Gafisa S.A.
Form 20-F
April 28, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report _____

Commission file number: 001-33356

GAFISA S.A.
(Exact name of Registrant as specified in its charter)

GAFISA S.A.
(Translation of Registrant's name into English)

The Federative Republic of Brazil
(Jurisdiction of incorporation or organization)

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05425-070 – São Paulo, SP – Brazil
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fax: + 55 (11) 3025-9348
e mail: ri@gafisa.com
Attn: Andre Bergstein – Chief Financial Officer and Investor Relations Officer
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, without par value*	New York Stock Exchange

* Traded only in the form of American Depositary Shares (as evidenced by American Depositary Receipts), each representing two common shares which are registered under the Securities Act of 1933.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The number of outstanding shares as of December 31, 2015 was:

Title of Class	Number of Shares Outstanding
Common Stock	378,066,162*

*Includes 10,584,756 common shares that are held in treasury.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

table of contents

Page

INTRODUCTION	1
PRESENTATION OF FINANCIAL AND OTHER INFORMATION	1
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS	3
PART I	4
ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS	4
ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE	4
ITEM 3. KEY INFORMATION	4
ITEM 4. INFORMATION ON THE COMPANY	23
ITEM 4A. UNRESOLVED STAFF COMMENTS	57
ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS	57
ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	94
ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	110
ITEM 8. FINANCIAL INFORMATION	111
ITEM 9. THE OFFER AND LISTING	118
ITEM 10. ADDITIONAL INFORMATION	122
ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	144
ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	146
PART II	147
ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	147
ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	147
ITEM 15. CONTROLS AND PROCEDURES	147
ITEM 16. RESERVED	148
ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT	148
ITEM 16B. CODE OF BUSINESS CONDUCT AND ETHICS	148
ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES	149
ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES	150
ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS	150
ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT	150
ITEM 16G. CORPORATE GOVERNANCE	150
ITEM 16H. MINE SAFETY DISCLOSURE	150
PART III	151
ITEM 17. FINANCIAL STATEMENTS	151
ITEM 18. FINANCIAL STATEMENTS	151
ITEM 19. EXHIBITS	151

Table of Contents

INTRODUCTION

In this annual report, references to "Gafisa," "we," "our," "us," "our company" and "the Company" are to Gafisa S.A. and its consolidated subsidiaries (unless the context otherwise requires). In addition, the term "Brazil" refers to the Federative Republic of Brazil, and the phrase "Brazilian government" refers to the federal government of Brazil. All references to "*real*," "*reais*" or "R$" are to the Brazilian *real*, the official currency of Brazil, and all references to "U.S. dollar," "U.S. dollar or "US$" are to U.S. dollars, the official currency of the United States. References to "Brazilian GAAP" or "BR GAAP" are to accounting practices adopted in Brazil and references to "U.S. GAAP" are to generally accepted accounting principles in the United States. Any reference to "financial statement" is related to our consolidated financial statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

We maintain our books and records in *reais*. Our financial statements were prepared in accordance with Brazilian GAAP, which are based on:

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, Brazilian Law No. 11,638/07, Brazilian Law No. 12,431/11 and Brazilian Law No. 12,973/14, which we refer to hereinafter as "Brazilian corporate law;"
- the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the "CVM;" and
- the accounting standards issued by the Brazilian Federal Accounting Council (*Conselho Federal de Contabilidade*), or the "CFC" and the Accounting Standards Committee (*Comitê de Pronunciamentos Contábeis*), or the "CPC."

Brazilian corporate law was amended by Law No. 11,638 dated December 28, 2007 in order to facilitate the convergence of Brazilian GAAP with International Financial Reporting Standards, or "IFRS," and thereafter, the CPC issued new accounting standards that generally converged Brazilian GAAP with IFRS.

In preparing our financial statements, we have applied: (1) Guideline OCPC 04 – Application of the Technical Interpretation of ICPC 02 to the Brazilian Real Estate Development Entities – regarding revenue recognition, and the

respective costs and expenses arising from real estate development operations over the course of the construction period (percentage of completion method), and (2) CPC 37 (R1), which requires that an entity develops accounting policies based on the standards and interpretations of the CPC. We have adopted all pronouncements, guidelines and interpretations of the CPC issued through December 31, 2015. As a result, our financial statements are prepared in accordance with Brazilian GAAP, which allows revenue recognition on a percentage of completion basis for construction companies (i.e., revenue is recorded in accordance with the percentage of financial evolution of the construction project), and are therefore not compliant with IFRS as issued by the International Accounting Standards Board ("IASB"), which require revenue recognition on a delivery basis (i.e., revenue is recorded upon transferring the ownership risks and benefits to the purchaser of real estate, usually after the construction is completed and the unit is delivered).

Brazilian GAAP differs in significant respects from U.S. GAAP. The notes to our financial statements included elsewhere in this annual report contain a reconciliation of equity and net income (loss) from Brazilian GAAP to U.S. GAAP. Unless otherwise indicated, all financial information of our company included in this annual report is derived from our Brazilian GAAP financial statements.

Our consolidated financial statements reflect statement of operations and balance sheet information for all of our subsidiaries, and also separately disclose the interest of non-controlling shareholders.

As set forth in "Item 4. Information on the Company—A.History and Development of the Company", on December 9, 2013, we completed the sale of a controlling stake in Alphaville Urbanismo S.A., or "Alphaville", the leading residential community development company in Brazil. The transaction involved the sale of 50% interest by Gafisa and 20% interest by our subsidiary Construtora Tenda S.A., or "Tenda", with Gafisa retaining the remaining 30% of Alphaville capital stock. As a result, since November 30, 2013, Alphaville is no longer consolidated in the

Table of Contents

financial statements of the Company. In this annual report, while financial information related to Alphaville is treated as discontinued operations, all operating information related to our business includes full operating information for Alphaville through December 9, 2013.

Effective January 1, 2013, and applicable retrospectively to the comparative periods of 2012 and 2011, with the adoption of CPCs 19 (R2) (or IFRS 11) and 36 (R3) (or IFRS 10), the proportional consolidation method for investments in jointly-controlled investees, which was previously applied by the Company, is no longer allowed under Brazilian GAAP. Consequently, our jointly controlled investments are now accounted for by the equity method. In accordance with the transition provisions provided by these new accounting standards, we were not required to retrospectively restate our 2010 and 2009 Brazilian GAAP consolidated financial statements. While our financial statements and the financial information presented in this annual report have been restated to apply this change retrospectively to the comparative periods of December 31, 2012 and 2011, the operating information presented in this annual report has not been restated and reflects our percentage interest in such jointly-controlled investees as management believes it provides a better view of our operating performance.

Market Information

Certain industry, demographic, market and competitive data, including market forecasts, used in this annual report were obtained from internal surveys, market research, publicly available information and industry publications. We have made these statements on the basis of information from third-party sources that we believe are reliable, such as the Brazilian Property Studies Company (*Empresa Brasileira de Estudos de Patrimônio*), or "EMBRAESP," the Association of Managers of Real Estate Companies (*Associação de Dirigentes de Empresas do Mercado Imobiliário*), or "ADEMI," the Getulio Vargas Foundation (*Fundaçao Getulio Vargas*), or "FGV," the National Bank of Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or "BNDES," the Real Estate Companies' Union (*Sindicato das Empresas de Compra, Venda, Locação e Administração de Imóveis Residenciais e Comerciais*), or "SECOVI," the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or "IBGE" and the Brazilian Central Bank (*Banco Central do Brasil*), or the "Central Bank," among others. Industry and government publications, including those referenced here, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Although we have no reason to believe that any of this information or these reports are inaccurate in any material respect, such information has not been independently verified by us. Accordingly, we do not make any representation as to the accuracy of such information.

Rounding and Other Information

Some percentages and certain figures included in this annual report have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables in this annual report may not be an arithmetic aggregation of the

figures that precede them.

In this annual report, all references to “contracted sales” are to the aggregate amount of sales resulting from all agreements for the sale of units (including residential communities and land subdivisions) entered into during a certain period, including new units and units in inventory. Further, in this annual report we use the term “value of launches” as a measure of our performance. Value of launches is not a GAAP measurement. Value of launches, as used in this annual report, is calculated by multiplying the total numbers of units in a real estate development by the average unit sales price.

All references to “potential sales value” are to our estimates of the total amount obtained or that can be obtained from the sale of all launched units of a certain real estate development, calculated by multiplying the number of units in a development by the sale price of the unit. Investors should be aware that our potential sales value may not be realized or may significantly differ from the amount of contracted sales, since the total number of units actually sold may be lower than the number of units launched and/or the contracted sales price of each unit may be lower than the launching price.

In addition, we present information in square meters in this annual report. One square meter is equal to approximately 10.76 square feet.

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The statements contained in this annual report in relation to our plans, forecasts, expectations regarding future events, strategies, and projections, are forward-looking statements which involve risks and uncertainties and which are therefore not guarantees of future results. Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and trends, which affect or may affect our businesses and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several uncertainties and are made in light of information currently available to us. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- changes in overall economic conditions, including employment levels, population growth and consumer confidence;
- changes in real estate market prices and demand, estimated budgeted costs and the preferences and financial condition of our customers;
- demographic factors and available income;
- our ability to repay our indebtedness and comply with our financial obligations;
- our ability to arrange financing and implement our expansion plan;
- our ability to compete and conduct our businesses in the future;
- changes in our business;
- inflation and interest rate fluctuations;
- changes in the laws and regulations applicable to the real estate market;
- government interventions, resulting in changes in the economy, taxes, rates or regulatory environment;
- other factors that may affect our financial condition, liquidity and results of our operations; and

- other risk factors discussed under “Item 3. Key Information—D. Risk Factors.”

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to estimates and forward-looking statements. Estimates and forward-looking statements speak only as of the date they were made, and we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this annual report might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, inclusive of, but not limited to, the factors mentioned above.

