Financial Statements 2019

TENDA

Ilustração artística

Contents

MANAGEMENT REPORT 2019

MESSAGE FROM THE MANAGEMENT

Even in a challenging year for the low-income housing segment, **Tenda took another important leap in growth in 2019, maintaining increasing financial returns** and consolidating itself as the main company exclusively focused on projects aimed at the brackets 1.5 and 2 of the Minha Casa, Minha Vida ("MCMV") program.

Three main challenges were imposed throughout 2019. First, customers noticed tighter access to credit at financial institutions that operate the MCMV program. Second, the Federal Government's decision to impose contingency for the Union's Budget led to increased periods without transfer in 2019 compared to previous years. Finally, the resumption of civil construction in 2019 has put pressure on construction costs throughout the year.

Despite all this, Tenda was able to keep growing. 17,894 housing units were launched in 2019, up 31.2% YoY, equivalent to a PSV of R$ 2.58 billion (+34.6% YoY). **This impressive increase in launches was accompanied by a strong pace of sales**, expressed in a quarterly VSO of 28% (well above peers) even in a more restrictive credit year for customers.

Sophisticated management and digital transformation enabled Tenda to reach the center of the guidance provided for two key operational indicators even in adverse circumstances:

- Net sales totaled R$ 2.04 billion in 2019 with an important push from three digital initiatives (targeting potential customers, current customers and salesforce), that allowed Tenda to accelerate the pace of sales in the second half, in a year that was also impacted by the end of the traditional Feirão da Caixa, that used to be a key lever of sales.
- Adjusted gross margin of 35.0% was achieved with the benefit of an improved performance in collections, an activity that was reformulated at Tenda with innovations that included investments in more robust systems, adjustments in the incentives of our collection partners, among others

As a result, Tenda delivered **net income of R$ 263.5 million, up 31.6% YoY**, ending 2019 with 20.7% ROE (+3.7 p.p. YoY), 28.3% ROIC (+4.5 p.p. YoY) and net income of R$ 2.71 per share (ex-Treasury), up 36.3% YoY. Despite the normalization of the mortgage transfer process by the end of September, Tenda recorded cash consumption of R$ 16.1 million in 4Q19, ending the year with cash generation of R$ 7.2 million. The main reasons for the cash consumption within the quarter were the remaining backlog of mortgages to be transferred since the 3Q19 and Tenda's strategic action to avoid price adjustments in 2020, accelerating activities in some of its construction sites in 4Q19. Those mortgages to be transferred could also increase the level of cancellations in the beginning of 2020.

Tenda reiterates its option for a conservative financial management. The Company maintains a net cash position (R$ 200.0 million at the end of 2019), resulting in a net debt-to-equity ratio of -14.7%. This strategic decision is validated by the recurrence of events that negatively impact cash generation, such as delays in mortgage transfers within the MCMV program. In addition, with ambitious long-term objectives, the net cash position is even more important for Tenda.

Tenda's main value-generating levers were presented to the market close to the end of 2019:

- First, to **achieve the full growth potential of the current business model**, based on construction with aluminum molds in metropolitan regions, maintaining the growth pace at one new metropolitan region per year, introducing projects with taller buildings with elevator outside São Paulo, reaching leading position in all markets
- Second, to **enable a business model based on offsite construction**, leading the industrialization of civil construction in the country. The first steps have already started to be taken in 2020, with the formation of a team dedicated to the project and with the opening of a warehouse where the first offsite pilots will be conducted
- Third, to **face digital transformation as a business imperative**. In 2019, it was already possible to notice significant progress in the customer journey, but this is just beginning

Tenda will continue to pursue value generation for its shareholders, maintaining its commitment to financial responsibility and reaffirming its focus on operations in the low-income housing segment, that combines an important demand with a lack of supply in Brazil.

OFFSITE CONSTRUCTION

During its Investor Day on December 10, 2019, Tenda announced its intention to build housing units in factories, outside the construction sites ("offsite construction"). The Company will focus on developing a business model to address demand for affordable housing in small and mid-size cities. The current business model is focused on building onsite using aluminum molds as a way to ensure greater cost competitiveness, but it makes sense only in key metro areas.

To make the offsite business model feasible and to lead the industrialization of construction in Brazil, Tenda must invest in the validation of concepts (products and construction technologies) throughout 2020 and 2021. Finding viable alternatives, it expects to start the scale-up of the proven models from 2022 on.

FIRST STEPS

**Dedicated team,
acting as a startup**

**Warehouse to initiate activities
to validate *offsite* concepts**

In early 2020, Tenda dedicated a team to work on the validation of offsite construction concepts. With an exclusive workspace in São Paulo, the team that was dedicated to this challenge can work as a startup while remaining close to the Company's corporate headquarters. In addition, Tenda also has a warehouse where products and construction technologies will be tested to validate the new business model.

DIGITAL TRANSFORMATION

Improving the customer journey is one of Tenda's strategic focus. In 2019, three digital transformation initiatives improved the experience of customers who have already bought or are about to buy their Tenda

- **New app for those who want to buy,** allows them to simulate the purchase and schedule a visit
- **New app for those who have already purchased,** allows them to track the progress of their new home
- **New system for salespeople,** increases sales capillarity and simplifies the purchase process

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 nine 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 increasing profits, sustaining its vision of offering to investors the highest returns in the low-income segment.

BUSINESS MODEL

Tenda's business model is based on an industrial approach to civil construction, anchored in three pillars: standard products, agents coordination and production continuity.

- The focus on affordable housing has allowed Tenda to develop standardized products, which allows the Company to pursue scale gains and continuous improvement. The Company has a single SKU for no-elevator buildings;
- Tenda operates exclusively in Brazilian metropolitan areas, where the annual formation of families ensures a constant demand and allows the Company to build efficiently, using aluminum molds (which ensure greater control over the project development) and internal workforce (almost all the building activities employ internal worforce);
- Breaking paradigms in civil construction, Tenda operates with production lines, bringing concepts from production engineering to civil engineering

Continuous improvement that comes from the industrial approach results in lower construction costs, which makes it possible to offer more accessible products when compared to peers. With lower prices, Tenda guarantees a higher speed of sales, which brings a gain of scale that feeds back the benefits of the industrial approach and allows growth and value generation.

MARKETS

Tenda is focused on affordable housing, with projects within MCMV brackets 1.5 and 2. Brazil has a huge potential market, of around 1 million homes per year for families with a monthly income of up to R$ 4,000, but only a fraction of this is currently met by MCMV. In 2019, according to FGTS data, less than 300,000 new homes were launched with access to MCMV brackets 1.5 and 2 funding.

PRODUCTS

Tenda has designed a typical 2-bedroom apartment with approximately 40 sq mts, with private bathroom and a kitchen integrated to the living room. In 2013, when the first projects under the Company's current business model were launched, Tenda focused only on projects of up to 5 floors (with no elevators). In 2016, Tenda started developing more verticalized projects, with the launch of the first projects with up to 11 floors (and one elevator), a solution that is currently adopted in São Paulo and Salvador metro areas. In 2019, projects with more than 12 floors (and at least 2 elevators) were launched in São Paulo. Projects with higher towers provide access to more centralized land in some metropolitan regions, which allows Tenda to access a wider spectrum of families within the MCMV's 1.5 and 2 brackets, thus expanding its addressable market.

MARKET SCENARIO

REAL ESTATE SEGMENT

According to data from companies associated to Abrainc (Associação Brasileira das Incorporadoras Imobiliárias), the number of new units launched in 2019 was 10.7% higher than the previous year, based on accumulated data from January to November. However, there was a 1.1% decrease in the total units sold in the same period. MCMV units account for 78.8% of launches and 69.8% of sales between December 2018 and November 2019.

MINHA CASA, MINHA VIDA (MCMV)

The Program was created by the Federal Government in April 2009 with the aim of reducing the housing deficit through financing and subsidies for the construction of new homes. It consists of three main modalities:

- Bracket 1 serves families with a monthly income of up to R$ 1,800 and housing units are contracted by the government. In this bracket, families pay a symbolic amount for the unit (they receive subsidies of up to 90% of the unit price). Bracket 1 is 100% subsidized by the Federal Budget. Tenda does not operate in bracket 1 of the MCMV, in which there is an important decline in the number of new housing units being produced annually
- Brackets 1.5 and 2 serve families with a monthly income of up to R$ 4,000. In the 1.5 bracket, the income limit is R$ 2,600, with a maximum subsidy of R$ 47,500 and an interest rate of 5.0% per year. In bracket 2, the income limit is R$ 4,000, with a maximum allowance of R$ 29,000 and an interest rate between 5.5% and 7.0% per year. Currently, 90% of the subsidies granted to beneficiaries of brackets 1.5 and 2 of the MCMV come from FGTS (the remaining 10% come from the General Budget of the Union - OGU). FGTS is also the funding for financing in this segment.
- Bracket 3 serves families with a monthly income of up to R$ 9,000. It is a market solution, with financing offered by private banks.

According to FGTS data, subsidies were granted for aproximately 287,000 housing new homes (which accounts for the size of MCMV Brackets 1.5 and 2 within the year, down 13% YoY). Throughout 2019, MCMV beneficiaries also noticed a greater restriction on access to credit for the financing of housing units with the financial institution. Despite this, Tenda reaffirms its commitment to popular housing, a segment that allows Tenda to develop its competitive edge in the construction sector.

FGTS

Most of the MCMV brackets 1.5 and 2 funding comes from FGTS, that granted R$ 7.8 billion in subsidies in 2019, down 15.4% YoY (R$ 9.2 billion). According to the FGTS budget for 2020, presented in February, the Fund should grant up to R$ 9.0 billion in subsidies throughout the year. Managed and administered by a Board of Trustees composed of entities representing workers, employers and representatives of the Federal Government, FGTS supports affordable housing in Brazil, but was also used by the Federal Government in 2017 and 2019 as a way of heating the economy.

OPERATIONAL PERFORMANCE

LAUNCHES

The PSV launched in 2019 reached R$ 2.58 billion, up 34.6% YoY. In 2019, Tenda launched in São Paulo metro area the first projects with buildings with more than 10 floors (2 ou more elevators). Therefore, São Paulo grew 51.8% YoY in 2019, which is 35.7% of the Company's PSV launched in 2019 (versus 31.7% in 2018). The Rio de Janeiro metro area grew 46.3% YoY in 2019 and reached 24.0% of the total PSV launched in the year. The Salvador metro area, which represents 15.7% of the PSV launched by Tenda in 2019, was the first region outside São Paulo where Tenda launched projects with elevator (3 projects in 2019).

Launches	2019	2018	YoY (%)
Number of projects launched	63	49	28.6% ↑
PSV (R$ million)	**2,575.1**	**1,912.7**	**34.6% ↑**
Number of units launched	17,894	13,636	31.2% ↑
Average price per unit (R$ thousand)	143.9	140.3	2.6% ↑
Average size of projects launched (in units)	284	278	2.1% ↑

SALES

In 2019, gross sales totaled R$ 2.24 billion, 9.4% higher YoY. In the year, while the number of units sold was 10.2% higher YoY, the average price per unit dropped 0.7% YoY. The increase in São Paulo's participation in the gross sales mix (from 28.6% in 2018 to 35.4% in 2019) mitigated the impact of the average price per unit reduction by region, even in a more restrictive scenario for the MCMV program in the year.

In 2019, the Net pre-sales totaled R$ 2.04 billion, near to the midpoint of the guidance for the year. The quarterly Net SoS reached 28.1% in 2019, down 2.6 p.p. YoY. Lower SoS reflects a more restrictive environment for customer credit approval at financial institutions and a lower participation in the bracket 1.5 of the MCMV program (26.3% of net sales in 2019 versus 55.9% of net sales in 2018).

