notes 12 and 13. The interest rates on short-term investments are described in note 4. Receivables from real estate development are subject to the National Civil Construction Index (INCC) and the General Market Price Index (IGP-M).

(iv) Liquidity risk

The liquidity risk arises from the possibility that the Company and its subsidiaries may not have sufficient funds to meet their obligations due to a mismatch in the settlement terms of their rights and obligations.

To mitigate the liquidity risks and optimize the weighted average cost of capital, the Company and its subsidiaries permanently monitor the debt levels according to the market standards and the compliance with the ratios (covenants) provided for in loan, financing and debenture agreements, to ensure that the cash generation and early funding, when necessary, are sufficient to honor their commitments, and avoid any liquidity risk for the Company and its subsidiaries (notes 12 and 13).

Most of the Company's financing is carried out with Caixa Econômica Federal under real estate pool funding schemes ("crédito associativo"), the "Minha Casa Minha Vida" federal housing program, and transfers at the end of the construction.

The maturities of borrowing, financing, trade payables, and debenture financial instruments are as follows:

	Parent				
Year ended December 31, 2017	Up to1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
Borrowings and financing (note 12)	17,315	17,599	3,084	-	37,998
Debentures (note 13)	-	-	154,002	-	154,002
Trade payables	5,699	-	-	-	5,699
Payables for purchase of properties and advances from customers	4,059	11,007	-	-	15,066
Intragroup borrowings payable (note 7,1)	-	-	-	15,860	15,860
	27,073	28,606	157,086	15,860	228,625

	Parent				
Year ended December 31, 2018	Up to one year	1 to 3 years	4 to 5 years	More than 5 years	Total
Borrowings and financing (note 12)	993	12,125	2,521	-	15,639
Debentures (note 13)	3,344	434,365	-	-	437,709
Trade payables	6,381	-	-	-	6,381
Payables for purchase of properties and advances from customers	8,779	4,415	-	-	13,194
	19,497	450,905	2,521	-	472,923

	Consolidated				
Year ended December 31, 2017	Up to one year	1 to 3 years	4 to 5 years	More than 5 years	Total
Borrowings and financing (note 12)	31,033	69,095	16,035	-	116,163
Debentures (note 13)	-	-	154,002	-	154,002
Trade payables	22,749	-	-	-	22,749
Payables for purchase of properties and advances from customers	86,624	165,846	74,293	-	326,763
Intragroup borrowings payable (note 7,1)	-	-	-	15,860	15,860
	140,406	234,941	244,330	15,860	635,537

	Consolidated				
Year ended December 31, 2018	Up to one year	1 to 3 years	4 to 5 years	More than 5 years	Total
Borrowings and financing (note 12)	6,744	82,590	15,448	-	104,782
Debentures (note 13)	3,344	434,365	-	-	437,709
Trade payables	21,449	-	-	-	21,449
Payables for purchase of properties and advances from customers	211,771	268,479	30,725	6,782	517,757
	243,308	785,434	46,173	6,782	1,081,697

(v) Fair value hierarchy

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

Level 1: prices traded (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices in active markets included within Level 1, that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and

Level 3: inputs for assets or liabilities that are not based on observable market variables (unobservable inputs).

The fair value hierarchy level for the financial instrument assets measured at fair value through profit or loss of the Company, disclosed as at December 31, 2018 and 2017, is as follows:

	Parent			Consolidated		
	Fair value hierarchy					
As at December 31, 2017	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Securities (note 4.2)	-	280,327	-	129,957	328,389	-

	Parent			Consolidated		
	Fair value hierarchy					
As at December 31, 2018	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Financial assets						
Securities (note 4.2)	425,164	172,611	-	549,135	272,137	-

In the year ended December 31, 2018 and 2017, there were no transfers between level 1 and level 2 fair value measurements or between level 3 and level 2 fair value measurements.

(b) Fair value of financial instruments

(i) Fair value measurement

The estimated fair values were determined using observable market inputs and appropriate valuation techniques. However, considerable judgment is required to interpret market inputs and estimate fair value. Thus, the estimates presented herein are not an indication of the amounts that the Company could realize in the current market. The use of different market assumptions and/or estimate methodologies could have a significant impact on the estimated fair values.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which estimating values is practicable:

(a) The amounts of cash and cash equivalents, securities, trade receivables, and other receivables, trade payables, and other current liabilities approximate their fair values, recognized in the financial statements.