Table of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected financial data for 2015, 2014, 2013, 2012 and 2011 has been derived from our audited consolidated financial statements presented herein. Our financial statements are prepared in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. For a discussion of the significant differences relating to these consolidated financial statements and a reconciliation of net income (loss) and equity from Brazilian GAAP to U.S. GAAP, see notes to our consolidated financial statements included elsewhere in this annual report. See also "Presentation of Financial and Other Information."

This financial information should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report.

The following table sets forth financial information as of and for the years ended December 31, 2015, 2014, 2013, 2012 and 2011, which has been prepared in accordance with Brazilian GAAP in effect as of December 31, 2015. Certain information below is presented in accordance with U.S. GAAP.

	As of and for the year ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share, per ADS and operating data)				
Consolidated Statement of Operations Data:					
Brazilian GAAP:					
Net operating revenue	2,294,319	2,150,998	2,481,211	2,805,086	1,846,902
Operating costs	(1,667,505)	(1,609,246)	(1,863,766)	(2,276,804)	(1,927,874)
Gross profit (loss)	626,814	541,752	617,445	528,282	(80,972)
Operating expenses, net	(510,528)	(561,284)	(215,574)	(609,604)	(719,232)
Financial expenses, net	(38,127)	(8,918)	(162,503)	(180,263)	(166,728)
Income (loss) before income tax and social contribution	78,159	(28,450)	239,368	(261,585)	(966,932)
Income tax and social contribution	(7,180)	(15,275)	(2,812)	(20,222)	(105,850)
Net income (loss) from continuing operations	70,979	(43,725)	236,556	(281,807)	(1,072,782)
Net income from discontinued operations .	—	—	631,122	204,128	167,759
Net income (loss) for the year attributable to non-controlling interest	(3,470)	(1,176)	235	49,364	39,845
Net income (loss) for the year attributable to owners of Gafisa	R$ 74,449	R$ (42,549)	R$ 867,443	R$ (127,043)	R$ (944,868)
Share and ADS data:					
Per common share data—R$ per share:					
Earnings (loss) per weighted average number of shares—Basic	0.2025	(0.1059)	2.0348	(0.2939)	(2.1893)
From continuing operations	0.2025	(0.1059)	0.7358	(0.6717)	(2.5003)
From discontinued operations .	—	—	1.2990	0.3778	0.3110
Earnings (loss) per weighted average number of shares —Diluted	0.2012	(0.1059)	2.0226	(0.2939)	(2.1893)
From continuing operations	0.2012	(0.1059)	0.7315	(0.6717)	(2.5003)
From discontinued operations	—	—	1.2911	0.3778	0.3110
Weighted average number of shares outstanding—in thousands	367,572	401,905	426,300	432,246	431,586
Dividends and interest on shareholders' equity declared—*in thousands of reais*	17,682	—	163,112	—	—
Earnings (loss) per share—R$ per share	0.2026	(0.1125)	2.0829	(0.2937)	(2.1867)
Number of common shares outstanding as at end of period—in thousands*	367,481	378,185	416,460	432,630	432,099
Earnings (loss) per ADS—R$ per ADS(1)	0.4052	(0.2250)	4.1658	(0.5873)	(4.3734)

Table of Contents

	As of and for the year ended December 31,				
	2015	2014	2013	2012	2011
	(in thousands, except per share, per ADS and operating data)				
U.S. GAAP:					
Net operating revenue	2,351,528	2,446,548	2,565,988	3,930,729	3,250,227
Operating costs	(1,732,113)	(1,819,612)	(1,955,158)	(3,008,345)	(2,743,144)
Gross profit	619,411	626,936	570,830	922,384	507,083
Operating expenses, net	(552,606)	(551,800)	(202,025)	(859,657)	(862,975)
Financial expenses, net	(40,702)	(31,924)	(187,298)	(191,414)	(97,370)
Income from disposal on controlling interests	—	—	1,228,429	—	—
Income (loss) before income tax and social contribution and income from equity method investments	26,103	43,212	1,409,936	(128,687)	(453,262)
Income tax and social contribution	(32,408)	(20,339)	(52,211)	(68,733)	(334,410)
Equity pick-up	(6,871)	17,361	(21,795)	108,265	59,687
Net income (loss) for the year	(13,176)	40,234	1,335,930	(89,155)	(727,985)
Net income (loss) attributable to non-controlling interests	(3,092)	(2,071)	13,462	32,048	27,784
Net income (loss) attributable to owners of Gafisa	(10,084)	42,305	1,322,468	(121,203)	(755,769)
Per share and ADS data:					
Per common share data—R$ per weighted average number of shares:					
Earnings (loss) per weighted average number of shares—Basic	(0.0274)	0.1053	3.1022	(0.2804)	(1.7511)
Earnings (loss) per weighted average number of shares—Diluted	(0.0274)	0.1053	3.0835	(0.2804)	(1.7511)
Weighted average number of shares outstanding — in thousands	367,572	401,905	426,300	432,246	431,586
Dividends declared and interest on equity	17,682	—	163,112	—	—
Per ADS data—R$ per ADS(1):					
Profit (loss) per ADS —Basic(1)	(0.0548)	0.2106	6.2044	(0.5608)	(3.5023)
Profit (loss) per ADS —Diluted(1)	(0.0548)	0.2106	6.1670	(0.5608)	(3.5023)
Weighted average number of ADSs outstanding—in thousands	183,786	200,548	213,150	216,123	215,793
Dividends and interest on equity declared	17,682	—	163,112	—	—
Consolidated Balance Sheet Data:					
Brazilian GAAP:					
Cash, cash equivalents and short-term investments	712,311	1,157,254	2,024,163	1,567,755	858,351
Current and non-current properties for sale	2,630,617	2,512,342	2,094,414	2,166,424	2,463,374
Working capital(2)	2,267,795	2,420,342	2,996,884	3,764,756	1,848,311
Total assets	6,760,332	7,205,852	8,183,030	8,712,569	9,164,783
Total debt(3)	2,150,793	2,586,524	3,059,528	3,640,437	3,437,929

Total equity	3,097,236	3,058,403	3,214,483	2,685,829	2,743,576
U.S. GAAP:					
Cash and cash equivalents, short-term investments and restricted short-term investments	712,311	1,157,254	2,024,163	1,566,042	858,351
Current and non-current properties for sale	3,130,051	3,023,765	2,816,204	3,260,711	3,847,858
Working capital(2)	2,143,641	2,295,951	2,755,836	3,419,171	3,353,108
Total assets	6,693,116	7,233,212	8,477,587	8,694,612	8,861,145
Total debt(3)	2,155,061	2,594,624	3,067,703	3,642,920	3,444,478
Total Gafisa equity	2,702,234	2,747,532	2,799,171	1,619,276	1,719,948
Equity of non-controlling interests	2,648	3,339	23,074	53,222	21,174
Total equity	2,704,882	2,750,871	2,822,245	1,672,498	1,741,122
Consolidated cash flow provided by (used in):					
Brazilian GAAP					
Operating activities	91,748	41,891	297,652	644,288	(790,145)
Investing activities	361,466	751,953	53,464	(287,960)	(31,641)
Financing activities	(480,469)	(899,143)	(568,124)	162,080	634,952
Operating data (7)(8):					
Number of new developments	41	23	37	35	49
Potential sales value(4)	2,085,257	1,636,311	2,886,204	2,951,961	3,526,298
Number of units launched(5)	10,089	6,104	11,072	8,947	12,224
Launched usable area (m2)(6)	428,257	326,421	2,893,541	3,153,251	2,250,725
Units sold	8,892	4,294	10,187	7,157	9,844

Table of Contents

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* Common shares held in Treasury are not included.

(1) Earnings (loss) per ADS is calculated based on each ADS representing two common shares.

(2) Working capital equals current assets less current liabilities.

(3) Total debt comprises current and non-current of loans and financings and debentures.

(4) Potential sales value is calculated by multiplying the number of units in a development by the sales price of the unit.

(5) The units delivered in exchange for land pursuant to swap agreements are not included.

(6) One square meter is equal to approximately 10.76 square feet.

(7) As explained in Note 8.2 to our consolidated financial statements for the years ended December 31, 2013, the results of operations of Alphaville have been presented as discontinued operations under Brazilian GAAP in the Company's 2013 and 2012 consolidated statements of operations given its disposal during 2013. Under Brazilian GAAP, previous period balance sheet information is not retrospectively adjusted. Brazilian GAAP selected consolidated statement of operations financial data for the year ended December 31, 2011 has also been retrospectively adjusted to also reflect discontinued operations for comparability purposes. Previously reported U.S. GAAP selected financial information is not impacted by this matter as Alphaville is reflected as a component of continuing operations for all periods presented, given the Company's significant continuing involvement in those operations via its 30% retained ownership interest.

(8) While our financial statements and the financial information presented in this annual report have been restated to apply this change retrospectively to the comparative periods of December 31, 2012 and 2011, the operating information presented in this annual report has not been restated and reflects our percentage interest in such jointly-controlled investees as management believes it provides a better view of our operating performance.

Exchange Rates

All transactions involving foreign currency in the Brazilian market, whether carried out by investors resident or domiciled in Brazil or investors resident or domiciled abroad, must now be conducted on the consolidated exchange market through institutions authorized by the Central Bank and subject to the rules of the Central Bank.