(PSV, R$ million)	2019	2018	YoY (%)
Gross Sales	**2,239.4**	**2,047.2**	**9.4% ↑**
Cancellations	**199.8**	**192.4**	**3.9% ↑**
Net Pre-Sales	**2,039.6**	**1,854.8**	**10.0% ↑**
% Launches[1]	51.5%	46.2%	5.3 p.p. ↑
% Inventory	48.5%	53.8%	(5.3 p.p.) ↓
Cancellations / Gross Sales	**8.9%**	**9.4%**	**(0.5 p.p.) ↓**
Net SoS	**56.3%**	**61.8%**	**(5.5 p.p.) ↓**

1. Lançamentos do ano corrente.

UNITS TRANSFERRED, DELIVERED AND CONSTRUCTION SITES

PSV transferred totaled R$1.65 billion in 2019. We ended 2018 with 10,244 units delivered, up 5.5% year-on-year. Tenda ended 2019 with 67 projects in progress, +52.3% YoY (44 sites), higher than the +28.6% YoY increase in the number of launches.

Transfers, Deliveries and Construction Sites	2019	2018	YoY (%)
PSV Transferred (in R$ million)	**1,641.1**	**1,648.3**	**(0.4%) ↓**
Transferred Units	13,951	13,204	5.7% ↑
Delivered Units	**10,368**	**10,244**	**1.2% ↑**
Construction Sites	**67**	**44**	**52.3% ↑**

INVENTORY AT MARKET VALUE

Tenda ended 4Q19 with R$1.58 billion in inventory at market value, 14.5% higher QoQ and 38.2 YoY. Finished inventory units ended 4Q19 with a 37.1% YoY decrease, totaling R$45.4 million (2.9% of the total inventory, 1.6 p.p. less than 3Q19).

Inventory at Market Value	2019	2018	YoY (%)
PSV (R$ million)	**1,581.6**	**1,144.5**	**38.2% ↑**
Number of Units	10,963	8,000.0	37.0% ↑
Average price per unit (R$ thousand)	144.3	143.1	0.8% ↑

Status of Construction	4Q19	0% to 30% built	30% to 70% built	More than 70% built	Finished units
PSV (R$ million)	**1,581.6**	**822.3**	**636.7**	**77.2**	**45.4**

LANDBANK

In the end of 2019, landbank reached PSV of R$ 10.62 billion, 19.4% higher YoY. In a strong year in launches, the landbank growth ensure stability for the Company's landbank policy (to keep landbank equivalent to 3 years of launches in each metro area).

Landbank[1]	2019	2018	A/A (%)
Number of Projects	292	253	15.4% ↑
PSV (in R$ million)	10.619,4	8.893,6	19.4% ↑
Acquisitions / Adjustments (in R$ million)	4.300,9	4.111,2	4.6% ↑
Number of Units	72.159	60.124	20.0% ↑
Average price per unit (in R$ thousands)	147,2	147,9	(0.5%) ↓
% Swap Total	34,6%	24,2%	10.4 p.p. ↑
% Swap Units	8,4%	11,1%	(2.7 p.p.) ↓
% Swap Financial	26,2%	13,0%	13.2 p.p. ↑

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

FINANCIAL RESULTS

NET REVENUE, GROSS PROFIT AND GROSS MARGIN

In 2019, net operating revenue reached R4 1.95 billion, up 16% YoY. The adjusted gross profit reached R$ 681.7 million, up 11.7% YoY, resulting in a 35.0% adjusted gross margin, in the midpoint of the guidance provided by the Company for 2019 (between 34.0% and 36.0%).

(R$ million)	2019	2018	YoY (%)
Net Revenue	1,950.1	1,681.3	16.0% ↑
Gross Profit	**648.1**	**585.8**	**10.6% ↑**
Gross Margin	33.2%	34.8%	(1.6 p.p.) ↓
(-) Financial Costs	33.6	24.7	36.2% ↑
Adjusted Gross Profit[1]	**681.7**	**610.5**	**11.7% ↑**
Adjusted Gross Margin	35.0%	36.3%	(1.4 p.p.) ↓

1. Adjusted by capitalized interest rates.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

In the year, selling expenses totaled R$ 162.5 million, 11.9% higher than in the previous year, representing 7.3% of gross sales in the year, an increase of 0.2 p.p. YoY, due to additional sales efforts given the more restrictive credit scenario and the reduction of the 1.5 bracket in Tenda's sales mix (26.3% of net sales in 2019 versus 55.9% of net sales in 2018). G&A corresponded to 6.0% of net operating revenue in 2019 down 1.4% p.p. YoY.

(R$ million)	2019	2018	YoY (%)
Selling Expenses	(162.5)	(145.3)	11.9% ↑
General & Admin Expenses	(117.1)	(123.8)	(5.4%) ↓
Total SG&A Expenses	**(279.6)**	**(269.1)**	**3.9% ↑**
Selling Expenses / Gross Sales	**7.3%**	**7.1%**	**0.2 p.p. ↑**
G&A Expenses / Net Operating Revenue	**6.0%**	**7.4%**	**(1.4 p.p.) ↓**

OTHER OPERATIONAL REVENUES (EXPENSES)

Other operating revenues and expenses totaled R$ 60.5 million in expenses in 2019, down 25.8% YoY.

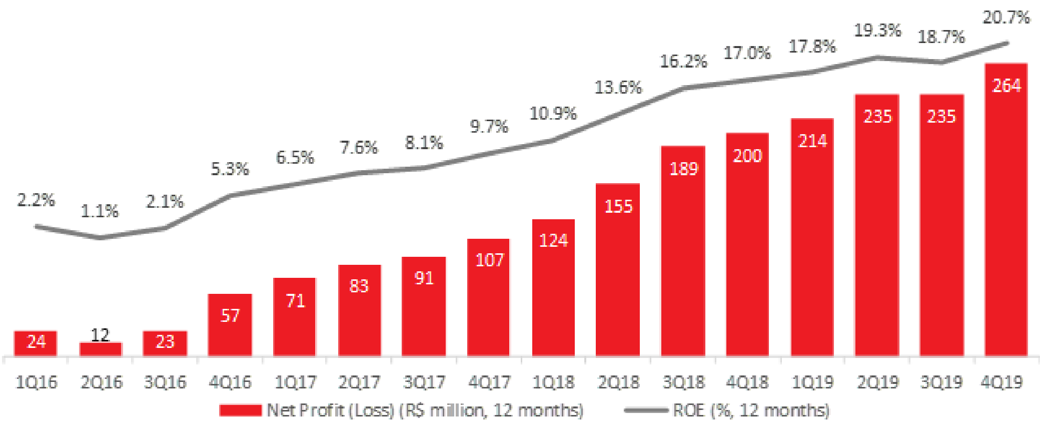
(R$ million)	2019	2018	YoY (%)
Other Operating Revenues and Expenses	**(60.5)**	**(81.5)**	**(25.8%) ↓**
Litigation Expenses	(39.8)	(53.9)	(26.2%) ↓
Others	(20.7)	(27.6)	(24.9%) ↓
Equity Income	**3.2**	**0.6**	**(424.1%) ↓**

NET INCOME

In 2019, the net income totaled R$ 263.5 million, up 31.6% YoY, due to the combination of 10.6% YoY growth in gross profit and the 25.8% YoY decrease in operating expenses. Earnings per share ex-Treasury in 2019 totaled R$ 2.80, up 15.4% YoY.

(R$ million)	2019	2018	YoY (%)
Net Income after Income Tax and Social Contribution	264.4	201.3	31.3% ↑
(-) Minority shareholders	(0.9)	(1.1)	17.6% ↑
Net Income	**263.5**	**200.3**	**31.6% ↑**
Net Margin	13.5%	11.9%	1.6 p.p. ↑

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



CASH AND CASH EQUIVALENTS, AND FINANCIAL INVESTMENTS

(R$ million)	December 19	September 19	QoQ (%)	December 18	YoY (%)
Cash & Cash Equivalents	48.4	58.9	(17.9%) ↓	34.3	41.0% ↑
Short-term Investments	1,022.1	917.4	11.4% ↑	821.3	24.5% ↑
Total Cash Position	**1,070.5**	**976.3**	**9.6% ↑**	**855.6**	**25.1% ↑**

INDEBTEDNESS

The Company ended 2019 with a gross debt of R$ 870.4 million, duration of 28.1 months and weighted average cost of debt of 5.9% per year. 93.1% of the Company's gross debt is indexed at CDI.

Debt Maturity Schedule (R$ million)	4Q19	Project Finance (SFH)	Corporate Debt
2020	12.6	8.5	5.6
2021	429.9	23.5	404.8
2022	122.7	22.7	100.0
2023	180.3	5.3	175.0
2024 onwards	125.0	0.0	125.0
Total Debt	**870.4**	**60.0**	**810.4**

NET DEBT

Tenda has a negative net debt to shareholders' equity ratio of 14.7%, thus being one of the most deleveraged companies in its sector.

(R$ million)	December 19	December 18	YoY (%)
Gross Debt	**870.4**	**542.5**	**60.5% ↑**
(-) Cash and cash equivalents and financial investments	(1,070.5)	(855.6)	25.1% ↑
Net Debt	**(200.0)**	**(313.1)**	**36.1% ↑**
Shareholders' Equity + Minority Shareholders	1,351.7	1,203.8	12.3% ↑
Net Debt/ (Shareholders' Equity + Minority Shareholders)	(14.8%)	(26.0%)	11.2 p.p. ↑
Adjusted EBITDA (Last 12 months)	359.8	282.7	27.3% ↑

CASH GENERATION AND CAPITAL DISTRIBUTION

In 2019, Tenda totaled cash generation of R$ 7.2 million in the year. In the year, Tenda distributed R$ 120.2 million to shareholders, equivalent to a payout of 45.6%.

(R$ million)	2019	2018	YoY (%)
Stock buyback	62.5	73.2	(14.7%) ↓
Dividends paid	57.8	0.0	0.0% ↑
Capital Distribution	**120.2**	**73.2**	64.1% ↑

(R$ million)	2019	2018	YoY (%)
Change in Available Cash	214.9	357.8	(39.9%) ↓
(-) Change in Gross Debt	327.9	272.3	20.4% ↑
(-) Capital Distribution	120.2	167.2	(28.1%) ↓
Cash Generation[1]	**7.2**	**252.8**	(97.2%) ↓
Operational Cash Generation[2]	21.6	264.6	(91.8%) ↓

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 and Dividends Paid
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.

CORPORATIVE GOVERNANCE

True Corporation with a 93% free float, Tenda aims for a position of excellence in Corporate Governance. Throughout 2019, the Company formalized policies recommended by the Brazilian Code of Governance, such as the Policy for the Appointment of Board Members, the Remuneration of Board Members and the Evaluation of Board Members (which, according to KPMG, is only adopted 37% of Novo Mercado companies).

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.

Our Board of Directors must have a minimum of five and a maximum of seven members. 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 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.