(b) The fair value of bank loans and other financial debts is estimated through discounted future cash flows using available benchmark interest rates for similar and remaining debts or terms.

The main carrying amounts and fair values of financial assets and financial liabilities as at December 31, 2018 and 2017, classified in Level 2 of the fair value hierarchy, are as follows:

		Parent			
		12/31/2018		12/31/2017	
	Categories	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents (note 4.1)	Amortized cost	11,674	11,674	19,480	19,480
Securities and restricted short-term investments (note 4.2)		597,775	597,775	280,327	280,327
Bank certificate of deposit	Amortized cost	403	403	-	-
Bank certificate of deposit	Fair value through profit or loss*	16,188	16,188	3,059	3,059
LFT and LTN	Fair value through profit or loss*	425,164	425,164	245,301	245,301
Private securities	Fair value through profit or loss*	115,873	115,873	-	-
Repurchase transactions (exclusive funds)	Fair value through profit or loss*	19,008	19,008	-	-
Repurchase transactions	Amortized cost	34	34	-	-
Repurchase transactions	Fair value through profit or loss*	-	-	7,828	7,828
Restricted short-term investments	Fair value through profit or loss*	21,105	21,105	24,139	24,139
Trade receivables (note 5)	Amortized cost	89,258	89,258	92,276	92,276
Intragroup loans receivable (note 7.1)	Amortized cost	43,812	43,812	43,136	43,136
Financial liabilities					
Borrowings and financing (note 12)	Amortized cost	15,639	15,639	37,998	37,874
Debentures (note 13)	Amortized cost	437,709	441,138	154,002	163,733
Trade payables	Amortized cost	6,381	6,381	5,699	5,699
Payables for purchase of properties and advances from customers	Amortized cost	13,194	13,194	15,066	15,066
Intragroup borrowings payable (note 7,1)	Amortized cost	-	-	15,860	15,860

		Consolidated			
		31/12/2018		31/12/2017	
	Categories	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents (note 4.1)	Amortized cost	34,287	34,287	39,377	39,377
Securities and restricted short-term investments (note 4.2)		821,272	821,272	458,346	458,346
Bank certificate of deposit	Amortized cost	1,149	1,149	-	-
Bank certificate of deposit	Fair value through profit or loss*	20,940	20,940	4,209	4,209
LFT and LTN	Fair value through profit or loss*	549,135	549,135	326,468	326,468
Private securities	Fair value through profit or loss*	115,873	115,873	-	-
Repurchase transactions (exclusive funds)	Fair value through profit or loss*	19,008	19,008	-	-
Repurchase transactions	Amortized cost	34	34	-	-
Repurchase transactions	Fair value through profit or loss*	-	-	7,828	7,828
Restricted short-term investments	Fair value through profit or loss*	113,428	113,428	118,123	118,123
Investment funds	Fair value through profit or loss*	1,705	1,705	1,718	1,718
Trade receivables (note 5)	Amortized cost	475,696	475,696	396,841	396,841
Intragroup loans receivable (note 7.1)	Amortized cost	34,513	34,513	33,837	33,837
Financial liabilities					
Borrowings and financing (note 12)	Amortized cost	104,782	105,348	116,163	115,114
Debentures (note 13)	Amortized cost	437,709	441,138	154,002	163,733
Trade payables	Amortized cost	21,449	21,449	22,749	22,749
Payables for purchase of properties and advances from customers	Amortized cost	517,757	517,757	326,763	326,763
Intragroup borrowings payable (note 7,1)	Amortized cost	-	-	15,860	15,860

* Classification as fair value through profit or loss after initial recognition.

(ii) Debt acceleration risk

As at December 31, 2018, the Company was a party to loan and financing agreements that contained restrictive covenants related to indebtedness ratios. These restrictive covenants have been complied with by the Company and do not limit its ability to continue as going concern (notes 12 and 13).

(c) Capital management

The Company's capital management aims at maintaining the good credit rating from credit rating institutions and an optimum capital ratio sufficient to support the Company's business and maximize shareholder value.

The Company controls its capital structure and adjusts it to current economic conditions. To keep this structure adjusted, the Company can pay dividends, return on capital to shareholders, raise new borrowings and financing, issue debentures, etc.