The Central Bank has allowed the *real* to float freely against the U.S. dollar since January 15, 1999. Since the beginning of 2001, the Brazilian exchange market has been increasingly volatile, and, until early 2003, the value of the *real* declined relative to the U.S. dollar, primarily due to financial and political instability in Brazil and Argentina. According to the Central Bank, in 2005, 2006 and 2007, however, the period-end value of the *real* appreciated in relation to the U.S. dollar 13.4%, 9.5% and 20.7%, respectively. In 2008, the period-end value of the *real* depreciated in relation to the U.S. dollar by 24.2%. In 2009 and 2010, the period-end value of the *real* appreciated in relation to the U.S. dollar by 34.2% and 4.3%. In 2011, the *real* depreciated against the U.S. dollar by 11.2%. In 2013 and 2012, the *real* depreciated by 13.2% and 8.9% against the U.S. dollar, respectively. On December 31, 2012, the period-end *real*/U.S. dollar exchange rate was R$2.0435 per U.S. $1.00, and on December 31, 2013 it was R$2.3420 per U.S.$1.00. In 2014, the period-end value of the *real* depreciated in relation to the U.S. dollar by 13.4%. On December 31, 2014, the period-end *real*/U.S. dollar exchange rate was R$2.6562 per U.S. $1.00. In 2015, the period-end value of the *real* depreciated in relation to the U.S. dollar by 47.0%. On December 31, 2015, the period-end *real*/U.S. dollar exchange rate was R$3.9048 per U.S. $1.00. Although the Central Bank has intervened occasionally to control unstable movements in the foreign exchange rates, the exchange market may continue to be volatile as a result of this instability or other factors, and, therefore, the *real* may substantially decline or appreciate in value in relation to the U.S. dollar in the future.

Table of Contents

The following table shows the selling rate, expressed in *reais* per U.S. dollar (R$/US$), for the periods and dates indicated.

	Period-end	Average for period(1)	Low	High
	(per U.S. dollar)			
Year Ended:				
December 31, 2011	1.876	1.718	1.535	1.902
December 31, 2012	2.044	1.907	1.702	2.112
December 31, 2013	2.342	2.199	1.925	2.445
December 31, 2014	2.656	2.469	2.197	2.740
December 31, 2015	3.905	3.385	2.575	4.195
Month Ended:				
October 2015	3.859	3.870	3.739	4.001
November 2015	3.851	3.776	3.701	3.851
December 2015	3.905	3.865	3.748	3.983
January 2016	4.043	4.071	3.986	4.156
February 2016	3.980	3.957	3.865	4.049
March 2016	3.559	3.775	3.559	3.991
April 2016 (through April 26, 2016)	3.530	3.602	3.513	3.692

(1) Average of the lowest and highest rates in the periods presented.

Source: Central Bank.

On April 26, 2016, the selling rate was R$3.530 to US$1.00. The *real*/dollar exchange rate fluctuates and, therefore, the selling rate at April 26, 2016 may not be indicative of future exchange rates.

Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or serious reasons to foresee such imbalance, temporary restrictions may be imposed on remittances of foreign capital abroad. For approximately six months in 1989, and early 1990, for example, the Federal Government froze all dividend and capital repatriations that were owed to foreign equity investors. These amounts were subsequently released in accordance with Federal Government directives. There can be no assurance that similar measures will not be taken by the Federal Government in the future.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

This section is intended to be a summary of the more detailed discussion included elsewhere in this annual report. Our business, results of operations, financial condition or prospects could be adversely affected if any of these risks occurs, and as a result, the trading price of our common shares and ADSs could decline. The risks described below are those known to us and those that we currently believe may materially affect us.

Risks Relating to Our Business and to the Brazilian Real Estate Industry

Our business, results of operations, financial condition and the market price of our common shares or the ADSs may be adversely affected by weaknesses in general economic, real estate and other conditions.

The residential homebuilding and land development industry is cyclical and is significantly affected by changes in general and local economic conditions, such as:

- employment levels;
- population growth;
- consumer demand, confidence, stability of income levels and interest rates;
- availability of financing for land home site acquisitions and the availability of construction and permanent mortgages;
- inventory levels of both new and existing homes;

Table of Contents

- supply of rental properties; and

- conditions in the housing resale market.

Furthermore, the market value of undeveloped land, buildable lots and housing inventories held by us can fluctuate significantly as a result of changing economic and real estate market conditions. If there are significant adverse changes in economic or real estate market conditions, we will have to sell homes at a loss or hold land in inventory longer than planned.

For example, in 2008, the global financial crisis adversely impacted Brazil's gross domestic product, or "GDP," resulting in a decrease in both the number of developments launched and the rate of sales of our units. During 2014 and 2015, weakening economic conditions and political instability in Brazil, leading to an increase in interest rates, higher inflation and an increase in levels of unemployment, among other factors, had an adverse impact on the real estate market, including a decrease in the level of launches in the Gafisa segment and a sharp decrease in the overall volume of real estate launches in Brazil. Worldwide financial market volatility may also adversely impact government plans for the Brazilian real estate industry, which may have a material adverse effect on our business, our financial condition and results of operations.

We operate in a highly competitive industry and our failure to compete effectively could adversely affect our business.

The Brazilian real estate industry is highly competitive and fragmented. We compete with several developers on the basis of land availability and location, price, funding, design, quality, and reputation as well as for partnerships with other developers. Because our industry does not have high barriers to entry, new competitors, including international companies working in partnership with Brazilian developers, may enter into the industry, further intensifying this competition. Some of our current potential competitors may have greater financial and other resources than we do. Furthermore, a significant portion of our real estate development and construction activity is conducted in the states of São Paulo, Rio de Janeiro, Minas Gerais, Pernambuco, Rio Grande do Sul and Bahia, areas where the real estate market is highly competitive due to a scarcity of properties in desirable locations and the relatively large number of local competitors. If we are not able to compete effectively, our business, our financial condition and the results of our operations could be adversely affected.

Problems with the construction and timely completion of our real estate projects, as well as third party projects for which we have been hired as a contractor, may damage our reputation, expose us to civil liability and decrease our profitability.

The quality of work in the construction of our real estate projects and the timely completion of these projects are major factors that affect our reputation, and therefore our sales and growth. We may experience delays in the construction of our projects or there may be defects in materials and/or workmanship. Any defects could delay the completion of our real estate projects, or, if such defects are discovered after completion, expose us to civil lawsuits by purchasers or tenants. These factors may also adversely affect our reputation as a contractor for third party projects, since we are responsible for our construction services and the building itself for five years. Construction projects often involve delays in obtaining, or the inability to obtain, permits or approvals from the relevant authorities. In addition, construction projects may also encounter delays due to adverse weather conditions, natural disasters, fires, delays in the provision of materials or labor, accidents, labor disputes, unforeseen engineering, environmental or geological problems, disputes with contractors and subcontractors, unforeseen conditions at construction sites, disputes with surrounding landowners, or other events. In addition, we may encounter previously unknown conditions at or near our construction sites that may delay or prevent construction of a particular project. If we encounter a previously unknown condition at or near a site, we may be required to correct the condition prior to continuing construction and there may be a delay in the construction of a particular project. The occurrence of any one or more of these problems in our real estate projects could adversely affect our reputation and our future sales.

We may incur construction and other development costs for a project that exceeds our original estimates due to increases over time in interest rates, real estate taxes or costs associated with materials and labor, among others. We may not be able to pass these increased costs on to purchasers. Construction delays, scarcity of skilled workers, default and or bankruptcy of third party contractors, cost overruns and adverse conditions may also increase project development costs. In addition, delays in the completion of a project may result in a delay in the commencement of cash flow, which would increase our capital needs.

Table of Contents

Our inability to acquire adequate capital to finance our projects could delay the launch of new projects and adversely affect our business.

We expect that the continued expansion and development of our business will require significant capital, including working capital, which we may be unable to obtain on acceptable terms, or at all, to fund our capital expenditures and operating expenses, including working capital needs. We may fail to generate sufficient cash flow from our operations to meet our cash requirements. Furthermore, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach expected levels or we have to incur unforeseen capital expenditures and make investments to maintain our competitive position. If this is the case, we may require additional financing sooner than anticipated, or we may have to delay some of our new development and expansion plans or otherwise forgo market opportunities. Future borrowing instruments such as credit facilities are likely to contain restrictive covenants, particularly in light of the recent economic downturn and unavailability of credit, and/or may require us to pledge assets as security for borrowings under those facilities. Our inability to obtain additional capital on satisfactory terms may delay or prevent the expansion of our business, which would have an adverse effect on our business. As of December 31, 2015, our net debt plus payable to venture partners (indebtedness from debentures, loans and financing, project financing and payables to venture partners balance, net of our cash and short term investments position) was R$1,443.4 million, our cash and cash equivalents and short-term investments were R$712.3 million and our total debt was R$2,155.7 million including obligations to venture partners of R$4.9 million.

Changing market conditions may adversely affect our ability to sell our property inventories at expected prices, which could reduce our margins and adversely affect the market price of our common shares or the ADSs.

We must constantly locate and acquire new tracts of land for development and development home sites to support our homebuilding operations. There is a lag between the time we acquire land for development or development home sites and the time that we can bring the properties to market and sell homes. As a result, we face the risk that demand for housing may decline, costs of labor or materials may increase, interest rates may increase, currencies may fluctuate and political uncertainties may occur during this period and that we will not be able to dispose of developed properties at expected prices or profit margins or within anticipated time frames or at all. Significant expenditures associated with investments in real estate, such as maintenance costs, construction costs and debt payments, cannot generally be reduced if changes in the economy cause a decrease in revenues from our properties. The market value of property inventories, undeveloped tracts of land and desirable locations can fluctuate significantly because of changing market conditions. In addition, inventory carrying costs (including interest on funds unused to acquire land or build homes) can be significant and can adversely affect our performance. Because of these factors, we may be forced to sell homes and other real properties at a loss or for prices that generate lower profit margins than we anticipate. We may also be required to make material write-downs of the book value of our real estate assets in accordance with Brazilian and U.S. GAAP if values decline. The occurrence of any of these factors may adversely affect our business and results of operations.

We are subject to risks normally associated with permitting our purchasers to make payments in installments; if there are higher than anticipated defaults or if our costs of providing such financing increase, then our profitability could be adversely affected.

As is common in our industry, we and the special purpose entities, or "SPEs," in which we participate permit some purchasers of the units in our projects to make payments in installments. As a result, we are subject to the risks associated with this financing, including the risk of default in the payment of principal or interest on the loans we make as well as the risk of increased costs for the funds raised by us. In addition, our term sales agreements usually bear interest and provide for an inflation adjustment. If the rate of inflation increases, the loan payments under these term sales agreements may increase, which may lead to a higher rate of payment default. If the default rate among our purchasers increases, our cash generation and, therefore, our profitability could be adversely affected.