(In thousands of Brazilian reais - R$)

	Notes	Parent		Consolidated	
ASSETS		12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT ASSETS					
Cash and cash equivalents	4,1	36,730	11,674	48,353	34,287
Securities	4,2	770,680	597,775	1,022,099	821,272
Receivables from developments and services provided	5	68,619	61,574	406,599	317,515
Properties for sale	6	70,818	90,188	955,589	570,773
Due from related parties	7,1	39,529	3,081	3,051	7,797
Escrow deposits	17,2	10,932	10,705	11,304	10,987
Other receivables		22,808	13,445	59,371	25,229
Total current assets		1,020,116	788,442	2,506,366	1,787,860
NONCURRENT ASSETS					
Receivables from developments and services provided	5	38,535	27,683	218,543	158,181
Properties for sale	6	44,208	52,808	536,975	515,993
Due from related parties	7,1	46,720	43,812	37,421	34,513
Escrow deposits	17,2	33,562	19,519	34,704	20,032
Investments in equity interests	8	1,110,713	964,356	42,592	39,376
Property and equipment	9	68,046	37,181	79,434	39,018
Intangible assets	10	22,450	26,066	22,450	26,066
Total noncurrent assets		1,364,234	1,171,425	972,119	833,179
TOTAL ASSETS		2,384,350	1,959,867	3,478,485	2,621,039

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

(In thousands of Brazilian reais - R$)

	Notes	Parent		Consolidated	
LIABILITIES AND EQUITY		12/31/2019	12/31/2018	12/31/2019	12/31/2018
CURRENT LIABILITIES					
Borrowings and financing	11	1,641	993	8,517	6,744
Debentures	12	5,598	3,344	5,598	3,344
Lease – right of use	13	2,981	-	2,981	-
Payables for materials and services	-	6,202	6,381	38,926	21,449
Taxes and contributions	-	10,647	11,559	30,048	26,951
Payroll, related taxes and profit sharing	14	11,434	12,180	49,265	45,024
Payables for purchase of properties and advances from customers	15	5,311	10,641	340,862	258,240
Provisions and contract terminations payable	-	4,253	4,730	8,294	8,476
Due to related parties	7,1	48,570	156,342	23,681	21,801
Allowance for loss on investments	8	11,426	11,448	5,705	5,728
Dividends payable	18,4	18,175	13,338	18,175	13,338
Other payables	-	5,553	6,497	15,023	9,706
Provision for contingencies	17,1	30,086	30,100	31,896	32,782
Total current liabilities		161,877	267,553	578,971	453,583
NONCURRENT LIABILITIES					
Borrowings and financing	11	8,383	14,646	51,499	98,038
Debentures	12	804,822	434,365	804,822	434,365
Lease – right of use	13	17,698	-	17,698	-
Payables for purchase of properties and advances from customers	15	1,734	4,415	602,386	361,302
Provision for contingencies	17,1	27,057	30,016	28,685	32,690
Deferred taxes	16	399	-	11,794	7,833
Other payables	-	11,759	11,199	30,921	29,454
Total noncurrent liabilities		871,852	494,641	1,547,805	963,682
EQUITY					
Capital	18,1	1,095,511	1,095,511	1,095,511	1,095,511
Capital and stock option reserve	18,2	33,531	69,999	33,531	69,999
Earnings reserve	-	324,004	123,052	324,004	123,052
Treasury shares	18,3	(102,425)	(90,889)	(102,425)	(90,889)
Equity attributable to the Company's owners		1,350,621	1,197,673	1,350,621	1,197,673
Noncontrolling interests			-	1,088	6,101
Total equity		1,350,621	1,197,673	1,351,709	1,203,774
TOTAL LIABILITIES AND EQUITY		2,384,350	1,959,867	3,478,485	2,621,039

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

(In thousands of Brazilian reais - R$, except earnings per share)

	Notes	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
NET REVENUE	22	229,199	312,443	1,950,098	1,681,254
COSTS	23	(187,331)	(224,242)	(1,302,023)	(1,095,424)
GROSS PROFIT		41,868	88,201	648,075	585,830
(EXPENSES) INCOME					
Selling expenses	23	(18,138)	(23,247)	(162,525)	(145,288)
General and administrative expenses	23	(31,371)	(44,441)	(117,117)	(123,846)
Share of profit (loss) of investees	8	348,009	274,465	3,239	618
Other income (expenses) - net	23	(76,479)	(96,065)	(80,941)	(97,954)
PROFIT BEFORE FINANCE INCOME (COSTS)		263,889	198,913	290,731	219,360
FINANCE INCOME (COSTS)		386	1,379	8,802	8,506
Finance income	24	46,744	30,503	61,241	42,883
Finance costs	24	(46,358)	(29,124)	(52,439)	(34,377)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		264,275	200,292	299,533	227,866
INCOME TAX AND SOCIAL CONTRIBUTION		(731)	-	(35,120)	(26,520)
Current income tax and social contribution	16	(332)	-	(31,265)	(24,641)
Deferred income tax and social contribution	16	(399)	-	(3,855)	(1,879)
PROFIT FOR THE YEAR		263,544	200,292	264,413	201,346
PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
Owners of the Company		263,544	200,292	263,544	200,292
Noncontrolling interests		-	-	869	1,054
EARNINGS PER SHARE ATTRIBUTABLE TO COMPANY OWNERS					
Basic earnings per thousand shares – in reais	20	2.7278	1.9513	2.7278	1.9513
Diluted earnings per thousand shares – in reais	20	2.5098	1.7892	2.5098	1.7892

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

(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
PROFIT FOR THE YEAR	263,544	200,292	264,413	201,346
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	263,544	200,292	264,413	201,346
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:				
Owners of the Company	263,544	200,292	263,544	200,292
Noncontrolling interests	-	-	869	1,054
	263,544	200,292	264,413	201,346

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

(In thousands of Brazilian reais - R$)

		Attributable to owners of the Company							
	Notes	Capital	Capital reserve	Treasury shares	Earnings reserve	Retained earnings (accumulated losses)	Total Parent	Noncontrolling interests	Total equity
BALANCES 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)	-	-	-	-	-	-
Capital reserve		-	1,216	-	-	-	1,216	-	1,216
Share issuance costs		(318)	-	-	-	-	(318)	-	(318)
Recognized stock options granted		-	18,374	-	-	-	18,374	-	18,374
Treasury shares		-	-	(142,256)	-	-	(142,256)	-	(142,256)
Share cancelation		-	(51,367)	51,367	-	-	-	-	-
Profit for the year		-	-	-	-	200,292	200,292	1,054	201,346
Allocation of profit		-	-	-	-	-	-	-	-
Recognition of legal reserve		-	-	-	8,069	(8,069)	-	-	-
Minimum mandatory dividends		-	-	-	-	(38,327)	(38,327)	-	(38,327)
Earnings retention		-	-	-	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
Capital decrease		-	-	-	-	-	-	(5,882)	(5,882)
Increase of capital reserve		-	5,538	-	-	-	5,538	-	5,538
Recognized stock options granted	18,2	-	8,656	-	-	-	8,656	-	8,656
Share buyback	18,3	-	-	(62,198)	-	-	(62,198)	-	(62,198)
Stock option exercise	18,3	-	(50,662)	50,662	-	-	-	-	-
Profit for the year		-	-	-	-	263,544	263,544	869	264,413
Allocation of profit		-	-	-	-	-	-	-	-
Recognition of legal reserve	18,4	-	-	-	13,177	(13,177)	-	-	-
Minimum mandatory dividends	18,4	-	-	-	-	(62,592)	(62,592)	-	(62,592)
Earnings retention		-	-	-	187,775	(187,775)	-	-	-
BALANCES AS AT DECEMBER 31, 2019		1,095,511	33,531	(102,425)	324,004	-	1,350,621	1,088	1,351,709

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

(In thousands of Brazilian reais - R$)

	Notes	Parent		Consolidated	
		12/31/2019	12/31/2018	12/31/2019	12/31/2018
CASH FLOW FROM OPERATING ACTIVITIES					
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		264,275	200,292	299,533	227,866
Adjustments for:					
Depreciation and amortization	9 and 10	30,471	23,977	31,650	24,130
Estimated allowance for (reversal of) doubtful debts and contract terminations (net of termination costs)	5 and 6	(11,265)	12,748	11,344	40,015
Present value adjustment	5	(982)	(1,011)	(2,592)	(896)
Allowance for impairment of nonfinancial assets	6 and 8	(2,705)	(9,007)	(5,985)	(6,192)
Share of profit (loss) of investees	8	(348,009)	(274,465)	(3,239)	(618)
Provision for contingencies and commitments	17	(2,973)	5,876	(4,891)	2,433
Unrealized interest and finance charges, net		10,049	2,799	16,808	5,381
Provision for warranties		1,122	611	6,456	2,262
Accrued profit sharing	23	6,272	8,619	15,003	22,196
Stock option costs	18,2	8,656	18,374	8,656	18,374
Disposal of property and equipment and intangible assets, net	9 and 10	-	99	-	99
Other provisions		(1,480)	1,285	(1,638)	1,662
Deferred taxes (PIS and COFINS)		(725)	(4,316)	750	4,284
Decrease (increase) in operating assets					
Receivables from developments and services provided		(4,832)	(4,471)	(165,187)	(111,461)
Properties and land for sale		30,142	63,886	(422,441)	(122,755)
Other receivables		(24,783)	7,308	(49,131)	6,067
Increase (decrease) in operating liabilities					
Payables for materials and services		(179)	682	17,477	(1,300)
Taxes and contributions		(401)	(101)	2,193	11,820
Payroll, related taxes and profit sharing		(7,018)	(6,371)	(10,762)	(14,167)
Payables for purchase of properties and advances from customers		(8,296)	(3,127)	353,323	209,442
Other payables		(510)	5,456	1,015	(2,829)
Related-party transactions		62,325	192,510	744	3,480
Dividends received		1,150	-	-	-
Income tax and social contribution paid		(149)	-	(30,276)	(35,852)
Net cash provided by operating activities		155	241,653	68,810	283,441
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital increase in investees		(4,915)	-	-	-
Purchase of tangible and intangible assets	9 and 10	(34,101)	(23,855)	(44,829)	(25,845)
Investments in/redemption of securities		(140,633)	(295,393)	(164,327)	(336,325)
Total net cash used in investing activities		(179,649)	(319,248)	(209,156)	(362,170)
CASH FLOWS FROM FINANCING ACTIVITIES					
Share buyback		(62,198)	(142,256)	(62,198)	(142,256)
Increase of capital reserve		5,538	1,216	5,538	1,216
Payment of lease – right of use		(3,779)	-	(3,779)	-
Dividends paid		(57,755)	(24,989)	(57,755)	(24,989)
Borrowings, financing and debentures		377,107	322,894	693,499	676,135
Repayment of borrowings, financing and debentures - principal		(33,214)	(84,555)	(391,769)	(426,953)
Payment of borrowings, financing and debentures - interest		(18,241)	(1,845)	(26,216)	(8,838)
Intragroup loans		(2,908)	(676)	(2,908)	(676)
Net cash provided by financing activities		204,550	69,789	154,412	73,639
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		25,056	(7,806)	14,066	(5,090)
CASH AND CASH EQUIVALENTS					
At the beginning of the year		11,674	19,480	34,287	39,377
At the end of the year		36,730	11,674	48,353	34,287
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		25,056	(7,806)	14,066	(5,090)

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

(In thousands of Brazilian reais - R$)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
REVENUES				
Real estate development and sale	218,803	328,662	2,005,329	1,746,577
Estimated allowance for (reversal of) doubtful debts and contract terminations	12,083	(4,338)	(18,333)	(24,909)
	230,886	324,324	1,986,996	1,721,668
INPUTS PURCHASED FROM THIRD PARTIES				
Operating costs - real estate development and sale	(173,392)	(211,191)	(1,257,228)	(1,063,049)
Supplies, power, outside services and other inputs	(80,045)	(104,806)	(114,998)	(157,621)
	(253,437)	(315,997)	(1,372,226)	(1,220,670)
GROSS VALUE ADDED	(22,551)	8,327	614,770	500,998
RETENTIONS				
Depreciation and amortization	(30,471)	(23,977)	(31,650)	(24,130)
WEALTH CREATED BY THE COMPANY	(53,022)	(15,650)	583,120	476,868
WEALTH RECEIVED IN TRANSFER				
Share of profit (loss) of investees	348,009	274,465	3,239	618
Finance income	49,015	31,984	64,097	44,864
	397,024	306,449	67,336	45,482
WEALTH FOR DISTRIBUTION	344,002	290,799	650,456	522,350
WEALTH DISTRIBUTED				
Employees and payroll taxes	21,775	38,966	188,236	165,470
Direct compensation	18,155	35,352	146,972	138,117
Benefits	2,474	2,384	28,328	17,847
Payroll taxes	1,146	1,230	12,936	9,506
TAXES, FEES AND CONTRIBUTIONS	8,431	16,917	111,763	96,479
Federal	8,431	16,498	111,454	95,759
Municipal	-	419	309	720
LENDERS AND LESSORS				
Interest and leases	50,252	34,624	86,044	59,055
SHAREHOLDERS	263,544	200,292	264,413	201,346
Dividends	62,592	38,327	62,592	38,327
Retained earnings	200,952	161,965	200,952	161,965
Profit attributable to noncontrolling interests	-	-	869	1,054

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

1. GENERAL INFORMATION

Construtora Tenda S.A. ("Company" or "Tenda") and its investees ("Group") engage in the performance of general construction works, 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 19, 2020.