The Company includes in its net debt structure: borrowings and financing less cash and banks (cash and cash equivalents, securities, and restricted short-term investments).

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Borrowings and financing (note 12)	15,639	37,998	104,782	116,163
Debentures (note 13)	437,709	154,002	437,709	154,002
(-) Cash and cash equivalents and securities (notes 4.1 and 4.2)	(609,449)	(299,807)	(855,559)	(497,723)
Net debt	(156,101)	(107,807)	(313,068)	(227,558)
Equity	1,197,673	1,158,692	1,203,774	1,163,739
Equity and net debt	1,041,572	1,050,885	890,706	936,181

(d) Sensitivity analysis

The sensitivity analysis of financial instruments for the year ended December 31, 2018, describes the risks that may cause material changes in the Company's profit or loss, in compliance with by CVM requirements, set out in Instruction 475/08, in order to show a 10%, 25% and 50% increase / decrease in the risk variable considered.

As at December 31, 2018, the Company has the following financial instruments:

a) Short-term investments, borrowings and financing indexed to the CDI;

b) Borrowings and financing indexed to the Benchmark Rate (TR);

c) Trade and other receivable, borrowings and financing indexed to the National Civil Construction Index (INCC) and the General Market Price Index (IGP-M).

For the sensitivity analysis in the period ended December 31, 2018, the Company considered the interest rates of investments, borrowings and trade receivables, the Certificate of Interbank Deposit (CDI) rate at 6.40%, the Benchmark Rate at 0%, the National Civil Construction Index (INCC) at 3.78%, and the General Market Price Index (IGP-M) at 4.21%.
The scenarios considered were as follows:

Scenario I: Probable: 10% appreciation/depreciation of the risk variables used for pricing

Scenario II: Possible: 25% appreciation/depreciation of the risk variables used for pricing

Scenario III: Remote: 50% appreciation/depreciation of the risk variables used for pricing

As at December 31, 2018:

Transaction	Risk	Consolidated scenario III 50% increase	II 25% increase	I 10% increase	I 10% decrease	II 25% decrease	III 50% decrease
Securities	CDI increase/decrease	25,001	12,500	5,000	(5,000)	(12,500)	(25,001)
Debentures	CDI increase/decrease	(13,330)	(6,665)	(2,666)	2,666	6,665	13,330
Net effect of CDI variance		11,671	5,835	2,334	(2,334)	(5,835)	(11,671)
Receivables from developments	INCC increase/decrease	8,700	4,350	1,740	(1,740)	(4,350)	(8,700)
Bank Credit Note (CCB)	INCC increase/decrease	(27)	(13)	(5)	5	13	27
Net effect of INCC variance		8,673	4,337	1,735	(1,735)	(4,337)	(8,673)
Receivables from developments	IGP-M increase/decrease	4,961	2,480	992	(992)	(2,480)	(4,961)

22. NET REVENUE

	Parent 12/31/2018	Parent 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
Gross revenue				
Property development and sale, barters, and provision for construction services	328,662	273,086	1,746,577	1,420,369
(Recognition) reversal of allowance for doubtful debts (note 5)	(8,364)	4,828	(31,471)	(19,421)
(Recognition) reversal of allowance for contract terminations (note 5)	4,026	32,881	6,562	24,084
Taxes on property sales and services	(11,881)	(32,805)	(40,414)	(67,128)
Net revenue	312,443	277,990	1,681,254	1,357,904

23. COSTS AND EXPENSES BY NATURE

Broken down as follows:

	Parent 12/31/2018	Parent 12/31/2017	Consolidated 12/31/2018	Consolidated 12/31/2017
Real estate development and sale costs				
Construction costs (a)	(167,188)	(93,710)	(795,109)	(600,036)
Land costs	(16,812)	(31,395)	(175,679)	(159,423)
Development costs	(20,333)	(17,914)	(81,632)	(76,643)
Capitalized finance charges (note 12)	(5,501)	(6,720)	(24,679)	(30,140)
Maintenance/warranties	(10,161)	(8,298)	(11,812)	(7,063)
Cost of properties on allowance for contract terminations recognition (note 6)	(4,247)	(24,967)	(6,513)	(15,982)
	(224,242)	(183,004)	(1,095,424)	(889,287)
Selling expenses:				
Product marketing expenses	(7,933)	(8,796)	(49,580)	(52,430)
Realtor and sales commissions	(14,125)	(13,031)	(88,283)	(77,676)
Cost of sales	(9,211)	(8,670)	(57,569)	(51,678)
Onlending costs	(2,485)	(1,657)	(15,533)	(9,878)
Registration costs	(624)	(579)	(3,899)	(3,453)
Realtor fees	(1,805)	(2,125)	(11,282)	(12,667)
Expenses on customer management (CRM)	(339)	(311)	(2,117)	(1,856)
Other selling expenses	(850)	(823)	(5,308)	(4,911)
	(23,247)	(22,961)	(145,288)	(136,873)