In the case of a payment default after the delivery of financed units, Brazilian law provides for the filing of a collection claim to recover the amount owed or to repossess the unit following specified procedures. The collection of overdue amounts or the repossession of the property is a lengthy process and involves additional costs. It is uncertain that we can recover the full amount owed to us or that if we repossess a unit, we can re-sell the unit at favorable terms or at all.

The affordable entry-level segment is strongly dependent on the availability of financing, including from the *Minha Casa, Minha Vida* program and from *Caixa Econômica Federal*, or the "CEF." The scarcity of financing, the increase in interest rates, the reduction in financing terms, share of financing per unit and subsidies or any other modification in other financing terms and conditions may adversely affect the performance of the affordable entry-level segment.

Table of Contents

If we or the SPEs in which we participate fail to comply with or become subject to more onerous government regulations, our business could be adversely affected.

We and the SPEs in which we participate are subject to various federal, state and municipal laws and regulations, including those relating to construction, zoning, soil use, urban regulations, environmental protection, historical sites, consumer protection and antitrust. We are required to obtain, maintain and renew on a regular basis permits, licenses and authorizations from various governmental authorities in order to carry out our projects. We strive to maintain compliance with these laws and regulations, as well as with conditions of permits, licenses and authorizations. If we are unable to achieve or maintain compliance with these laws, regulations and conditions, we could be subject to fines, project shutdowns, cancellation of licenses and revocation of authorizations or other restrictions on our ability to develop our projects, which could have an adverse impact on our business, financial condition and results of operations. In addition, our contractors and subcontractors are required to comply with various labor and environmental regulations and tax and other regulatory obligations. Because we are secondary obligors to these contractors and subcontractors, if they fail to comply with these regulations or obligations, we may be subject to penalties by the relevant regulatory bodies, and to indemnification claims from affected third parties.

Regulations governing the Brazilian real estate industry as well as environmental laws have tended to become more restrictive over time. We cannot assure that new and stricter standards will not be passed or become applicable to us, or that stricter interpretations of existing laws and regulations will not be adopted. Furthermore, we cannot assure that any such more onerous regulations would not cause delays in our projects or that we would be able to secure the relevant permits and licenses. Any such event may require us to spend additional funds to achieve compliance with such new rules and therefore make the development of our projects more costly, which can adversely affect our business and the market price of our common shares or the ADSs.

Scarcity of financing and/or increased interest rates could cause a decrease in the demand for real estate properties, which could negatively affect our results of operations, financial condition and the market price of our common shares or the ADSs.

The scarcity of financing and/or an increase in interest rates or in other indirect financing costs may adversely affect the ability or willingness of prospective buyers to purchase our products and services, especially prospective low income buyers. A majority of the bank financing obtained by prospective buyers comes from the Housing Financial System (*Sistema Financeiro de Habitação*), or the “SFH,” which is financed by funds raised from savings account deposits. The Brazilian Monetary Council (*Conselho Monetário Nacional*), or the “CMN,” often changes the amount of such funds that banks are required to make available for real estate financing. If the CMN restricts the amount of available funds that can be used to finance the purchase of real estate properties, or if there is an increase in interest rates, there may be a decrease in the demand for our residential and commercial properties and for the development of lots of land, which may adversely affect our business, financial condition and results of operations.

We and other companies in the real estate industry frequently extend credit to our clients. As a result, we are subject to risks associated with providing financing, including the risk of default on amounts owed to us, as well as the risk of increased costs of funding our operations. An increase in inflation would raise the nominal amounts due from our clients, pursuant to their sales agreements, which may increase their rates of default. If this were to occur, our cash generation and, therefore, our operating results may be adversely affected. In addition, we obtain financings from financial institutions at different rates and subject to different indexes and may be unable to match our debt service requirements with the terms of the financings we grant to our clients. The mismatch of rates and terms between the funds we obtain and the financings we grant may adversely affect us.

Some of our subsidiaries use significant funding from the home financing programs of the CEF and Banco do Brasil, or “BB”, including the Minha Casa, Minha Vida program, and, as a result, are subject to institutional and operating changes in the CEF and BB and enhanced customer risk profiles associated with clients eligible for these programs.

The CEF and BB, have several home financing programs for the low-income segment, which are used by Construtora Tenda S.A., or “Tenda,” to fund its activities. The CEF and BB are state-owned and mixed capital financial institutions and are subject to political influence, which may change the availability or the terms of the home financing programs. The cancelation, suspension, interruption or a significant change in such programs may affect our growth estimates and our business. Furthermore, the suspension, interruption or slowdown in the activities of the CEF or BB to approve projects, grant financing to our clients and evaluate construction process, among other activities, may adversely impact our business, financial position, results of operations and the market price of our common shares and ADSs.

Table of Contents

Also, in March 2009, the Brazilian government announced the creation of a public housing program called "*Minha Casa, Minha Vida*." The second phase of the program, which was implemented from 2011 to 2014, financed and built approximately 2.3 million houses, with approximately 1.4 million additional houses under construction. In 2015, the Brazilian government announced the third phase of the program. The program aims to reduce the housing deficit in Brazil, which as of 2014 was estimated to be 5.2 million houses. The program's "MCMV I" and "MCMV II" phases call for total government investment of up to R$230 billion, to be made available through financing from the CEF and BB, and aim to build approximately 4.1 million houses for families with monthly incomes of up to ten times the minimum wage. This program offers, among other things, long-term financing, lower interest rates, greater share of the property financed to the client, subsidies based on income level, lower insurance costs and the creation of a guarantor fund to refinance debt in case of unemployment. Financing to the affordable entry-level segment is primarily made available through the CEF and BB. On March 30, 2016, the Brazilian government launched "MCMVIII", the third phase of the program, which aims to build approximately 2 million houses in the next three years, with a total investment of approximately R$210.6 billion. As of the date of this annual report, the Brazilian government has not released any further details regarding the implementation of "MCMVIII".

Any changes in such financing would force us to seek new sources of financing and the availability of funds under similar conditions is limited, which would have an adverse effect on our results of operations.

We may sell portions of our landbank located in nonstrategic regions, which is in line with our future strategies. As a result, we will prepare an annual analysis for impairment of our landbank.

As part of our strategy to focus our future operations on regions where our developments have historically been successful, and where we believe there is homebuilding potential based on market opportunities, we may sell portions of our landbank located outside of these regions. As a result, we will prepare an annual impairment analysis of our landbank based on the acquisition cost of the land in our portfolio. In 2011, we made a decision to sell a portion of our landbank given our narrowed geographic focus and our evaluation of impairment resulted in recording a provision for impairment on landbank and properties for sale in the amount of R$92.1 million. In December 2012, we had R$53.8 million recorded as a provision for impairment on landbank and properties for sale. As of December 31, 2013, we had R$68.5 million recorded as a provision for impairment on landbank and properties for sale. As of December 31, 2014, we had R$63.5 million recorded as a provision for impairment on landbank and properties for sale. As of December 31, 2015, we had R$50.3 million recorded as a provision for impairment on landbank and properties for sale.

The real estate industry is dependent on the availability of credit, especially in the affordable entry-level segment.

One of our main strategies is to expand our operations to the affordable entry-level segment in which clients are strongly dependent on bank financing to purchase homes. This financing may not be available on favorable terms to our clients, or at all. Changes in the Real Estate Financing System (*Sistema de Financiamento Imobiliário*), or the "SFI," and in the SFH rules, the scarcity of available resources or an increase in interest rates may affect the ability or desire of such clients to purchase homes, consequently affecting the demand for homes. These factors would have a material adverse effect on our business, financial condition and results of operations.

Because we recognize sales revenue from our real estate properties under the percentage of completion method of accounting under Brazilian GAAP as generally adopted by construction companies and under U.S. GAAP, when we meet the conditions specified by the respective accounting standards, an adjustment in the cost of a development project may reduce or eliminate previously reported revenue and income.

We recognize revenue from the sale of units in our properties based on the percentage of completion method of accounting, which requires us to recognize revenue as we incur the cost of construction. Total cost estimates are revised on a regular basis as the work progresses, and adjustments based upon such revisions are reflected in our results of operations in accordance with the method of accounting used. To the extent that these adjustments result in an increase, a reduction or an elimination of previously reported income, we will recognize a credit to or a charge against income, which could have an adverse effect on our previously reported revenue and income.

Table of Contents

Our participation in SPEs creates additional risks, including potential problems in our financial and business relationships with our partners.

We invest in special purpose entities (*Sociedade de Propósito Específico* or "SPEs") with other real estate developers and construction companies in Brazil. The risks involved with SPEs include the potential bankruptcy of our SPE partners and the possibility of diverging or inconsistent economic or business interests between us and our partners. If an SPE partner fails to perform or is financially unable to bear its portion of the required capital contributions, we could be required to make additional investments and provide additional services in order to make up for our partner's shortfall. In addition, under Brazilian law, the partners of an SPE may be liable for certain obligations of an SPE, including with respect to tax, labor, environmental and consumer protection laws and regulations. These risks could adversely affect us.

We may experience difficulties in finding desirable land tracts, and increases in the price of land may increase our cost of sales and decrease our earnings.

Our continued growth depends in large part on our ability to continue to acquire land and to do so at a reasonable cost. As more developers enter or expand their operations in the Brazilian home building industry, land prices could rise significantly and suitable land could become scarce due to increased demand, decreased supply or both. A resulting rise in land prices may increase our cost of sales and decrease our earnings. We may not be able to continue to acquire suitable land at reasonable prices in the future, which could adversely affect our business.

The market value of our inventory of undeveloped land may decrease, thus adversely affecting our results of operations.