2.4 Summary of significant accounting policies

2.4.1 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 8).

2.4.2 Functional and presentation currency

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

2.4.3 Critical accounting judgments and key sources of estimation uncertainty

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 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, 2019 is disclosed below:

a) Estimated allowance for doubtful debts and contract termination

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 2.4.6.3 describes the calculation method.

b) Provision for contingencies

The Company recognizes a provision for tax, labor and civil risks (note 17). The likelihood of loss is assessed based on available evidence, 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) Budgeted costs of real estate projects

Total budgeted costs, mainly comprised of incurred and unincurred costs for the completion 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 2.4.4(b.ii).

2.4.4 Recognition of revenues, costs and expenses.

a) Revenue recognition

In recognizing revenue from contracts with customers, the principles introduced by CPC 47 were adopted, 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.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

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 (“over timer”), 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 2.4.7);

- 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;

- A provision to cover expenditures on repair in projects is recognized, 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.

- 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.

2.4.5 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).

2.4.6 Receivables from developments and services provided

2.4.6.1 Receivables from properties and land sales 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.

2.4.6.2 Present value adjustment

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.

2.4.6.3 Estimated allowance for doubtful debts and contract terminations

The Company recognizes estimated 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 2.4.4).

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.

2.4.7 Properties for sale

(i) Land for future developments

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 2.4.4.

Land is classified in current and noncurrent assets by Management based on the expected launch date of real estate projects, which is periodically reviewed.

(ii) Properties under construction

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.

Finance charges on funds used in the construction of real estate projects are capitalized. Therefore, it includes the inflation adjustment to these items, if applicable.

Charges on borrowings raised by the Parent related to its subsidiaries' projects are capitalized in line item "Investments" (note 8) and their realization (charged to profit or loss) is included in the cost sales in the consolidated.

2.4.8 Financial instruments

The table below shows the significant accounting policies adopted for:

Non-derivative financial assets and financial liabilities:	
Recognition	Loans, receivables and debt instruments are initially recognized 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.
Derecognition	**Financial asset:** A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows on the financial asset in a transaction where 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.
	Financial liability: A financial liability is derecognized when its contractual obligations are discharged (through payment or contract) or canceled, or when they expire.
Offset	Financial assets or liabilities are offset and the net amount presented in the balance sheet 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.

Non-derivative financial assets	
Classification and measurement	**Amortized cost:** Maintained for the receipt of contractual cash flows until the end and solely for the receipt of principal and interest on specific dates, for measurement, the effective interest method is used.
	Fair value: When the objective is to allow the immediate management of its cash so as to sell the asset or not. These assets are held to receive contractual cash flows and for sale purposes.
Impairment	Assessment made for all financial assets classified at amortized cost. 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.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

<table>
<tr><td colspan="2">Non-derivative financial liabilities</td></tr>
<tr><td rowspan="2">Classification and measurement</td><td>Fair value: 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.</td></tr>
<tr><td>Amortized cost: 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.</td></tr>
<tr><td colspan="2">Derivative instruments, including hedge accounting</td></tr>
<tr><td colspan="2">As at December 31, 2019 and 2018, the Company did not have any transaction involving derivative instruments.</td></tr>
</table>

2.4.9 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 8).

2.4.10 Property and equipment and intangible assets

Property and equipment and intangible assets are stated at acquisition cost, less accumulated depreciation/amortization and/or accumulated impairment losses, if applicable.

An item of property and equipment or intangible asset 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/amortization are calculated on a straight-line basis, based on the estimate useful lives of the assets (notes 9 and 10).

The Company assesses at the end of each period the recoverable amount of its property and equipment items and intangible assets and in case of any indication of losses, these are recognized in profit or loss for the period.

2.4.11 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.

2.4.12 Current taxes

The Company and its subsidiaries calculate their main taxes, as described below:

Tax	Taxable income	Deemed income	Special tax regime
Income tax	15% plus a 10% surtax based on the amount exceeding R$240 thousand.	8% on gross revenue, applying a rate of 15% and 10% surtax.	1.26% on sales revenue
Social contribution	9% rate.	12% on gross revenue, applying a rate of 9%.	0.66% on sales revenue
PIS on gross operating revenue.	Gross revenue base less credits (*) 1.65%	0.65%	0.37% on sales revenue

Tax	Taxable income	Deemed income	Special tax regime
COFINS on gross operating revenue.	Gross revenue base less credits (*) 7.6%	3%	1.71% on sales revenue

* Credits calculated based on some costs and expenses incurred.

2.4.13 Deferred taxes

Deferred tax is recognized in relation to:

a) Temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes; and
b) Tax losses, which 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 asset. 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.

2.4.14 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.

2.4.15 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 contingencies

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) 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.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

2.4.16 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.

2.4.17 Basic and diluted earnings per share

Basic earnings 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 per share is calculated similarly to basic earnings 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.

2.4.18 Treasury shares

Treasury shares are recognized at acquisition amount 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.

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.

3. ISSUED NEW AND REVISED STANDARDS AND INTERPRETATIONS

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

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
IFRS 16 (CPC 06 R2) – Leases (a)	January 1, 2019
ICPC 22 / IFRIC 23 - Uncertainty over Income Tax Treatments (b)	January 1, 2019

(a) IFRS 16 - Leases

IFRS 16 introduced a single model for the recognition of leases (finance and operating) 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 superseded the existing lease standards, including CPC 06 (IAS 17) - Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) - Supplemental Aspects of Leases.

The impact from the first-time adoption on the Company's financial statements and its Group amounted to R$26,544, as shown in notes 9 and 13.

(b) ICPC 22 / IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation provides guidance on the recognition and measurement when there are uncertainties over the acceptance of the adoption of income taxes (CPC 32 /IAS 12 – IR/CSLL) by the tax authority. The interpretation came into effect on January 1, 2019, and there are no significant impacts on the Company's and its subsidiaries' financial statements as the procedures for the measurement and recognition of taxes are in conformity with tax laws.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

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

New and revised standards and interpretations will become effective as described below:

New and revised standards and interpretations	Effective beginning
CPC 00 – Conceptual Framework - Revised (a)	January 1, 2020
Other Revisions (b)	January 1, 2020

(a) Change of conceptual framework

On November 1, 2019, the Accounting Pronouncements Committee approved the revision of the conceptual framework (CPC 00 R2) resulting in the following changes: a) enhancement of the definitions of assets, liabilities, income and expenses, and criteria for inclusion/exclusion of financial assets and financial liabilities; b) definition of the financial reporting purpose; c) guidance on the measurement, presentation and disclosure basis; and d) characteristics of the accounting information useful for the user. The Company and its subsidiaries do not believe that their financial statements will be significantly impacted upon its adoption.

(b) Other revised technical pronouncements

The revised standards below will not significantly impact the Company:

CPC 15 - IFRS 3 – Definition of Business

CPC 26 - IAS 1 and CPC 23 - IAS 8 – Definition of Materiality

4. CASH AND CASH EQUIVALENTS AND SECURITIES

4.1 Cash and cash equivalents

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Cash and banks	1,757	4,192	9,160	24,284
Bank certificate of deposit	34,973	7,482	39,193	10,003
Cash and cash equivalents (note 21,b,i)	36,730	11,674	48,353	34,287

4.2 Securities

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Fixed-income funds	1,664	-	3,452	1,705
Exclusive funds (a)	732,692	576,233	784,891	704,956
Repurchase transactions	34	34	34	34
Bank certificate of deposit (b)	351	403	4,080	1,149
Restricted short-term investments (c)	35,939	21,105	229,642	113,428
Total securities (note 21,b,i)	770,680	597,775	1,022,099	821,272

(a) Exclusive funds

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
National Treasury Bills (LTN)	124,315	203,422	139,316	271,935
Bank Certificates of Deposit (CDBs)	2,210	16,188	2,210	20,940
Financial Treasury Bill (LFT)	490,607	221,742	527,805	277,200
Private securities (Financial Bill)	113,143	115,873	113,143	115,873
Repurchase transactions	2,417	19,008	2,417	19,008
Total exclusive funds	732,692	576,233	784,891	704,956

(b) As at December 31, 2019, the Bank Certificates of Deposit (CDBs) include interest earned through the end of the reporting period, ranging from 75% to 105.97% (from 75% to 112.09% as at December 31, 2018) of the Interbank Deposit Certificates (CDI) rate.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

(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	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Receivables from real estate development and sales	140,834	145,054	754,316	605,803
(-) Estimated allowance for doubtful debts (a)	(50,006)	(64,311)	(118,213)	(130,478)
(-) Allowance for contract terminations	(8,405)	(6,183)	(45,724)	(15,126)
(-) Present value adjustment	(1,003)	(1,985)	(7,391)	(9,983)
Receivables from land sales and services provided	25,734	16,682	42,154	25,480
	107,154	89,257	625,142	475,696
Current	68,619	61,574	406,599	317,515
Noncurrent	38,535	27,683	218,543	158,181

a) In 2019, the Company adjusted its internal collection procedures, such as: change in incentives and higher operational focus on the customer portfolio past due for more than 360 days. The estimated allowance for doubtful debts has decreased significantly upon adoption of these new procedures.

The aging list of trade receivables is as follows:

	Parent		Consolidated	
Maturity	12/31/2019	1231//2018	12/31/2019	1231//2018
Past due				
Up to 90 days	785	1,547	2,880	10,395
91-180 days	1,130	488	9,326	15,290
More than 180 days (a)	39,483	35,185	68,858	58,873
Subtotal – past due	41,398	37,220	81,064	84,558
Current				
2019		93,284		386,287
2020	79,198	15,501	449,334	98,320
2021	24,099	6,077	155,623	28,261
2022	9,853	4,445	61,922	19,027
2023	5,230	5,209	22,489	14,830
2024 and thereafter	6,790	-	26,038	-
Subtotal – current	125,170	124,516	715,406	546,725
(-) Present value adjustment (b)	(1,003)	(1,985)	(7,391)	(9,983)
(-) Estimated allowance for doubtful debts and contract termination	(58,411)	(70,494)	(163,937)	(145,604)
	107,154	89,257	625,142	475,696

(a) Of the amount past due for more than 180 days, amounts being transferred to financial institutions total R$15,376 in Parent and R$30,308 in consolidated (R$11,652 in the Parent and R$23,513 in consolidated as at December 31, 2018).

(b) The discount rate applied by the Company and its subsidiaries was 1.88% (average borrowing rate less INCC) for the year ended December 31, 2019 (3.10 % in 2018).

The variations in the allowances for doubtful debts and contract terminations in the years ended December 31, 2019 and 2018 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, 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-off	4,163	-	-	4,163
Balance as at December 31, 2018	(64,311)	(6,183)	5,300	(65,194)
Additions	(5,346)	(7,601)	4,494	(8,453)
Reversals	19,288	5,379	(5,312)	19,355
Write-off	363	-	-	363
Balance as at December 31, 2019	(50,006)	(8,405)	4,482	(53,929)

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	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, 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-off	8,593	-	-	8,593
Balance as at December 31, 2018	(130,478)	(15,126)	13,862	(131,742)
Additions	(21,002)	(56,835)	27,953	(49,884)
Reversals	33,013	26,237	(20,964)	38,286
Write-off	254	-	-	254
Balance as at December 31, 2019	(118,213)	(45,724)	20,851	(143,086)

6. PROPERTIES FOR SALE

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Land	60,974	77,245	1,198,028	852,831
Land held for sale	19,195	29,119	23,873	47,003
Properties under construction	28,696	23,022	314,548	189,098
Cost of properties in the recognition of the allowance for contract terminations (note 5)	4,482	5,300	20,851	13,862
Completed units	7,875	17,458	19,571	44,647
(-) Present value adjustment in land purchases	(91)	(338)	(76,433)	(46,816)
(-) Impairment of properties for sale	(1,651)	(3,977)	(2,092)	(4,312)
(-) Impairment of land held for sale	(4,454)	(4,833)	(5,782)	(9,547)
	115,026	142,996	1,492,564	1,086,766
Current	70,818	90,188	955,589	570,773
Noncurrent	44,208	52,808	536,975	515,993

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, 2019, the balance of obligations for land acquired under barter agreements totals R$1,900 (R$1,862 as at December 31, 2018) in Parent and R$104,734 (R$101,785 as at December 31, 2018) in consolidated (note 15).