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
General and administrative expenses:				
Payroll and related taxes	(11,471)	(8,954)	(54,706)	(44,693)
Employee benefits	(1,040)	(847)	(4,961)	(4,227)
Travel and utilities	(322)	(253)	(1,534)	(1,265)
Expenses on services provided	(2,774)	(3,404)	(13,232)	(16,972)
Rentals and CAM fees	(1,253)	(988)	(5,976)	(4,931)
IT expenses	(101)	(126)	(546)	(630)
Stock option plan costs (note 18.2)	(18,374)	(2,433)	(18,374)	(2,433)
Expenses provision for profit sharing (note 25.2)	(8,619)	(10,947)	(22,196)	(18,452)
Other general and administrative expenses	(487)	(311)	(2,321)	(1,552)
	(44,441)	(28,263)	(123,846)	(95,155)

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Other income (expenses), net:				
Depreciation and amortization	(16,310)	(13,520)	(16,319)	(13,488)
Expenses on payments of contingencies	(51,482)	(32,517)	(51,485)	(33,739)
Provisions / reversals for contingencies (note 17)	(5,876)	(25,575)	(2,443)	(18,055)
Other income/(expenses) (b)	(22,397)	(45,780)	(27,707)	(46,705)
	(96,065)	(117,392)	(97,954)	(111,987)

(a) The third and last phase of the Mirante do Lago legacy project in Belém (PA) was discontinued in the third quarter, which generated an impact of R$18 million on profit or loss. Such effect refers to the costs incurred with legalization, infrastructure and apportionment of the land common areas.

(b) In March 2017 the Company acquired the control of FIT 03, FIT 11 and FIT 34, resulting in a loss of R$11,309, settled through the offset against intragroup loans receivable.

24. FINANCE INCOME (COSTS)

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Finance income				
Income from short-term investments	27,617	10,155	33,200	15,327
Finance income from intragroup loan	-	116	-	132
Other finance income	2,886	6,063	9,683	12,687
Total finance income (net of PIS/COFINS)	30,503	16,334	42,883	28,146
Finance costs				
Interest on borrowings, net of capitalization (note 12)	(24,263)	(8,391)	(24,401)	(8,258)
Finance costs from intragroup borrowings	-	(2,220)	(2,813)	(2,220)
Banking expenses	(1,163)	(1,140)	(5,442)	(4,383)
Other finance costs	(3,698)	(10,968)	(1,721)	(14,142)
	(29,124)	(22,719)	(34,377)	(29,003)
Finance income (costs)	1,379	(6,385)	8,506	(857)

25. TRANSACTIONS WITH MANAGEMENT AND EMPLOYEES

25.1 Compensation of key management personnel

The amounts recognized in line item 'General and administrative expenses' for the years ended December 31, 2018 and 2017 related to the compensation of key management personnel are as follows:

Compensation of key management personnel

Year ended December 31, 2017	Board of Directors	Executive Committee	Total
Number of members	6	10	16
Fixed compensation for the year	1,403	6,944	8,347
Salary/management fees	1,169	5,148	6,317
Direct and indirect benefits	-	766	766
Other (social security)	234	1,030	1,264
Monthly compensation	117	579	696
Variable compensation for the year	-	6,792	6,792
Profit sharing (note 25.2)	-	4,547	4,547
Share-based compensation	-	2,245	2,245
Total compensation for the year (in R$)	1,403	13,736	15,139

Compensation of key management personnel

Year ended December 31, 2018	Board of Directors	Executive Committee	Total
Number of members	7	11	18
Fixed compensation for the year	2,544	8,123	10,667
Salary/management fees	2,120	6,046	8,166
Direct and indirect benefits	-	868	868
Other (social security)	424	1,209	1,633
Monthly compensation	212	677	889
Variable compensation for the year	2,456	17,186	19,642
Profit sharing (note 25.2)	-	5,717	5,717
Share-based compensation	2,456	11,469	13,925
Total compensation for the year (in R$)	5,000	25,309	30,309

The overall compensation of the Company's key management personnel for 2018 was set at R$35,313, as fixed and variable compensation, as approved at the Annual Shareholders' Meeting held on April 26, 2018.