We own tracts of undeveloped land that are part of our inventory for future developments. We also intend to increase our inventory and acquire larger tracts of land. The market value of these properties may significantly decrease from the acquisition date to the development of the project as a result of economic downturns or market conditions, which would have an adverse effect on our results of operations.

Increases in the price of raw materials and fixtures may increase our cost of sales and reduce our earnings.

The basic raw materials and fixtures used in the construction of our homes include concrete, concrete block, steel, aluminum, bricks, windows, doors, roof tiles and plumbing fixtures. Increases in the price of these and other raw

materials, including increases that may occur as a result of shortages, duties, restrictions, or fluctuations in exchange rates, could increase our cost of sales. Any such cost increases could reduce our earnings and adversely affect our business.

If we are not able to implement our growth strategy as planned, or at all, our business, financial condition and results of operations could be adversely affected.

We plan to grow our business by selectively expanding to meet the growth potential of the Brazilian residential market. We believe that there is increasing competition for suitable real estate development sites. We may not find suitable additional sites for development of new projects or other suitable expansion opportunities.

We anticipate that we will need additional financing to implement our expansion strategy and we may not have access to the funding required for the expansion of our business or such funding may not be available to us on acceptable terms. We may finance the expansion of our business with additional indebtedness or by issuing additional debt or equity securities. For example, in 2012, we issued R$360.0 million in subordinated indebtedness, including: (1) R$150 million in bank credit certificates, or CCBs, on September 5, 2012, (2) R$80 million in our third restricted public issuance of commercial paper in a single series in December 2012 and (3) R$130 million in CCBs issued by Alphaville secured by a pledge of sales receivables and certain ventures. In addition, on October 31, 2012, we amended the terms of certain CCBs in the amount of R$100 million to provide additional security, including a first-priority mortgage of certain real estate ventures, a pledge of sales receivables and to adjust the payment terms of the CCBs.

On October 7, 2013, we entered into a Real Estate Finance System (SFI) loan in the amount of R$300 million. The loan is scheduled to mature in July 2017. The loan is secured by (i) first-priority mortgages over select real estate ventures of the Company and (ii) fiduciary assignments of real estate receivables generated by such select real estate ventures. The purpose of the loan is to provide funding for housing projects only. The loan agreement contains restrictive covenants which trigger early redemption upon the occurrence of certain events of default.

Table of Contents

In July 2014, we issued R$130 million in non-convertible debentures on a private placement basis. The debentures are secured by (i) first-priority mortgages over select real estate ventures of the Company and (ii) fiduciary assignments of real estate receivables generated by such select real estate ventures. The proceeds of the debentures will be used to fund the development of such real estate ventures only. The debentures holders assigned their fiduciary rights in the real estate receivables in favor of a real estate securitization SPE, which issued Certificates of Real Estate Receivables (*Certificados de Recebíveis Imobiliários*) or "CRIs", backed by such real estate receivables.

In September 2014, the Company entered into a Real Estate Finance System (SFI) loan in the amount of R$194 million. The loan is scheduled to mature in October 2018. The loan is secured by (i) first-priority mortgages over select real estate ventures of the Company and (ii) fiduciary assignments of real estate receivables generated by such select real estate ventures. The purpose of the loan is to provide funding for housing projects only.

In January 2015, we issued R$55 million in non-convertible debentures on a private placement basis. The debentures are secured by (i) first-priority mortgages over select real estate ventures of the Company and (ii) fiduciary assignments of real estate receivables generated by such select real estate ventures. The debentures are scheduled to mature on January 20, 2020. The proceeds of the debentures will be used to fund the development of such real estate ventures only.

In December 2015, we entered into a real estate sales receivables (*Cédula de Crédito Imobiliário*, or "CCI") transaction related to a portfolio comprising selected residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$32.2 million in exchange for cash at the transfer date, discounted to present value, for R$24.5 million.

We could face financial risks, covenant restrictions and restrictions on our ability to employ assets associated with incurring additional indebtedness, such as reducing our liquidity and access to financial markets and increasing the amount of cash flow required to service such indebtedness, or associated with issuing additional stock, such as dilution of ownership and earnings.

There are risks for which we do not have insurance coverage or the insurance coverage we have in place may not be sufficient to cover damages that we may suffer.

We maintain insurance policies with coverage for certain risks, including damages arising from engineering defects, fire, landslides, storms, gas explosions and civil liabilities stemming from construction errors. We believe that the level of insurance we have contracted for accidents is consistent with market practice. However, there can be no assurance that such policies will always be available or provide sufficient coverage for certain damages. In addition,

there are certain risks that may not be covered by such policies, such as damages resulting from war, force majeure or the interruption of certain activities and, therefore any requirement to pay amounts not covered by our insurance may have a negative impact on our business and our results of operations. Furthermore, we are required to pay penalties and other fines whenever there is delay in the delivery of our units, and such penalties and fines are not covered by our insurance policies.

Moreover, we cannot guarantee that we will be able to renew our current insurance policies under favorable terms, or at all. As a result, insufficient insurance coverage or our inability to renew existing insurance policies could have an adverse effect on our financial condition and results of operations.

Our level of indebtedness could have an adverse effect on our financial health, diminish our ability to raise additional capital to fund our operations and limit our ability to react to changes in the economy or the real estate industry.

As of December 31, 2015, our total debt (loans, financing and debentures) and payables to venture partners was R$2,155.7 million and our short-term debt and payables to venture partners was R$1,065.7 million. In addition, as of December 31, 2015 our cash and cash equivalents and short-term investments available was R$712.3 million and our net debt represented 46.6% of our shareholders' equity including the non-controlling interest. Our indebtedness has variable interest rates. Our level of indebtedness could have important negative consequences for us. For example, it could:

- require us to dedicate a large portion of our cash flow from operations to fund payments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

Table of Contents

- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future or increase the cost of such funding;
- restrict us from making strategic acquisitions or exploring business opportunities; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

Certain of our debt agreements contain financial and other covenants and any default under such debt agreements may have a material adverse effect on our financial condition and cash flows.

Certain of our existing debt agreements contain restrictions and covenants and require the maintenance or satisfaction of specified financial ratios, ratings and tests. Our ability to meet these financial ratios, ratings and tests can be affected by events beyond our control and we cannot assure that we will meet those tests, especially given the lower yield environment in which the industry currently operates. Failure to meet or satisfy any of these covenants, financial ratios or financial tests could result in an event of default under these and other agreements, as a result of cross-default provisions. If we are unable to comply with our debt covenants, we could be forced to seek waivers.

If we are unable to obtain waivers, a large portion of our debt could be subject to acceleration. We do not believe such occurrence to be likely; however, if it were to happen, we could be required to renegotiate, restructure or refinance our indebtedness, seek additional equity capital or sell assets, which could materially and adversely affect us.

We cannot guarantee that we will be successful in obtaining any waivers. As of December 31, 2015, the Company and its subsidiaries were in compliance with the contractual covenants provided for in our debentures and other credit instruments.

Failures or delays by our third party contractors may adversely affect our reputation and business and expose us to civil liability.

We engage third party contractors to provide services for our projects. Therefore, the quality of work in the construction of our real estate projects and the timely completion of these projects may depend on factors that are beyond our control, including the quality and timely delivery of building materials and the technical skills of the outsourced professionals. Such outsourcing may delay the identification of construction problems and, as a result, the correction of such problems. Any failures, delays or defects in the services provided by our third party contractors may adversely affect our reputation and relationship with our clients, which would adversely affect our business and results of operations.

We may be unable to successfully implement our strategy of reorganizing our operational organization and performance.

We intend to carry out a strategy seeking to reorganize our operational organization and promote performance. This strategy includes the implementation of a new management structure that, among other things, assigns each brand manager direct responsibility for the operating performance of each brand, and implementing a corporate culture shift within our Tenda brand focused on aligning incentives to improve project execution. As a result, we established a new operating structure organized by brand (Gafisa and Tenda) and appointed divisional executive officers responsible for the profit and loss of each business unit. This strategy is intended to pursue the goal of helping to produce more stable cash flow and contributing toward a return to sustainable growth. However, there can be no assurance that we will be able to successfully implement such strategy, and therefore we may also be unsuccessful in achieving such goals behind such strategy, which could result in a material adverse effect with respect to our business, financial condition or results of operations.

Unfavorable judicial, administrative or arbitration decisions may adversely affect us.

We currently are, and may be in the future, defendants in several judicial, administrative proceedings related to civil, labor and tax matters. We cannot assure you that we will obtain favorable decisions in such proceedings, that such proceedings will be dismissed, or that our provisions for such proceedings are sufficient in the event of an unfavorable decision. Unfavorable decisions that impede our operations, as initially planned, or that result in a claim

Table of Contents

amount that is not adequately covered by provisions in our balance sheet, may adversely affect our business and financial condition.

We may be held responsible for labor liabilities of our third party contractors.

We may be held responsible for the labor liabilities of our third party contractors and obligated to pay for fines imposed by the relevant authorities in the event that our third party contractors do not comply with applicable legislation. As of December 31, 2015, R$49.3 million of our R$93.0 million of total labor liabilities and provisions were for such liabilities. Approximately 68.3% of the labor claims were commenced by employees of our third party contractors. An adverse result in such claims would cause an adverse effect on our business.

Failure to keep members of our senior management and/or our ability to recruit and retain qualified professionals may have a material adverse effect on our business, financial condition and results of operations.

Our future success depends on the continued service and performance of our senior management and our ability to recruit and retain qualified professionals. None of the members of our senior management are bound to long-term labor contracts or non-compete agreements and there can be no assurance that we will successfully recruit and retain qualified professionals to our management as our business grows. The loss of any key professionals or our inability to recruit or retain qualified professionals may have an adverse effect on our business, financial condition and results of operations.

Changes in Brazilian GAAP due to its migration towards IFRS may adversely affect our results.

Brazilian corporate law was amended by Law No. 11,638 dated December 28, 2007 in order to facilitate the convergence of Brazilian GAAP with IFRS, and thereafter, the CPC issued new accounting standards that generally converged Brazilian GAAP to IFRS.