As described in note 11, the balance of capitalized finance charges as at December 31, 2019 was R$4,301 (R$5,452 as at December 31, 2018) in Parent and R$32,683 (R$23,705 as at December 31, 2018) in consolidated.

7. RELATED PARTIES

7.1 Related-party balances

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

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assets				
Subsidiaries				
Related parties’ current account (a)	39,495	3,047	-	-
Loan receivable (c)	9,299	9,299	-	-
Total subsidiaries	48,794	12,346	-	-
Joint ventures				
Related parties’ current account (a)	34	34	3,051	7,797
Loan receivable (c)	37,421	34,513	37,421	34,513
Total	37,455	34,547	40,472	42,310
Total assets	86,249	46,893	40,472	42,310
Current	39,529	3,081	3,051	7,797
Noncurrent	46,720	43,812	37,421	34,513

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	Parent		Consolidated	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Liabilities				
Subsidiaries				
Related parties' current account (b)	24,908	134,541	-	-
Total subsidiaries	24,908	134,541	-	-
Joint ventures				
Related parties' current account (b)	23,662	21,801	23,681	21,801
Total	23,662	21,801	23,681	21,801
Total liabilities	48,570	156,342	23,681	21,801
Current	48,570	156,342	23,681	21,801

(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 owed 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			
	12/31/2019	12/31/2018	12/31/2019	12/31/2018	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% to 113.5% of CDI
FIT 19 SPE Empr. Imobiliários Ltda. (b)	18,304	17,775	18,304	17,775	Construção	100% of CDI
Acedio SPE Empr. Imobiliários Ltda. (b)	6,950	4,571	6,950	4,571	Construção	100% of CDI
Loans to joint ventures	37,421	34,513	37,421	34,513		
	46,720	43,812	37,421	34,513		

(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$674,197 as at December 31, 2019 (R$493,490 as at December 31, 2018).

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

8. INVESTMENTS IN EQUITY INTERESTS

(i) Equity interests:

	Parent		Consolidated	
Subsidiaries	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Wholly-owned	1,060,216	911,820	-	-
Due to management of material operations	3,834	8,929	-	-
Capitalized interest	4,071	4,231	-	-
	1,068,121	924,980	-	-
Joint ventures	42,592	39,376	42,592	39,376
	1,110,713	964,356	42,592	39,376

Variations in investments

	Parent	Consolidated
Balance as at December 31, 2017	909,627	65,417
Share of profit (loss) of investees	274,465	618
Capital payment	13,327	-
Dividends	(185,719)	-
Advance for future capital increase	(11,426)	(592)
Capital decrease	(26,339)	(26,339)
Allowance for (reversal of) investment losses	(9,579)	272
Balance as at December 31, 2018	964,356	39,376
Share of profit (loss) of investees	348,009	3,239
Capital payment	4,915	-
Distribution of dividends (a)	(194,473)	-
Capital decrease	(12,072)	-
Allowance for investment losses	(22)	(23)
Balance as at December 31, 2019	1,110,713	42,592

a) Dividends distributed by: Tenda Negocio Imobiliários R$105,098, Jardim São Luiz SPE Incorp. Ltda. R$63,456; FIT 34 SPE Empreendimento Imobiliário Ltda. R$17,174; FIT SPE 32 Empreendimento Imobiliário Ltda. R$2,738; FIT SPE 06 Empreendimento Imobiliário Ltda. R$1,716.

Breakdown of investments and negative equity as at December 31, 2019

Subsidiaries	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Net revenue	Profit (loss) for the year	Equity interest %	Share of profit (loss) of investees	Investment balance	Negative equity
TENDA NEG. IMOB. S/A	1,451,475	663,592	452,686	667,987	994,393	323,254	100%	323,254	994,392	-
FIT 02 SPE EMP.IMOB.LTDA.	19,078	262	1,461	1,415	16,464	6,966	100%	6,966	16,464	-
TENDA 46 SPE EMP.IMOB.LTDA.	27,575	14,671	9,493	20,857	11,897	9,095	100%	9,095	11,897	-
FIT 06 SPE EMP.IMOB.LTDA.	7,325	-	-	-	7,325	31	100%	31	7,325	-
TND NEG. IMOB. LTDA.	6,099	-	109	-	5,992	3,304	100%	3,304	5,992	-
FIT BILD 09 SPE EMP. IMOB. LTDA	3,078	-	870	9,309	(7,102)	333	75%	249	-	(5,326)
Other	35,301	3,448	7,930	370	30,449	2,800		1,711	27,980	(395)
Capitalized interest								160	4,071	
Total Subsidiaries	1,549,931	681,973	472,549	699,938	1,059,418	345,783		344,770	1,068,121	(5,721)

Joint ventures	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Net revenue	Profit (loss) for the year	Equity interest %	Share of profit (loss) of investees	Investment balance	Negative equity
FIT 13 SPE EMP.IMOB.LTDA.	17,890	3,545	1,656	-	19,779	72	50%	36	9,889	-
CIPESA PROJ. 02 EMP. IMOB. SPE LTDA.	18,397	-	56	14	18,328	247	50%	123	9,164	-
SPE FRANERE GAFISA 08 EMP.IMOB.LTDA.	22,423	2,391	3,951	2,646	18,217	(2,101)	50%	(1,050)	9,108	-
ACEDIO SPE EMP.IMOB.LTDA.	10,039	9,880	1,421	6,950	11,550	10,451	55%	5,748	6,352	-
FIT JD. BOTÂNICO SPE EMP.IMOB.LTDA.	9,446	-	164	2	9,281	339	55%	186	5,104	-
FIT CAMPOLIM SPE	8,051	-	70	18,304	(10,323)	95	55%	52	-	(5,678)
Other	13,121	109	6,439	898	5,896	(3,711)		(1,856)	2,975	(27)
Consolidated	**99,367**	**15,925**	**13,757**	**28,814**	**72,728**	**5,392**		**3,239**	**42,592**	**(5,705)**
Total Parent	**1,649,298**	**697,898**	**486,306**	**728,752**	**1,132,146**	**351,175**		**348,009**	**1,110,713**	**(11,426)**

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

Breakdown of investments and negative equity as at December 31, 2018

Subsidiaries	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Net revenue	Profit (loss) for the year	Equity interest %	Share of profit (loss) of investees	Investment balance	Negative equity
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 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	-
CITTÀ VILLE SPE EMP.IMOB.LTDA.	17,103	43	1,766	915	14,465	2,235	50%	1,118	7,233	-
FIT BILD 09 SPE EMP. IMOB. LTDA	2,740	-	871	9,304	(7,435)	(259)	75%	(194)	-	(5,576)
Other	61,107	3,257	5,304	22,810	36,250	(17,511)		(17,515)	35,662	(143)
Capitalized interest								(628)	4,231	
Total Subsidiaries	1,162,840	567,109	330,542	478,273	921,134	275,531		273,847	924,980	(5,719)
Joint ventures										
SPE FRANERE GAFISA 08 EMP.IMOB.LTDA.	15,808	9,797	2,094	3,194	20,317	(1,629)	50%	(815)	10,159	-
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	(34)	50%	(17)	9,040	-
FIT CAMPOLIM SPE EMP. IMOB. LTDA	7,389	-	29	17,775	(10,415)	(495)	55%	(272)	-	(5,728)
Other	25,796	4,957	2,221	8,888	19,644	3,427		1,719	10,324	-
Consolidated	**84,065**	**18,260**	**5,078**	**29,915**	**67,332**	**1,275**		**618**	**39,376**	**(5,728)**
Total Parent	**1,246,905**	**585,369**	**335,620**	**508,188**	**988,466**	**276,806**		**274,465**	**964,356**	**(11,448)**

9. PROPERTY AND EQUIPMENT

Parent

Description	Depreciation rate - % p.a.	12/31/2017	Additions	Write-offs	12/31/2018	Additions	Write-offs	12/31/2019
Cost								
Hardware		21,483	1,136	-	22,619	2,000	-	24,619
Leasehold improvements and facilities		8,906	1,510	(215)	10,201	3,046	-	13,247
Furniture and fixtures		3,353	530	-	3,883	823	-	4,706
Machinery and equipment		2,729	280	-	3,009	321	-	3,330
Molds		32,936	7,724	-	40,660	20,004	-	60,664
Lease – right of use (b)		-	-	-	-	26,544	(3,054)	23,490
		69,407	11,180	(215)	80,372	52,738	(3,054)	130,056
Accumulated depreciation								
Hardware	20%	(9,007)	(3,719)	-	(12,726)	(3,705)	-	(16,431)
Leasehold improvements and facilities	(a)	(3,809)	(3,935)	116	(7,628)	(1,242)	-	(8,870)
Furniture and fixtures	10%	(2,492)	(234)	-	(2,726)	(239)	-	(2,965)
Machinery and equipment	10%	(895)	(285)	-	(1,180)	(315)	-	(1,495)
Molds	20%	(11,380)	(7,551)	-	(18,931)	(10,046)	-	(28,977)
Lease – right of use (b)	14%	-	-	-	-	(3,401)	129	(3,272)
		(27,583)	(15,724)	116	(43,191)	(18,948)	129	(62,010)
		41,824	(4,544)	(99)	37,181	33,790	(2,925)	68,046

Consolidated

Description	Depreciation rate - % p.a.	12/31/2017	Additions	Write-offs	12/31/2018	Additions	Write-offs	12/31/2019
Cost								
Hardware		21,483	1,136	-	22,619	2,000	-	24,619
Leasehold improvements and facilities		8,906	1,510	(215)	10,201	3,162	-	13,363
Furniture and fixtures		3,353	661	-	4,014	1,077	-	5,091
Machinery and equipment		2,729	280	-	3,009	364	-	3,373
Molds		32,936	9,583	-	42,519	30,319	-	72,838
Lease – right of use (b)		-	-	-	-	26,544	(3,054)	23,490
		69,407	13,170	(215)	82,362	63,466	(3,054)	142,774
Accumulated depreciation								
Hardware	20%	(9,007)	(3,719)	-	(12,726)	(3,705)	-	(16,431)
Leasehold improvements and facilities	(a)	(3,809)	(3,935)	116	(7,628)	(1,257)	-	(8,885)
Furniture and fixtures	10%	(2,492)	(243)	-	(2,735)	(258)	-	(2,993)
Machinery and equipment	10%	(895)	(285)	-	(1,180)	(316)	-	(1,496)
Molds	20%	(11,380)	(7,695)	-	(19,075)	(11,190)	-	(30,265)
Lease – right of use (b)	14%	-	-	-	-	(3,401)	131	(3,270)
		(27,583)	(15,877)	116	(43,344)	(20,127)	131	(63,340)
		41,824	(2,707)	(99)	39,018	43,339	(2,923)	79,434

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

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

(b) Lease – right of use, depreciated according to the contractual term. See note 13 for variations in liabilities.

The residual value, useful lives, and depreciation methods were reviewed at the closing of year 2019, and no change was made. Assets are subject to periodical impairment testing.

10. INTANGIBLE ASSETS

	Consolidated						
	12/31/2017 Balance	Additions	Amortization	12/31/2018 Balance	Additions	Amortization	12/31/2019 Balance
Software – cost	36,897	12,675	-	49,572	7,907		57,479
Software – amortization	(15,253)	-	(8,253)	(23,506)		(11,523)	(35,029)
	21,644	12,675	(8,253)	26,066	7,907	(11,523)	22,450

Refer mainly to the expenses on the acquisition and implementation of information systems and software licenses, amortized over a three-year period based on their economic useful life (33.33% per year) (average five-year period – 20% in 2018).
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.