25.2 Profit sharing

In the year ended December 31, 2018, the Company recognized a profit sharing expense amounting to R$8,619 in the Parent (R$R$10,947 in the Parent as at December 31, 2017) and R$22,196 in consolidated (R$18,452 in consolidated as at December 31, 2017).

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Executive Committee	5,717	4,547	5,717	4,547
Other employees	2,902	6,400	16,479	13,905
	8,619	10,947	22,196	18,452

26. SEGMENT REPORTING

The Company's Management analyses its internal managerial reports to make decisions relating to the consolidated financial statements, on the same basis that these statements are disclosed, i.e., a single segment and geography.

Therefore, since Management does not use any information system other than the financial statements as at December 31, 2018 and 2017, no specific disclosure will be presented, as defined in CPC 22.

As for the information on its main customers, since its residential real estate activity is targeted at a single economic segment, the Company does not have any individual customer that represents 10% or more of its total consolidated revenue.

27. REAL ESTATE PROJECTS UNDER CONSTRUCTION – INFORMATION AND COMMITMENTS

In compliance with paragraphs 20 and 21 of ICPC 02 and Circular Letter CVM/SEP 02/2018, the recognized revenue amounts and incurred costs are stated in the statement of profit and loss, and the advances received in the line item 'Payables for purchase of properties and advances from customer'. The Company shows below information on the projects under construction as at December 31, 2018:

27.1 Unrecognized revenue from projects under construction:

		Consolidated
		12/31/2018
(i)	Unrecognized revenue from properties sold	
	(a) Revenue from sales contracted	1,383,134
	(b) Recognized sales revenue, net	880,618
	1i) Unrecognized sales revenue *a)* (a-b)	502,516
(ii)	Revenue from contract termination indemnity	88
(iii)	Unrecognized revenue from agreements not qualifying for revenue recognition (b)	5,068
(iv)	Allowance for contract terminations (Liability)	
	Adjustment to recognized revenues	2,521
	(-) Adjustment to trade receivables	(2,370)
	(-) Revenue from contract termination indemnity	(30)
		121
(v)	Budgeted costs on units sold to be recognized	
	(a) Budgeted cost of units (without finance charges)	812,451
	Incurred cost, net	
	(b) (-) Incurred construction costs	(528,565)
	Finance charges	(11,548)
	(c) Terminations - construction costs	1,470
	Terminations - finance charges	38
		(538,605)
	2i) Budgeted costs to be recognized in profit or loss (without finance charges) (a+b+c)	285,356
	Profit to be recognized (1i-2i)	217,160
(vi)	Budgeted costs to be recognized in inventory	
	(a) - Budgeted costs of units (without finance charges)	408,764
	(-) Incurred cost, net	
	(b) - Incurred construction costs	(146,638)
	Finance charges	(2,327)
		(148,965)
	Budgeted costs to be recognized in inventory (without finance charges) (a+b)	262,126

a) The unrecognized sales revenue is measured at the notional amount of the underlying contracts, plus the contractual adjustments and less contract terminations, not taking into consideration the effects of the taxes levied thereon and the present value adjustment.

b) The unrecognized sales revenue from agreements not eligible to revenue recognition refer to customers which do not have collateral or prospect of fulfilling the amounts of the properties acquired.