Through December 31, 2009, our financial statements were prepared in accordance with Brazilian GAAP in effect at the time. We elected January 1, 2009 as a transition date for full adoption of the new Brazilian GAAP as generally adopted by construction companies in Brazil, and amended certain accounting practices in the Brazilian GAAP financial statements. Our financial statements as of and for the year ended December 31, 2009 have been restated to reflect these adjustments.

With the adoption of CPCs 19 (R2) (or IFRS 11) and 36 (R3) (or IFRS 10), since January 1, 2013 and applicable retrospectively to the comparative periods of December 31, 2012 and 2011, the proportional consolidation method for investments in jointly-controlled investees, which was previously applied by the Company, is no longer allowed under Brazilian GAAP. Consequently these jointly-controlled investments are now accounted for through the equity method.

Under U.S. GAAP, because such investments provide substantive voting rights granted to minority shareholders, they preclude the Company from consolidating these entities. Accordingly, for purposes of U.S. GAAP these investments are also accounted for based on the equity method of accounting.

On May 28, 2014, the IASB published IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"), which establishes principles that will apply to the recognition of revenue under IFRS. IFRS 15 will require entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. When adopted, IFRS 15 will supersede most of the detailed guidance on the recognition of revenue that currently applies under IFRS. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, and earlier application of IFRS 15 will be permitted for IFRS purposes. In Brazil, earlier application of IFRS 15 will be subject to the implementation of IFRS 15 in Brazil and the prior approval of the CPC and the CVM.

In July 2014, the IASB published IFRS 9 – Financial Instruments ("IFRS 9"), which establishes, among other principles, principles that will apply to the classification, measurement and recognition of financial assets and liabilities. IFRS 9 will replace (i) earlier versions of IFRS 9 and (ii) IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 is comprised of three phases:

Phase 1 - Classification and measurement of financial assets and liabilities: Phase 1 introduces an approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach will replace existing rule-based requirements. The new model will also result in a single impairment model being applied to all financial instruments.

Table of Contents

Phase 2 - Impairment: Phase 2 introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. It will require entities to account for expected credit losses (as opposed to incurred credit losses) from when financial instruments are first recognized. It will also lower the threshold for recognition of full lifetime expected losses.

Phase 3 - Hedge Accounting: Phase 3 replaces the rule-based hedge accounting requirements in IAS 39. It will introduce a reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model will align the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. Earlier application of IFRS 9 will be permitted for IFRS purposes. In Brazil, earlier application of IFRS 9 will be subject to the implementation of IFRS 9 in Brazil and the prior approval of the CPC and the CVM.

On January 13, 2016, the IASB published IFRS 16 – Leases ("IFRS 16"), which establishes principles that will apply to the recognition, measurement, presentation and disclosure of leases in the financial statements of lessors and lessees. IFRS 16 will require lessors to recognize a lease liability reflecting future lease payments and a "right-of-use assets" for all lease contracts, except certain short-term leases and leases for low-value assets. The principles that apply to the recognition, measurement, presentation and disclosure of leases in the financial statements of lessees will remain substantially the same. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, and earlier application of IFRS 16 will be permitted for IFRS purposes. In Brazil, earlier application of IFRS 16 will be subject to the implementation of IFRS 16 in Brazil and the prior approval of the CPC and the CVM.

We are in the process of evaluating the impact of IFRS 9, IFRS 15 and IFRS 16 on our financial statements. As of the date of this annual report, we have not completed our analysis of IFRS 9, IFRS 15 and IFRS 16 and we have not determined the extent to which IFRS 9, IFRS 15 and IFRS 16 will impact our financial statements once they are adopted.

Risks Relating to Brazil

Brazilian economic, political and other conditions, and Brazilian government policies or actions in response to these conditions, may negatively affect our business and results of operations and the market price of our common shares or the ADSs.

The Brazilian economy has been characterized by unstable economic cycles and frequent and occasionally extensive intervention by the Brazilian government. The Brazilian government has often changed monetary, fiscal, credit, tariff and other policies to influence the course of the Brazilian economy. For example, the government's actions to control inflation have at times involved setting wage and price controls, blocking access to bank accounts, imposing exchange controls and limiting imports into Brazil. We have no control over, and cannot predict, what policies or actions the Brazilian government may take in the future.

Our business, results of operations, financial condition and prospects, as well as the market prices of our common shares or the ADSs, may be adversely affected by, among others, the following factors:

- exchange rate movements;
- exchange control policies;
- expansion or contraction of the Brazilian economy, as measured by rates of GDP;
- inflation;
- tax policies;
- other economic, political, diplomatic and social developments in or affecting Brazil;
- interest rates;
- energy shortages;

Table of Contents

- liquidity of domestic capital and lending markets; and
- social and political instability.

Uncertainty over whether the Brazilian government may implement changes in policy or regulations may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets as well as securities issued abroad by Brazilian issuers. As a result, these uncertainties and other future developments in the Brazilian economy may adversely affect us and our business and results of operations and the market price of our common shares and the ADSs.

Furthermore, Dilma Roussef, the current President of Brazil, who was re-elected for a second term in 2015, has the power to determine and influence governmental policies and measures that relate to the Brazilian economy, which affects the operations and financial performance of businesses such as ours. Recently, political coalitions have arisen and have challenged certain actions and the authority of the President of Brazil, and some have filed legal proceedings to initiate impeachment proceedings to have the President of Brazil removed from office. In March 2016, Brazil's former president, Luiz Inácio Lula da Silva, was detained by the Brazilian authorities for questioning in connection with certain allegations of corruption and money-laundering made against him. Following Mr. da Silva's detention, attempts were made by the Brazilian government to appoint Mr. da Silva as a government minister. Such attempts were blocked by the Brazilian courts following allegations that such attempted appointment may have been intended to shield Mr. da Silva from prosecution by the Brazilian courts (government ministers can only be tried by the Brazilian Supreme Federal Court ("STF") and not by any other courts within Brazil). It has been alleged that any such attempts by the President of Brazil to appoint Mr. da Silva to a ministerial position for him to avoid prosecution would strengthen the impeachment proceedings against the President of Brazil and possibly accelerate such impeachment proceedings. In addition, the Federal Court of Accounts (*Tribunal de Contas da União*) recently recommended not to approve Brazil's fiscal accounts for the fiscal year 2014. These recent events have contributed to an increase in the economic and political instability in Brazil.

Inflation, and government measures to curb inflation, may adversely affect the Brazilian economy, the Brazilian securities market, our business and operations and the market prices of our common shares or the ADSs.

At times in the past, Brazil has experienced high rates of inflation. According to the General Market Price Index (*Índice Geral de Preços—Mercado*), or "IGP-M", inflation rates in Brazil were 3.8% in 2006, 7.8% in 2007, 9.8% in 2008, (1.7)% in 2009, 11.3% in 2010, 5.1% in 2011, 7.8% in 2012, 5.5% in 2013, 3.7% in 2014, 10.5% in 2015 and 2.4% in the two month period ended February 2016. In addition, according to the Expanded Consumer Price Index (*Índice de Preços ao Consumidor Ampliado*), or "IPCA," Brazilian consumer price inflation rates were 3.1% in 2006, 4.5% in 2007, 5.9% in 2008, 4.3% in 2009, 5.9% in 2010, 6.5% in 2011, 5.8% in 2012, 5.9% in 2013, 6.4% in 2014, 10.7% in 2015 and 1.3% in the one month period ended January, 2016. Our term sales agreements usually provide for an inflation adjustment linked to the National Construction Cost Index (*Índice Nacional de Custo de Construção*), or "INCC". The INCC increased by 6.2% in 2007, 11.9% in 2008, 3.14% in 2009, 7.77% in 2010, 7.49% in 2011, 7.12% in

2012, 8.1% in 2013, 6.9% in 2014 and 7.5% in 2015. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

Brazil may experience high levels of inflation in future periods. Periods of higher inflation may slow the rate of growth of the Brazilian economy, which could lead to reduced demand for our products in Brazil and decreased net sales. Inflation is also likely to increase some of our costs and expenses, which we may not be able to pass on to our customers and, as a result, may reduce our profit margins and net income. In addition, high inflation generally leads to higher domestic interest rates, and, as a result, the costs of servicing our *reais*-denominated debt may increase, resulting in lower net income. Inflation and its effect on domestic interest rates can, in addition, lead to reduced liquidity in the domestic capital and lending markets, which could affect our ability to refinance our indebtedness in those markets. In addition, increases in inflation rates would increase the outstanding debt of our customers, which could increase default levels and affect our cash flows. Any decline in our net operating revenue or net income and any deterioration in our financial condition would also likely lead to a decline in the market price of our common shares and the ADSs.

Table of Contents

Social, political and economic events and the perception of risks, especially in other emerging economies, may adversely affect the Brazilian economy, and consequently, our business, financial condition, results of operations and the market price of our securities.

The Brazilian capital markets are influenced by the Brazilian market and economic conditions and, to a certain extent, by the conditions in other Latin American countries and other emerging market countries. Investors' reactions to developments in certain countries may have an adverse effect on the market value of the securities of Brazilian issuers. Crises in other Latin American and emerging market countries normally trigger a significant outflow of funds and the reduction of foreign investment in Brazil. For example, in 2001 Argentina announced a moratorium on its public debt after a recession and a period of political instability, which affected investor perceptions towards the Brazilian capital markets for many years. Crises in other Latin American and emerging market countries may diminish investor interest in the securities of Brazilian issuers, including ours, which could negatively affect the market price of our common shares.

The market for securities issued by Brazilian companies is influenced, to a varying degree, by international economic and market conditions generally, especially in the United States. The prices of shares traded on the São Paulo Stock Exchange (*BM&F Bovespa S.A. — Bolsa de Valores Mercadorias e Futuros*), or the "BM&FBOVESPA," have been historically affected by the fluctuation of interest rates and stock exchange indexes in the United States. Events in other countries or capital markets could have an adverse effect on the price of our shares, which could make it more difficult for us to access the capital markets and obtain financing on acceptable terms in the future, or at all.