11. BORROWINGS AND FINANCING

			Parent		Consolidated	
Type of transaction	Maturity	Annual interest rate	12/31/2019	12/31/2018	12/31/2019	12/31/2018
National Housing System (SFH)	04/2018 to 12/2022	TR + 8.30% p.a.	10,024	15,639	60,016	103,317
Bank Credit Note (CCB)	04/2018 to 06/2019	INCC-DI variance	-	-	-	1,465
Total			10.024	15,639	60,016	104,782
Current			1,641	993	8,517	6,744
Noncurrent			8,383	14,646	51,499	98,038

The current and noncurrent portions mature as follows:

	Parent		Consolidated	
Maturity	12/31/2019	12/31/2018	12/31/2019	12/31/2018
2019	-	993	-	6,744
2020	1,641	5,277	8,517	36,787
2021	3,876	6,848	23,504	45,803
2022	3,529	2,521	22,668	15,448
2023 and thereafter	978	-	5,327	-
	10,024	15,639	60,016	104,782

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 5.88% as at December 31, 2019 (7.78% as at December 31, 2018).

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

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Total finance charges for the year	43,300	27,859	83,249	44,391
Capitalized finance charges	(2,742)	(3,596)	(42,583)	(19,990)
Finance costs (note 24)	40,558	24,263	40,666	24,401
Finance charges allocated to line item 'Properties for sale':				
Opening balance	5,452	7,357	23,705	28,394
Capitalized finance charges	2,742	3,596	42,583	19,990
Finance charges charged to profit or loss (note 23)	(3,893)	(5,501)	(33,605)	(24,679)
Closing balance	4,301	5,452	32,683	23,705

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

12. DEBENTURES

					Parent/Consolidated	
Type of transaction	Maturity	Annual interest	Transaction cost Appropriated	Transaction cost incurred	12/31/2019	12/31/2018
Debentures (a)	January 2021	CDI + 0,90%	5,592	(9.222)	306.385	285.066
Debentures (b)	September 2023	CDI + 1,75%	933	(824)	153.453	152.643
Debentures (b)	March 2024	CDI + 1,40%	864	(1.163)	152.259	-
Debentures (b)	December 2024	CDI + 1,3%	65	(2.098)	198.323	-
Total debentures (notae21 iii)			7,454	(13,307)	810.420	437.709
Current					5,598	3,344
Noncurrent						
Debentures					810,675	439,891
Transaction costs					(5,853)	(5,526)
Total noncurrent					804,822	434,365
					810,420	437,709

Summary of debentures issued:

Issue	Date	Amount	Payment of principal	Payment of interest	Covenants (net leverage ratio) (total financial debt less SFH))
3rd issue (a)	09/06/2017	270,000	01/15/2021	On maturity	(Must not exceed 50%) -18.45%
4th issue (b)	09/10/2018	150,000	33.30% 09/2021 33.30% 09/2022 33.40% 09/2023	Semiannual	(Must not exceed 15%) - 18.45%
5th issue (b)	04/02/2019	150,000	50% 03/2023 50% 03/2024	Semiannual	(Must not exceed 15%) - 18.45%
6th issue (b)	12/05/2019	200,000	25% 12/2021 25% 12/2022 25% 12/2023 25% 12/2024	Semiannual	(Must not exceed 15%) - 18.45%

a) On September 6, 2017, the Company launched the third issue of nonconvertible debentures. The proceeds from this issuance were used exclusively in real estate projects specifically targeted at the lower-income population segment.

b) The Company launched the fourth, fifth and sixth issue of nonconvertible simple debentures. The proceeds from this issuance were used in ordinary management, including working capital increase and capital structure growth.

13. LEASE – RIGHT OF USE

	Parent/Consolidated		
Liabilities	Variations – liabilities without present value adjustment	Present value adjustment	Right of use liability
Lease – right of use (first-time adoption) (a)	31,134	(4,590)	26,544
Payments / interest	(3,779)	877	(2,902)
Derecognition - contract termination	(3,631)	668	(2,963)
Total	23,724	(3,045)	20,679
Current	3,525	(544)	2,981
Noncurrent	20,199	(2,501)	17,698

a) Item C5 (b) of the transition rule was adopted as practical expedient (CPC 06/IFR16), which sets forth that comparative information should not be restated but rather the cumulative effect must be recognized as opening balance. All Company's agreements were recognized as operating and, therefore, item C8b (ii), which addresses leases classified as operating leases was applied, only measuring the residual balance of the agreements.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

The lease balance is comprised of the following agreements:

Parent/Consolidated					
Agreements	Principal	Interest / PVA (a)	Liabilities	Months to be incurred	Monthly amount
Up to 5 years	3,682	(232)	3,450	38	96
5 to 10 years	12,715	(1,450)	11,265	78	162
Over 10 years	7,327	(1,363)	5,964	156	47
	23,724	(3,045)	20,679	78	305

a) Average interest rate of 3.77% p. a, (7.78% of incremental borrowing rate / 3.89% of average inflation for the periods).

The Company used the inflation-adjusted cash flow projection according to the alternatives provided by Circular Letter CVM SNC/SEP/2019, so as to reduce the flexibility of CPC 06 (R2) which provides for the use of the nominal rate, which would result cause assets and liabilities to be understated by R$2.7 million.

14. PAYROLL, RELATED TAXES AND PROFIT SHARING

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Payroll and related taxes	3,895	3,627	12,297	9,643
Accrued payroll and related taxes	2,458	2,418	21,131	16,407
Employee profit sharing (a)	5,081	6,135	15,837	18,974
	11,434	12,180	49,265	45,024

(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	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Payables for properties purchased	5,123	12,013	838,200	515,915
Advances from customers	22	1,181	314	1,842
Physical barter - land	1,900	1,862	104,734	101,785
	7,045	15,056	943,248	619,542
Current	5,311	10,641	340,862	258,240
Noncurrent	1,734	4,415	602,386	361,302

The current and noncurrent portions mature as follows:

	Parent		Consolidated	
Maturity	12/31/2019	12/31/2018	12/31/2019	12/31/2018
2019	-	10,641	-	258,240
2020	5,311	2,816	340,862	160,257
2021	1,734	1,599	198,038	88,309
2022	-	-	196,084	63,967
2023	-	-	104,714	48,769
2024 and thereafter	-	-	103,550	-
	7,045	15,056	943,248	619,542

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, 2019 and 2018 is as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Profit before income tax and social contribution:	264,275	200,292	299,533	227,866
Income tax calculated at the statutory rate - 34%	34%	34%	34%	34%
	(89,854)	(68,099)	(101,841)	(77,474)
Net impact of subsidiaries taxed based on deemed income/RET	1,320	-	90,642	75,507
Other permanent differences	(5,586)	(3,866)	(6,270)	(4,318)
Unrecognized tax credits	(29,720)	(20,664)	(32,044)	(27,106)
Share of profit (loss) of investees	118,323	93,318	1,101	210
Other additions and deductions	4,786	(689)	13,292	6,661
Income tax and social contribution expenses (income)	(731)	-	(35,120)	(26,520)
Current tax expenses (income)	(332)	-	(31,265)	(24,641)
Deferred tax expenses (income)	(399)	-	(3,855)	(1,879)

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

b) Deferred income tax and social contribution

The origin of deferred income tax and social contribution as at December 31, 2019 and 2018 is as follows:

	Parent		Consolidated	
Description	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Assets				
Tax loss carryforwards	285,500	253,551	294,402	261,621
Allowance for doubtful debts	16,900	20,935	18,890	23,467
Allowance for impairment of nonfinancial assets	1,942	2,948	1,966	3,047
Other provisions	5,152	5,898	11,021	10,708
Provision for contingencies	19,429	20,439	20,423	21,604
Temporary differences - CPC	13,328	10,431	13,577	10,745
Temporary differences – deferred PIS and COFINS	1,501	1,944	1,501	2,561
Unrecognized tax credits	(330,006)	(300,286)	(344,443)	(312,400)
Subtotal	13,746	15,860	17,337	21,353
Liabilities				
Revenue taxation on a cash and an accrual basis	(13,746)	(15,860)	(17,337)	(21,353)
Deferred income tax and social contribution (Earmarked assets, or RET)	(399)	-	(11,794)	(7,833)
Subtotal	(14,145)	(15,860)	(29,131)	(29,186)
Recognized in line item deferred taxes (liabilities)	(399)	-	(11,794)	(7,833)

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					
	12/31/2019			12/31/2018		
Description	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Tax loss carryforwards	839,706	839,706		745,738	745,738	
Tax assets (25%, 9%)	209,926	75,574	285,500	186,435	67,116	253,551
Unrecognized tax assets on tax loss carryforwards	209,926	75,574	285,500	186,435	67,116	253,551

	Consolidated					
	12/31/2019			12/31/2018		
Description	Income tax	Social contribution	Total	Income tax	Social contribution	Total
Tax loss carryforwards	865,888	865,888		769,473	769,473	
Tax assets (25%, 9%)	216,472	77,930	294,402	192,368	69,253	261,621
Unrecognized tax assets on tax loss carryforwards	216,472	77,930	294,402	192,368	69,253	261,621

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

17. PROVISION FOR CONTINGENCIES

17.1 Provision for contingencies

The variations in the provision for contingencies in the years ended December 31, 2019 and 2018 are summarized below:

	Parent			
	Civil lawsuits	Labor lawsuits	Other (b)	Total
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
Additions (note 23)	30,553	2,169	388	33,110
Write-offs/transfers (note 23)	(19,667)	(5,507)	(10,909)	(36,083)
Balance as at December 31, 2019	49,828	6,923	392	57,143
Current	26,234	3,645	207	30,086
Noncurrent	23,594	3,278	185	27,057

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	Consolidated			
	Civil lawsuits	Labor lawsuits	Other (b)	Total
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/transfers (note 23)	(27,209)	(5,906)	(44)	(33,159)
Balance as at December 31, 2018	42,976	11,325	11,171	65,472
Additions (note 23)	31,221	2,551	130	33,902
Write-offs (note 23)	(21,478)	(6,406)	(10,909)	(38,793)
Balance as at December 31, 2019	52,719	7,470	392	60,581
Current	27,756	3,933	207	31,896
Noncurrent	24,963	3,537	185	28,685

(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.

17.2 Escrow deposits

As at December 31, 2019, the Company and its subsidiaries have the following amounts deposited in courts:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Civil lawsuits	21,876	21,430	22,620	21,993
Environmental lawsuits	86	87	89	89
Tax lawsuits (a)	17,852	3,719	18,459	3,817
Labor lawsuits	4,680	4,988	4,840	5,120
	44,494	30,224	46,008	31,019
Current	10,932	10,705	11,304	10,987
Noncurrent	33,562	19,519	34,704	20,032

(a) Increase due to litigation bond with the Brazilian Federal Revenue Service.

17.3. Lawsuits with a possible likelihood of an unfavorable outcome

As at December 31, 2019, 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$312,140 (R$320,499 as at December 31, 2018), 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	
	12/31/2019	12/31/2018
Civil lawsuits (a)	212,128	225,284
Tax lawsuits (b)	84,583	78,567
Labor lawsuits	15,364	14,746
Environmental lawsuits	65	1,902
	312,140	320,499

(a) As at December 31, 2019, 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 RR212,128, mostly attributed to legacy projects (construction defects and delay).

(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$74.964 million).

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

18. EQUITY

18.1 Capital

As at December 31, 2019, the Company's subscribed and paid-in capital was R$1,095,829, represented by 104,344,246 registered common shares, with no par value (R$1,095,829 represented by 52,172,123 common shares, with no par value as at December 31, 2018).

On March 25, 2019, the Extraordinary General Meeting approved the split of the Company's shares, at the ratio of one common share for two common shares, totaling 104,344,246 registered, book-entry common shares without par value, all entitled to the same rights as the common shares already issued by the Company.

Subscribed capital	**1,095,829**
(-) Share issuance costs	(318)
Capital as at December 31, 2019	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, 2019 and 2018, which include their related weighted average strike prices, are as follows:

	12/31/2019		12/31/2018	
	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	5,326,598	6.74	5,479,451	6.74
Exercised stock options	(2,899,920)	5.60	(152,853)	9.42
Cancelled stock options	(26,843)	-	-	-
Split bonus	5,078,279	-	-	-
Outstanding stock options at the end of the year	7,478,114	3.28	5,326,598	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%	-	11.66% to 11.81%
11/12/2014	6.63	6.55	31.30%	-	12.77% to 12.84%
05/09/2016	6.86	6.83	26.70%	1.07 years	12.67% to 12.77%
04/10/2017	8.13	8.13	24.65%	1.95 years	9.69% to 10.07%

(*) 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.