27.2 Unrecognized profit from projects under suspensive clause:

		Consolidated
		12/31/2018
(i)	Unrecognized revenue from properties sold	
	Revenue from contracted sales	44,227
	Unrecognized sales revenue	44,227
(ii)	Budgeted costs on units sold to be recognized	
	Budgeted cost of units (without finance charges)	23,070
	Incurred cost, net	
	(b) (-) Incurred construction costs	(5,053)
	Finance charges	(26)
		(5,079)
	Budgeted costs to be recognized in profit or loss (without finance charges)	23,070
(iii)	Advances from customers	599
(iv)	Budgeted costs to be recognized in inventory	
	(a) - Budgeted costs of units (without finance charges)	172,269
	(-) Incurred cost, net	
	(b) Incurred construction costs	(37,200)
	Finance charges	(466)
		(37,666)
	Budgeted costs to be recognized in inventory (without finance charges) (a+b)	135,069

As at December 31, 2018, the percentage of assets consolidated in the interim financial information referring to projects included in the asset segregation structure was 63.41%.

28. NONCASH TRANSACTIONS AND RECONCILIATION OF FINANCING ACTIVITIES

a) Noncash transactions

The main investing and financing transactions that did not involve cash and cash equivalents (Parent and Consolidated), as contra entry to related parties, considered for purposes of preparing the statement of cash flows were as follows:

	Parent		Consolidated	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Acquisition of control (note 9)	-	-	-	(68,888)
Acquisition of equity interests (note 9)	-	11,757	-	-
Capital decrease (note 9)	(26,339)	(623,577)	(26,339)	(12,353)
Payment of capital (note 9)	-	92,895	-	-
Advance for future capital increase (note 9)	(11,425)	(65,671)	(592)	-
Dividends (note 9)	(185,719)	-	-	-

b) Reconciliation of financing activities:

		Parent					
		Cash transactions			Noncash transactions		
	Opening balance 12/31/2016	New	Interest payment (a)	Principal repayment	Interest and inflation adjustment	Offset of related parties / investment/provisions	Closing balance 12/31/2017
Borrowings (notes 12 and 13)	44,906	258,610	(7,324)	(113,103)	8,911	-	192,000
Intragroup loans (note 7.1)	(47,044)	(524)	-	-	(116)	4,548	(43,136)
Intragroup borrowings (note 7.1)	50,599	2,437	-	-	2,220	(39,396)	15,860
Total	48,461	260,523	(7,324)	(113,103)	11,015	(34,848)	164,724

	Parent						
		Cash transactions			Noncash transactions		
	Opening balance 12/31/2017	New	Interest payment (a)	Principal repayment	Interest and inflation adjustment	Offset of related parties / investment/provisions	Closing balance 12/31/2018
Borrowings (notes 12 and 13)	192,000	322,894	(1,845)	(84,555)	24,854	-	453,348
Intragroup loans (note 7.1)	(43,136)	(676)	-	-	-	-	(43,812)
Intragroup borrowings (note 7.1)	15,860	-	-	-	-	(15,860)	-
Dividends (note 18.4)	-	-	-	(24,989)	-	38,327	13,338
Total	164,724	322,218	(1,845)	(109,555)	24,854	22,478	422,874

	Consolidated						
		Cash transactions			Noncash transactions		
	Opening balance 12/31/2016	New	Interest payment (a)	Principal repayment	Interest and inflation adjustment	Offset of related parties / investment/provisions	Closing balance 12/31/2017
Borrowings (notes 12 and 13)	134,994	549,630	(14,177)	(417,054)	16,772	-	270,165
Intragroup loans (note 7.1)	(37,745)	(508)	-	-	(132)	4,548	(33,837)
Intragroup borrowings (note 7.1)	50,599	2,437	-	-	2,220	(39,396)	15,860
Total	147,848	551,559	(14,177)	(417,054)	18,860	(34,848)	252,188

	Consolidated						
		Cash transactions			Noncash transactions		
	Opening balance 12/31/2017	New	Interest payment (a)	Principal repayment	Interest and inflation adjustment	Offset of related parties / investment/provisions	Closing balance 12/31/2018
Borrowings (notes 12 and 13)	270,165	676,135	(8,838)	(426,953)	31,982	-	542,491
Intragroup loans (note 7.1)	(33,837)	(676)	-	-	-	-	(34,513)
Intragroup borrowings (note 7.1)	15,860	-	-	-	-	(15,860)	-
Dividends (note 18.4)	-	-	-	(24,989)	-	38,327	13,338
Total	252,188	675,459	(8,838)	(451,953)	31,982	22,478	521,316

(a) Interest paid and received is classified as financing activities because this classification is aligned with the Company's business model.