The ongoing "Lava Jato" investigation regarding corruption at and with Petróleo Brasileiro S.A., or Petrobras, may hinder the growth of the Brazilian economy and could have an adverse effect on our business.

Petrobras and certain other Brazilian companies active in the energy and infrastructure sectors are facing investigations by the CVM, the U.S. Securities and Exchange Commission, the Brazilian Federal Police and the Brazilian Federal Prosecutor's Office, in connection with corruption allegations, or the "Lava Jato" investigations. Depending on the duration and outcome of such investigations, the companies involved may face downgrades from rating agencies, funding restrictions and a reduction in their revenues. Currently, elected officials and other public officials in Brazil are also being investigated for allegations of unethical and illegal conduct identified during the new major phase of the Lava Jato investigations, which began in July 2015. The potential outcome of these investigations is unknown, but they have already had an adverse impact on the image and reputation of the companies involved, and on Brazil's economy and growth prospects in the near to medium term.

The allegations under the "Lava Jato" investigations along with the economic downturn resulted in Brazil being downgraded to non-investment grade status by S&P in September 2015, by Fitch Ratings in December 2015, and by Moody's in February 2016, as well as in the downgrade of various major Brazilian companies. Such downgrades have

further worsened the conditions of the Brazilian economy and the condition of Brazilian companies, especially those relying on foreign investments

Persistently poor macroeconomic conditions resulting from, among other things, the Lava Jato investigations and their consequences, could have an adverse effect on our business.

Fluctuations in interest rates may have an adverse effect on our business and the market prices of our common shares and the ADSs.

The Central Bank, through the Monetary Policy Committee (*Comitê de Política Monetária*), or the "COPOM," establishes the Special Clearance and Escrow System rate (*Sistema Especial de Liquidação e Custodia*), or the "SELIC rate," which is the basic interest rate for the Brazilian financial system by reference to the level of economic growth of the Brazilian economy, the level of inflation and other economic indicators. The SELIC rate is also an important policy instrument used by the Brazilian government to achieve inflation targets it established on June 21, 1999 (Decree No. 3,088).

As of December 31, 2011, the SELIC rate was 11%. As of December 31, 2012, the Central Bank had significantly reduced the SELIC rate to 7.25%. As of December 31, 2013, the Central Bank had increased the SELIC rate to 10%. As of December 31, 2014, the Central Bank had further increased the SELIC rate to 11.75%. As of December 31, 2015, the SELIC rate was 14.25%. As of the date of this annual report, the SELIC rate is 14.25%, its highest level since August 2006. Debts of companies in the real estate industry, including ours, are subject to the fluctuation of the SELIC rate. Should the SELIC rate continue to increase, the costs relating to the service of our debt obligations may also increase.

Table of Contents

As of December 31, 2015, our indebtedness was denominated in *reais* and subject to Brazilian floating interest rates, such as the Reference Interest Rate (*Taxa Referencial*), or "TR," and the Interbank Deposit Certificate Rate (*Certificado de Depósito Interbancário*), or "CDI rate." Any increase in the TR rate or the CDI rate may have an adverse impact on our financial expenses, our results of operations and on the market price of our common shares or the ADSs. We are not a party to any hedging instruments with respect to our indebtedness.

Restrictions on the movement of capital out of Brazil may adversely affect your ability to receive dividends and distributions on the ADSs and on our common shares, or the proceeds of any sale of our common shares.

Brazilian law permits the Brazilian government to impose temporary restrictions on conversions of Brazilian currency into foreign currencies and on remittances to foreign investors of proceeds from their investments in Brazil whenever there is a serious imbalance in Brazil's balance of payments or there are reasons to expect a pending serious imbalance. The Brazilian government last imposed remittance restrictions for approximately six months in 1989 and early 1990. The Brazilian government may take similar measures in the future. Any imposition of restrictions on conversions and remittances could hinder or prevent holders of our common shares or the ADSs from converting into U.S. dollars or other foreign currencies and remitting abroad dividends, distributions or the proceeds from any sale in Brazil of our common shares. Exchange controls could also prevent us from making payments on our U.S. dollar-denominated debt obligations and hinder our ability to access the international capital markets. As a result, exchange controls restrictions could reduce the market prices of our common shares and the ADSs.

Changes in tax laws may increase our tax burden and, as a result, adversely affect our profitability.

The Brazilian government regularly implements changes to tax regimes that may increase our and our customers' tax burdens. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. Since April 2003, the Brazilian government has presented several tax reform proposals, which were mainly designed to simplify tax assessments, to avoid internal disputes within and between the Brazilian states and municipalities, and to redistribute tax revenues. The tax reform proposals provided for changes in the rules governing the federal Social Integration Program (*Programa de Integração Social*), or "PIS," the federal Contribution for Social Security Financing (*Contribuição para Financiamento da Seguridade Social*), or "COFINS," the state Tax on the Circulation of Merchandise and Services (*Imposto Sobre a Circulação de Mercadorias e Serviços)*, or "ICMS," and other taxes. The effects of these proposed tax reform measures and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. However, some of these measures, if enacted, may result in increases in our overall tax burden, which could negatively affect our overall financial performance.

Risks Relating to Our Common Shares and the ADSs

International economic and market conditions, especially in the United States, may adversely affect the market price of the ADSs.

The market for securities issued by Brazilian companies is influenced, to a varying degree, by international economic and market conditions generally. Because our ADSs are listed on the New York Stock Exchange, or the "NYSE," adverse market conditions and economic and/or political crises, especially in the United States, such as the subprime mortgage lending crisis in 2007 and 2008 and the financial and credit crises in 2008, have at times resulted in significant negative impacts on the market price of our ADSs. Despite the fact that our clients, whether financed by us or by Brazilian banks through resources obtained in the local market, are not directly exposed to the mortgage lending crisis in the United States, there are still uncertainties as to whether such crisis may indirectly affect homebuilders worldwide. The uncertainties generated by the subprime crisis may affect the market prices of our ADSs and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

Developments and the perception of risks in other countries, especially emerging market countries, may adversely affect the market prices of our common shares and the ADSs.

The market for securities issued by Brazilian companies is influenced, to varying degrees, by economic and market conditions in other emerging market countries, especially other Latin American countries. Although economic conditions are different in each country, the reaction of investors to developments in one country may cause the capital markets in other countries to fluctuate. Developments or adverse economic conditions in other emerging market countries have at times resulted in significant outflows of funds from, and declines in the amount of foreign currency invested in, Brazil. For example, in 2001, after a prolonged recession, followed by political instability, Argentina announced that it would no longer continue to service its public debt. The economic crisis in

Table of Contents

Argentina negatively affected investors' perceptions of Brazilian securities for several years. Economic or political crises in Latin America or other emerging markets may significantly affect perceptions of the risk inherent in investing in the region, including Brazil.

The Brazilian economy is also affected by international economic and general market conditions, especially economic and market conditions in the United States. Share prices on the BM&FBOVESPA, for example, have historically been sensitive to fluctuations in U.S. interest rates as well as movements of the major U.S. stock indexes, particularly in the current worldwide economic downturn. Developments in other countries and securities markets could adversely affect the market prices of our common shares and the ADSs and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

The relative volatility and the lack of liquidity of the Brazilian securities market may adversely affect you.

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may limit your ability to sell our common shares and the common shares underlying your ADSs at the price and time at which you wish to do so. The BM&FBOVESPA, the only Brazilian stock exchange, had a market capitalization of US$489.7 billion as of December 31, 2015 and an average daily trading volume of US$2.1 billion for 2015. In comparison, the NYSE had a domestic market capitalization of US$18.4 trillion (excluding funds and non-U.S. companies) as of December 31, 2015 and an average daily trading volume of approximately US$44.1 billion for 2015.

There is also a large concentration in the Brazilian securities market. The ten largest companies in terms of market capitalization represented 51.5% of the aggregate market capitalization of the BM&FBOVESPA as of December 31, 2015. The top ten stocks in terms of trading volume accounted for 44.4% of all shares traded on the BM&FBOVESPA in 2015. Gafisa's average daily trading volume on the BM&FBOVESPA and in the NYSE in 2015 was US$2.7 million and US$0.7 million, respectively.

Shares eligible for future sale may adversely affect the market value of our common shares and the ADSs.

Certain of our shareholders have the ability, subject to applicable Brazilian laws and regulations and applicable securities laws in the relevant jurisdictions, to sell our shares and the ADSs. We cannot predict what effect future sales of our shares or ADSs may have on the market price of our shares or the ADSs. Future sales of substantial amounts of such shares or the ADSs, or the perception that such sales could occur, could adversely affect the market prices of our shares or the ADSs.

The economic value of your investment in our company may be diluted.

We may need additional funds in the future, in order to expand more rapidly, develop new markets, respond to competitive pressures or make acquisitions. Any necessary additional financing may not be available on terms favorable to us. If adequate funds are not available on acceptable terms, we may be unable to meet our business or strategic objectives or compete effectively. If additional funds are raised by our issuing new equity securities existing shareholders may be diluted. See “Item 4. Information on the Company—A. History and Development of the Company.”

Holders of our common shares or the ADSs may not receive any dividends or interest on shareholders’ equity.