Outstanding stock options			Vested stock options	
Number of stock options	Remaining contractual weighted average life (years)	Weighted average strike price for the year (R$)	Number of stock options	Weighted average strike price for the year (R$)
7,637,978	0.76	3.28	7,478,114	2.58

Total expenses recognized in the year ended December 31, 2019 was R$856 (R$13,774 as at December 31, 2018) and are disclosed in note 23.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

b) Restricted stock option plan

On August 8, 2018, the Extraordinary General Meeting approved the restricted stock option plan. 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.

The Plan's 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 Plan is valid for ten years and will be divided into Programs, subject to a ceiling that results in a maximum dilution of 5% of the Company's capital.

Programs

	Grant date	Granted quantities
2018 Program	09/13/2018	652,500
2019 Program	04/09/2019	914,100

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.

	12/31/2019	12/31/2018
	Number of stock options	Number of stock options
Outstanding options at the beginning of the year	652,500	-
Granted stock options	914,100	652,500
Exercised stock options	(195,000)	-
Split bonus (2018 Program)	457,500	-
Outstanding stock options at the end of the year	1,829,100	652,500

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:

Program	Grant date	Expected volatility (%) (*)	Expected stock option life (months)	Risk-free interest rate (%) (**)
2018	08/13/2018	29.52%	13 months	10.01%
2019	09/30/2019	31.42%	25 months	5.95%
2019	04/09/2019	31.50%	25 months	7.92%
2019	04/09/2019	31.50%	13 months	7.31%

(*) 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	
Program	Number of stock options	Remaining contractual weighted average life (months)
2018	915,000	13 months
2019	914,100	22 months

Total expenses recognized in the year ended December 31, 2019 was R$7,800 (R$4,600 as at December 31, 2018) and are disclosed in note 23.

18.3 Treasury shares

	Number (thousands)	Average cost – R$	Total cost
Balance as at December 31, 2018	3,688	24.64	90,889
Share buyback	1,867	33.31	62,198
Stock option exercise	(3,059)	16.56	(50,662)
Split bonus	4,513	-	-
Balance as at December 31, 2019	7,009	14.61	102,425

As at December 30, 2019, the fair value of the Company's treasury shares was R$211,603.

Variations in treasury shares (in quantity)

Description	Variations
Share buyback program - 2018	7,555
Cancellation 12/06/2018	(2,000)
Split (03/26/2019)	4,513
Stock option exercise	(3,059)
Total - quantity	7,009

18.4. Allocation of profit for the year

Under the Parent'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	2019	2018
Profit	263,544	200,292
Allocations:		
(-) Absorption of accumulated losses	-	(38,913)
(-) Legal reserve 5%	(13,177)	(8,069)
Basis for minimum dividends	250,367	153,310
Minimum mandatory dividends - 25%	62,592	38,327
(-) Payments	(44,455)	(24,989)
Unclaimed dividends for 2018	38	-
Liability balance	18,175	13,338

19. INSURANCE

Tenda 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, 2019:

Insurance line (in effect)	Coverage - R$'000
Engineering risks and construction completion guarantee (effective from April 2016 to July 2027)	3,323,158
Civil liability - Directors and Officers (D&O) (*)	50,000
Insurance line (future periods)	
Engineering risks and construction completion guarantee (effective from 01/2010 to 03/2028)	75,925

(*) The effective period of the D&O civil liability policy is from February 25, 2020, renewed until February 25, 2021 by the Company.

20. EARNINGS PER SHARE

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

	12/31/2019	12/31/2018
Basic numerator		
Undistributed earnings	263,544	200,292
Undistributed earnings, available to the holders of common shares	263,544	200,292
Basic denominator (in thousands of shares)		
Weighted average number of shares	96,615	102,648
Basic earnings per share in Brazilian reais	2.7278	1.9513
Diluted numerator		
Undistributed earnings	263,544	200,292
Undistributed earnings, available to the holders of common shares	263,544	200,292
Diluted denominator (in thousands of shares)		
Weighted average number of shares	96,615	102,648
Stock options	8,392	9,300
Diluted earnings per share in Brazilian reais	2.5098	1.7892

Reconciliation of the restated earnings per share for 2018 due to the split of shares in March/2019.

	Basic	Diluted
	12/31/2018	12/31/2018
Undistributed earnings	200,292	200,292
Basic and diluted denominator (in thousands of shares)		
Weighted average number of shares	51,324	51,324
Stock options	-	4,650
Basic/diluted earnings per common share (R$) - disclosed	3.9025	3.5783
Split	2	2
Restated amount	1.9513	1.7892

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) Risk considerations

(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, 2019 and 2018, there was no material credit risk concentration related to customers.

(ii) 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 11 and 12. 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).

(iii) 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 11 and 12).

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:

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

Parent	2019				2018			
	Borrowings (note 11)	Debentures (note 12)	Trade payables	Payables for purchase of properties and advances from customers	Borrowings (note 11)	Debentures (note 12)	Trade payables	Payables for purchase of properties and advances from customers
Up to one year	1,641	5,598	6,202	3,411	993	3,344	6,381	8,779
1 to 3 years	7,406	504,822	-	1,734	12,125	434,365	-	4,415
4 to 5 years	978	300,000	-	-	2,521	-	-	-
Total	10,024	810,420	6,202	5,145	15,639	437,709	6,381	13,194

Consolidated	2019				2018			
	Borrowings (note 11)	Debentures (note 12)	Trade payables	Payables for purchase of properties and advances from customers	Borrowings (note 11)	Debentures (note 12)	Trade payables	Payables for purchase of properties and advances from customers
Up to one year	8,517	5,598	38,926	285,694	6,744	3,344	21,449	211,771
1 to 3 years	46,172	504,822	-	361,071	82,590	434,365	-	268,479
4 to 5 years	5,327	300,000	-	153,114	15,448	-	-	30,725
More than 5 years	-	-	-	38,635	-	-	-	6,782
Total	60,016	810,420	38,926	838,514	104,782	437,709	21,449	517,757

(iv) 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, 2019 and 2018, is as follows:

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

	Parent		Consolidated	
	Fair value hierarchy			
As at December 31, 2019	Level 1	Level 2	Level 1	Level 2
Financial assets				
Securities (note 4.2)	615,688	154,992	667,888	354,211

In the years ended December 31, 2019 and 2018, 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:

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

(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, 2019 and 2018, classified in Level 1 and Level 2 of the fair value hierarchy, are as follows:

		Parent			
		12/31/2019		12/31/2018	
	Categories	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets					
Cash and cash equivalents (note 4.1)		**36,730**	**36,730**	**11,674**	**11,674**
Cash and banks	Amortized cost	1,757	1,757	4,192	4,192
Bank certificate of deposit	Fair value through profit or loss*	34,973	34,973	7,482	7,482
Securities and restricted short-term investments (note 4.2)		**770,680**	**770,680**	**597,775**	**597,775**
Bank certificate of deposit	Amortized cost	351	351	403	403
Bank certificate of deposit	Fair value through profit or loss*	2,478	2,478	16,188	16,188
LFT and LTN	Fair value through profit or loss*	615,688	615,688	425,164	425,164
Private securities	Fair value through profit or loss*	113,772	113,772	115,873	115,873
Repurchase transactions (exclusive funds)	Fair value through profit or loss*	2,417	2,417	19,008	19,008
Repurchase transactions	Amortized cost	34	34	34	34
Restricted short-term investments	Fair value through profit or loss*	35,940	35,940	21,105	21,105
Trade receivables (note 5)	Amortized cost	107,154	107,154	89,257	89,257
Intragroup loans receivable (note 7.1)	Amortized cost	46,720	46,720	43,812	43,812
Financial liabilities					
Borrowings and financing (note 11)	Amortized cost	10,024	10,024	15,639	15,639
Debentures (note 12)	Amortized cost	810,420	824,797	437,709	441,138
Trade payables	Amortized cost	6,202	6,202	6,381	6,381
Payables for purchase of properties and advances from customers	Amortized cost	5,145	5,145	13,194	13,194

		Consolidated			
		12/31/2019		12/31/2018	
	Categories	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents (note 4.1)		**48,353**	**48,353**	**34,287**	**34,287**
Cash and banks	Amortized cost	9,160	9,160	24,284	24,284
Bank certificate of deposit	Fair value through profit or loss*	39,193	39,193	10,003	10,003
Securities and restricted short-term investments (note 4.2)		**1.022.099**	**1,022,099**	**821,272**	**821,272**
Bank certificate of deposit	Amortized cost	4,080	4,080	1,149	1,149
Bank certificate of deposit	Fair value through profit or loss*	2,478	2,478	20,940	20,940
LFT and LTN	Fair value through profit or loss*	667,888	667,888	549,135	549,135
Private securities	Fair value through profit or loss*	113,772	113,772	115,873	115,873
Repurchase transactions (exclusive funds)	Fair value through profit or loss*	2,417	2,417	19,008	19,008
Repurchase transactions	Amortized cost	34	34	34	34
Restricted short-term investments	Fair value through profit or loss*	229,642	229,642	113,428	113,428
Investment funds	Fair value through profit or loss*	1,788	1,788	1,705	1,705
Trade receivables (note 5)	Amortized cost	625,142	625,142	475,696	475,696
Intragroup loans receivable (note 7.1)	Amortized cost	37,421	37,421	34,513	34,513
Financial liabilities					
Borrowings and financing (note 11)	Amortized cost	60,016	60,016	104,782	105,348
Debentures (note 12)	Amortized cost	810,420	824,797	437,709	441,138
Trade payables	Amortized cost	38,926	38,926	21,449	21,449
Payables for purchase of properties and advances from customers	Amortized cost	838,514	838,514	517,757	517,757

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

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

(ii) Debt acceleration risk

As at December 31, 2019, 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 11 and 12).

(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	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Borrowings and financing (note 11)	10,024	15,639	60,016	104,782
Debentures (note 12)	810,420	437,709	810,420	437,709
(-) Cash and cash equivalents and securities (notes 4.1 and 4.2)	(807,410)	(609,449)	(1,070,452)	(855,559)
Net debt	13,034	(156,101)	(200,016)	(313,068)
Equity	1,350,621	1,197,673	1,351,709	1,203,774
Equity and net debt	1,363,655	1,041,572	1,151,693	890,706

(d) Sensitivity analysis

The sensitivity analysis of financial instruments for the year ended December 31, 2019, 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, 2019, 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 receivables, 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, 2019, the Company considered the interest rates of investments, borrowings and trade receivables, the Certificate of Interbank Deposit (CDI) rate at 4.40%, the Benchmark Rate at 0%, the National Civil Construction Index (INCC) at 4.08%, and the General Market Price Index (IGP-M) at 5.45%.

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

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

As at December 31, 2019:

		Consolidated scenario					
		III	II	I	I	II	III
Transaction	Risk	50% increase	25% increase	10% increase	10% decrease	25% decrease	50% decrease
Securities	CDI increase/decrease	18,475	9,237	3,695	(3,695)	(9,237)	(18,475)
Debentures	CDI increase/decrease	(17,201)	(8,601)	(3,440)	3,440	8,601	17,201
Net effect of CDI variance		1,274	636	255	(255)	(636)	(1,274)
Receivables from developments	INCC increase/decrease	5,969	2,984	1,194	(1,194)	(2,984)	(5,969)
Receivables from developments	IGP-M increase/decrease	8,278	4,139	1,656	(1,656)	(4,139)	(8,278)

22. NET REVENUE

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Gross revenue				
Property development and sale, barters, and provision for construction services	218,803	328,662	2,005,329	1,746,577
(Recognition) reversal of allowance for doubtful debts (note 5)	14,305	(8,364)	12,265	(31,471)
(Recognition) reversal of allowance for contract terminations (note 5)	(2,222)	4,026	(30,598)	6,562
Taxes on property sales and services	(1,687)	(11,881)	(36,898)	(40,414)
Net revenue	229,199	312,443	1,950,098	1,681,254

23. COSTS AND EXPENSES BY NATURE

Broken down as follows:

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Real estate development and sale costs:				
Construction costs	(140,273)	(167,188)	(966,460)	(795,109)
Land costs	(15,407)	(16,812)	(207,374)	(175,679)
Development costs	(13,239)	(20,333)	(82,538)	(81,632)
Capitalized finance charges (note 11)	(3,893)	(5,501)	(33,605)	(24,679)
Maintenance/warranties	(13,701)	(10,161)	(19,035)	(11,812)
Cost of properties on allowance for contract terminations recognition (note 6)	(818)	(4,247)	6,989	(6,513)
	(187,331)	(224,242)	(1,302,023)	(1,095,424)
Selling expenses:				
Product marketing expenses	(6,332)	(7,933)	(56,741)	(49,580)
Realtor and sales commissions	**(11,457)**	**(14,125)**	**(102,661)**	**(88,283)**
Cost of sales	(8,344)	(9,211)	(74,767)	(57,569)
Onlending costs	(1,746)	(2,485)	(15,647)	(15,533)
Registration costs (a)	-	(624)	-	(3,899)
Realtor fees	(1,367)	(1,805)	(12,247)	(11,282)
Expenses on customer management (CRM)	(234)	(339)	(2,096)	(2,117)
Other selling expenses	(115)	(850)	(1,027)	(5,308)
	(18,138)	(23,247)	(162,525)	(145,288)
General and administrative expenses:				
Payroll and related taxes	(10,109)	(11,471)	(57,627)	(54,706)
Employee benefits	(989)	(1,040)	(5,637)	(4,961)
Travel and utilities	(454)	(322)	(2,589)	(1,534)
Expenses on services provided	(3,034)	(2,774)	(17,292)	(13,232)
Rentals and CAM fees (b)	(495)	(1,253)	(2,823)	(5,976)
IT expenses	(913)	(101)	(5,206)	(546)
Stock option plan costs (note 18,2)	(8,656)	(18,374)	(8,656)	(18,374)
Expenses on accrued profit sharing (note 25,2)	(6,272)	(8,619)	(15,003)	(22,196)
Other general and administrative expenses	(449)	(487)	(2,284)	(2,321)
	(31,371)	(44,441)	(117,117)	(123,846)

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Other income (expenses), net:				
Depreciation and amortization	(20,422)	(16,310)	(20,460)	(16,319)
Expenses on payments of contingencies	(44,664)	(51,482)	(44,664)	(51,485)
Provisions / reversals for contingencies (note 17)	2,973	(5,876)	4,891	(2,443)
Other income/(expenses)	(14,366)	(22,397)	(20,708)	(27,707)
	(76,479)	(96,065)	(80,941)	(97,954)

a) Registration costs allocated to onlending as from January 1, 2019.
b) Decrease due to adoption of CPC 06 R1, expenses allocated to depreciation and amortization and other finance costs.

24. FINANCE INCOME (COSTS)

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Finance income (net of PIS/COFINS)				
Income from short-term investments	41,455	27,617	50,512	33,200
Other finance income	5,289	2,886	10,729	9,683
Total finance income (net of PIS/COFINS)	46,744	30,503	61,241	42,883
Finance costs				
Interest on borrowings, net of capitalization (note 11)	(40,558)	(24,263)	(40,666)	(24,401)
Banking expenses	(1,018)	(1,163)	(4,936)	(5,442)
Other finance costs	(4,782)	(3,698)	(6,837)	(4,534)
	(46,358)	(29,124)	(52,439)	(34,377)
Finance income (costs)	386	1,379	8,802	8,506

25. TRANSACTIONS WITH MANAGEMENT AND EMPLOYEES

25.1 Management compensation

The amounts recognized in line item ‘General and administrative expenses’ for the years ended December 31, 2019 and 2018 related to Management compensation are as follows:

Management compensation			
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	5,000	25,309	30,309

Management compensation			
Year ended December 31, 2019	Board of Directors	Executive Committee	Total
Number of members	7	12	19
Fixed compensation for the year	2,873	9,512	12,385
Salary/management fees	2,430	7,053	9,483
Direct and indirect benefits	-	1,047	1,047
Other (social security)	443	1,411	1,854
Monthly compensation	239	793	2,064
Variable compensation for the year	2,837	11,881	14,719
Profit sharing (note 25.2)	-	5,398	5,398
Share-based compensation	2,364	5,403	7,767
Other (social security)	473	1,081	1,553
Total compensation for the year	5,710	21,393	27,104

The overall Management compensation for 2019 was set at R$34,040, as fixed and variable compensation, as approved at the Annual Shareholders’ Meeting held on April 24, 2019.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

25.2 Profit sharing

In the year ended December 31, 2019, the Company recognized a profit sharing expense amounting to R$6,272 in the Parent (R$R$8,619 in the Parent as at December 31, 2018) and R$15,003 in consolidated (R$22,196 in consolidated as at December 31, 2018).

	Parent		Consolidated	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Executive Committee	5,398	5,717	5,398	5,717
Other employees	874	2,902	9,605	16,479
	6,272	8,619	15,003	22,196

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, 2019 and 2018, 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 the 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

The projects under construction as at December 31, 2019 are as follows:

		Consolidated
		Under construction
		12/31/2019
(i)	Unrecognized revenue from properties sold	
	(a) – Revenue from sales contracted	1,919,268
	(b) - Recognized sales revenue, net	1,364,035
	1i) Unrecognized sales revenue _a)_ (a-b)	555,233
(ii)	Revenue from contract termination indemnity	335
(iii)	Unrecognized revenue from agreements not qualifying for revenue recognition (b)	9,309
(iv)	Allowance for contract terminations (Liability)	
	Adjustment to recognized revenues	19,008
	(-) Adjustment to trade receivables	(17,958)
	(-) Revenue from contract termination indemnity	(210)
		840
(v)	Budgeted costs on units sold to be recognized	
	(a) – Budgeted cost of units (without finance charges)	1,211,266
	Incurred cost, net	
	(b) - (-) Incurred construction costs	(885,175)
	Finance charges	(12,943)
	(c) - Terminations - construction costs	11,488
	Terminations - finance charges	172
		(886,458)
	2i) Budgeted costs to be recognized in profit or loss (without finance charges) (a+b+c)	337,580
	Profit to be recognized (1i-2i)	217,653
(vi)	Budgeted costs to be recognized in inventories	
	(a) – Budgeted cost of units (without finance charges)	942,917
	(-) Incurred cost, net	
	(b) - Incurred construction costs	(332,450)
	Finance charges	(4,794)
		(337,244)
Budgeted costs to be recognized in inventories (without finance charges) (a+b)		610,467

_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.

(Amounts in thousands of Brazilian reais - R$, unless otherwise stated)

The recognized revenue amounts and incurred costs are stated in the income statement, and the advances received in the line item ‘Payables for purchase of properties and advances from customer’.

As at December 31, 2019, the percentage of assets consolidated in the interim financial information referring to projects included in the asset segregation structure was 61.69%.

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	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Capital decrease (note 8)	(12,072)	(26,339)	-	(26,339)
Advance for future capital increase (note 8)	-	(11,425)	-	-
Dividends received	(193,323)	(185,719)	-	(592)
	(193,323)	(223,483)	-	(26,931)

b) Reconciliation of financing activities:

Parent		2018				2019		
		Borrowings (notes 11 and 12)	Intragroup loans (note 7.1)	Intragroup borrowings (note 7.1)	Dividends	Borrowings (notes 11 and 12)	Intragroup loans (note 7.1)	Dividends
Opening balance		192,000	(43,136)	15,860	-	453,348	(43,812)	13,338
Cash transactions	New	322,894	(676)	-	-	377,107	(2,908)	-
	Interest payment	(1,845)	-	-	-	(18,241)	-	-
	Principal repayment	(84,555)	-	-	(24,989)	(33,214)	-	(57.755)
Noncash transactions	New	-	-	-	38,327	-	-	62.592
	Offsets	-	-	(15,860)	-	-	-	-
	Interest and inflation adjustment	24,854	-	-	-	41,444	-	-
Closing balance		453,348	(43,812)	-	13,338	820,444	(46,720)	18,175

Consolidated		2018				2019		
		Borrowings (notes 11 and 12)	Intragroup loans (note 7.1)	Intragroup borrowings (note 7.1)	Dividends	Borrowings (notes 11 and 12)	Intragroup loans (note 7.1)	Dividends
Opening balance		270,165	(33,837)	15,860	-	542,491	(34,513)	13,338
Cash transactions	New	676,135	(676)	-	-	693,499	(2,908)	-
	Interest payment	(8,838)	-	-	-	(26,216)	-	-
	Principal repayment	(426,953)	-	-	(24,989)	(391,769)	-	(57.755)
Noncash transactions	New	-	-	-	38,327	-	-	62.592
	Offsets	-	-	(15,860)	-	-	-	-
	Interest and inflation adjustment	31,982	-	-	-	52,431	-	-
Closing balance		542,491	(34,513)	-	13,338	870,436	(37,421)	18,175

29. EVENTS AFTER THE REPORTING PERIOD

Covid-19 Pandemic - Coronavirus

There were no impacts arising from Covid-19 (or “New Coronavirus”) so far on the operating activities. The Company is monitoring the progress of the New Coronavirus and its social, political and economic impact, and established a committee comprised of the Company’s management members to make coordinated, fast decisions, taking into consideration the recommendations from the Ministry of Health, the local authorities and professional organizations. The Company adopted the recommended measures to diminish the virus transmission at its construction sites, sales stands and administrative offices (adoption of more frequent sanitization procedures, flexible work schedule, home office, etc.)

It is not possible to assure that significant effects may impact the Company’s financial statements, business continuity and/or accounting estimates. Tenda’s production process is labor intensive and any measures that reduce employee commuting or that require quarantines may impact the progress of the construction work. Tenda’s sales are mainly conducted at its own sales stands at the time scheduled, and Tenda adopted and developed tools that allow numerous stages of the sales process to be conducted online, but possible Covid-19 containment measures may give rise to the interruption in services. Construction project launches and deliveries may be affected by local licensing deadline suspension initiatives.

(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. and subsidiaries (“Company”), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, 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 referred to above present fairly, in all material respects, the financial position of Construtora Tenda S.A. as at December 31, 2019, 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 referred to above present fairly, in all material respects, the consolidated financial position of Construtora Tenda S.A. as at December 31, 2019, 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 Brazilian Securities and Exchange Commission (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 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.

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 International Financial Reporting Standards ("IFRSs"), applicable to real estate development entities in Brazil, registered with the CVM. Accordingly, the accounting policy adopted by the entity for the recognition of revenue from uncompleted real estate unit purchase and sale agreements, on the aspects related to transfer of control, follow 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 in respect of 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 year. 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.

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 2.6.2 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, estimate 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: (i) obtaining the estimated cost to be incurred approved by the Engineering Department and Committee established by the Company for such purpose; (ii) preparing analytical budgeted cost projections for the real estate projects under construction during the year, based on historical information on effectively incurred costs arising from real estate projects already completed; (iii) 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; (iv) conducting analytical reviews of the estimated costs incurred and to be incurred; and (v) assessing the disclosures in the financial statements.

Based on the audit procedures performed, we understand that: (i) 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 (ii) the calculations made by Management of the percentage-of-completion correspond to the criteria defined pursuant to CVM/SNC/SEP Circular Letter 02/2018.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA") for the year ended December 31, 2019, 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 thereon, we assess whether these statements are reconciled with the other financial statements and accounting records, as applicable, and whether its form and content are in accordance with the criteria set forth in NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were appropriately prepared, in all material aspects, 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 such 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 such 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 of 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 International Financial Reporting Standards ("IFRSs"), 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.

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 judgement 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 internal control of the Company and its subsidiaries.

- 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 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 year 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 19, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Roberto Torres dos Santos
Engagement Partner