According to our bylaws, we must generally pay our shareholders at least 25% of our annual net profit as dividends or interest on shareholders’ equity, as calculated and adjusted under the Brazilian corporate law method. This adjusted net profit may be used to absorb losses or for the payment of statutory participation on profits to debenture holders, employees or members of our management, which would ultimately reduce the amount available to be paid as dividends or interest on shareholders’ equity. Additionally, the Brazilian corporate law allows a publicly traded company like us to suspend the mandatory distribution of dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability. For 2003, 2004 and 2005, we did not distribute dividends. We distributed dividends in each of 2007, 2008, 2009 and 2010 with respect to the prior respective fiscal year. Based on the negative results of the fiscal year 2012, on April 19, 2013, our shareholders did not approve any distribution of dividends. On December 20, 2013, with the completion of the sale of the Alphaville interest, as fully detailed in item “4. Information on the Company—A. History and Development of the Company”, our board of directors approved the payment of interest on equity in the amount of R$130.2 million, representing R$0.3111 per share. Such payment was effective February 12, 2014. On April 25, 2014, our shareholders approved a distribution of dividends in the amount of R$32.9 million, representing R$0.0825 per share. Based on the negative results of the fiscal year 2014, on April 16, 2015, our shareholders did not approve any distribution of dividends.

Table of Contents

For further information, see “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.”

Holders of ADSs may find it difficult to exercise voting rights at our shareholders’ meetings.

Holders of ADSs may exercise voting rights with respect to our common shares represented by ADSs only in accordance with the terms of the deposit agreement governing the ADSs. Holders of ADSs will face practical limitations in exercising their voting rights because of the additional steps involved in our communications with ADS holders. For example, we are required to publish a notice of our shareholders’ meetings in specified newspapers in Brazil. Holders of our common shares will be able to exercise their voting rights by attending a shareholders’ meeting in person or voting by proxy. By contrast, holders of ADSs will receive notice of a shareholders’ meeting from the ADR depositary following our notice to the depositary requesting the depositary to do so. To exercise their voting rights, holders of ADSs must instruct the ADR depositary on a timely basis. This voting process necessarily will take longer for holders of ADSs than for holders of our common shares. Common shares represented by ADSs for which no timely voting instructions are received by the ADR depositary from the holders of ADSs shall not be voted.

Holders of ADSs also may not receive the voting materials in time to instruct the depositary to vote the common shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions of the holders of ADSs or for the manner of carrying out those voting instructions. Accordingly, holders of ADSs may not be able to exercise voting rights, and they will have little, if any, recourse if the common shares underlying their ADSs are not voted as requested.

No single shareholder or group of shareholders holds more than 50% of our capital stock, which may increase the opportunity for alliances between shareholders as well as conflicts between them.

No single shareholder or group of shareholders holds more than 50% of our capital stock. There is no guidance in Brazilian corporate law for publicly-held companies without an identified controlling shareholder. Due to the absence of a controlling shareholder, we may be subject to future alliances or agreements between our shareholders, which may result in the exercise of a controlling power over our company by them. In the event a controlling group is formed and decides to exercise its controlling power over our company, we may be subject to unexpected changes in our corporate governance and strategies, including the replacement of key executive officers. Additionally, we may be more vulnerable to a hostile takeover bid. The absence of a controlling group may also jeopardize our decision-making process as the minimum quorum required by law for certain decisions by shareholders may not be reached and, as a result, we cannot guarantee that our business plan will be affected. Any unexpected change in our management team, business policy or strategy, any dispute between our shareholders, or any attempt to acquire

control of our company may have an adverse impact on our business and result of operations.

Holders of ADSs will not be able to enforce the rights of shareholders under our bylaws and Brazilian corporate law and may face difficulties in protecting their interests because we are subject to different corporate rules and regulations as a Brazilian company.

Holders of ADSs are not direct shareholders of our company and are unable to enforce the rights of shareholders under our bylaws and Brazilian corporate law.

Our corporate affairs are governed by our bylaws and Brazilian corporate law, which differ from the legal principles that would apply if we were incorporated in a jurisdiction in the United States, such as the State of Delaware or New York, or elsewhere outside Brazil. Although insider trading and price manipulation are crimes under Brazilian law, the Brazilian securities markets are not as highly regulated and supervised as the U.S. securities markets or the markets in some other jurisdictions. In addition, rules and policies against self-dealing or for preserving shareholder interests may be less well-defined and enforced in Brazil than in the United States and certain other countries, which may put holders of the ADSs at a potential disadvantage. Corporate disclosures also may be less complete or informative than for a public company in the United States or in certain other countries.

Table of Contents

Holders of ADSs may face difficulties in serving process on or enforcing judgments against us and other persons.

We are a corporation organized under the laws of Brazil, and all of our directors and executive officers and our independent public accountants reside or are based in Brazil. Most of the assets of our company and of these other persons are located in Brazil. As a result, it may not be possible for holders of ADSs to effect service of process upon us or these other persons within the United States or other jurisdictions outside Brazil or to enforce against us or these other persons judgments obtained in the United States or other jurisdictions outside Brazil. Because judgments of U.S. courts for civil liabilities based upon the U.S. federal securities laws may be enforced in Brazil only if certain conditions are met, holders may face greater difficulties in protecting their interests in the case of actions by us or our directors or executive officers than would shareholders of a U.S. corporation.

Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of the ADSs.

According to Law No. 10,833 of December 29, 2003, the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposition occurs outside or within Brazil. Thus, gains arising from a disposition of our common shares by a non-resident of Brazil to another non-resident of Brazil are subject to income tax.

Our interpretation of Law No. 10,833 is that ADSs should not be regarded as assets located in Brazil. Accordingly, the disposition of our ADSs by a non-resident to either a Brazilian resident or a non-resident should not be subject to taxation in Brazil. However, in the event that a disposition of our ADSs is considered a disposition of assets located in Brazil, this tax law could result in the imposition of withholding taxes on the disposition of our ADSs by a non-resident of Brazil. We are not aware of precedents on the application of Law No. 10,833 to ADSs and, accordingly, we are unable to predict whether Brazilian courts would apply it to a disposition of our ADSs by a non-resident of Brazil. See “Item 10. Additional Information—E. Taxation—Brazilian Tax Considerations—Gains.”

Any gain or loss recognized by a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—U.S. Federal Income Tax Considerations”) would be treated as U.S. source gain or loss for all foreign tax credit purposes. U.S. Holders should consult their tax advisers as to whether the Brazilian tax on gain would be creditable against the holder’s U.S. federal income tax on foreign-source income from other sources.

Judgments of Brazilian courts with respect to our common shares will be payable only in reais.

If proceedings are brought in the courts of Brazil seeking to enforce our obligations in respect of the common shares, we will not be required to discharge our obligations in a currency other than *reais*. Under Brazilian exchange control limitations, an obligation in Brazil to pay amounts denominated in a currency other than *reais* may be satisfied in Brazilian currency only at the exchange rate, as determined by the Central Bank, in effect on the date of payment. The exchange rate may not afford non-Brazilian investors with full compensation for any claim arising out of or related to our obligations under our common shares or the ADSs.

Holders of ADSs may be unable to exercise preemptive rights with respect to our common shares underlying the ADSs.

Holders of ADSs will be unable to exercise the preemptive rights relating to our common shares underlying ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended, or the "Securities Act," is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. We are not obligated to file a registration statement with respect to the shares relating to these preemptive rights or to take any other action to make preemptive rights available to holders of ADSs. We may decide, in our discretion, not to file any such registration statement. If we do not file a registration statement or if we, after consultation with the ADR depositary, decide not to make preemptive rights available to holders of ADSs, those holders may receive only the net proceeds from the sale of their preemptive rights by the depositary, or if they are not sold, their preemptive rights will be allowed to lapse.

An exchange of ADSs for common shares risks loss of certain foreign currency remittance and Brazilian tax advantages.

The ADSs benefit from the certificate of foreign capital registration, which permits Citibank N.A., as depositary, to convert dividends and other distributions with respect to our common shares into foreign currency, and to remit the proceeds abroad. Holders of ADSs who exchange their ADSs for common shares will then be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of

Table of Contents

exchange. Thereafter, they will not be able to remit the proceeds abroad unless they obtain their own certificate of foreign capital registration under the terms of Law No. 4,131/62, or unless they qualify under Resolution CMN 4,373, which superseded Resolution CMN No. 2,689, which entitles certain investors to buy and sell shares on Brazilian stock exchanges or organized over-the-counter market and benefit from the certificate of foreign capital registration managed by their authorized representatives in Brazil. See "Item 9. The Offering and Listing—C. Markets—Investment in Our Common Shares by Non-Residents of Brazil."

If holders of ADSs do not qualify under Resolution CMN 4,373, they will generally be subject to less favorable tax treatment on distributions with respect to our common shares. There can be no assurance that the depositary's certificate of registration or any certificate of foreign capital registration obtained by holders of ADSs will not be affected by future legislative or regulatory changes, or that additional Brazilian law restrictions applicable to their investment in the ADSs may not be imposed in the future.

A portion of the compensation of our officers and members of the senior management is paid in form of stock options, which could tie their interest to the market price of our shares and ADSs.

We have established stock option plans for our officers and members of our senior management. Potential benefits under the stock option plans are tied to the appreciation of the market price of our shares and ADSs.

As a result, our compensation policy may influence our officers and members of the senior management and their interest to the market price of our shares and ADSs, which may conflict with the interests of our shareholders. Our officers and members of the senior management may be influenced to focus on short-term rather than long-term results because a significant portion of their compensation is tied to our results and the market price of our shares and ADSs. See "Item 6. Directors, Senior Management and Employees—E. Share Ownership—Stock Option Plans" in this annual report.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

General

Gafisa S.A. is a corporation organized under the laws of Brazil. We were incorporated on November 12, 1996 for an indefinite term. Our registered and principal executive offices are located at Av. Nações Unidas No. 8.501, 19th floor, 05425-070, São Paulo, SP, Brazil, and our general telephone and fax numbers are + 55 (11) 3025-9000 and + 55 (11) 3025-9242, respectively.

We are a leading diversified national homebuilder serving all demographic segments of the Brazilian market. Established over 60 years ago, we have completed and sold more than 1,100 developments and constructed over 12 million square meters of housing under the Gafisa brand, which we believe is more than any other homebuilder in Brazil. Recognized as one of the foremost professionally-managed homebuilders, we are also one of the best-known brands in the real estate development market, enjoying a reputation among potential homebuyers, brokers, lenders, landowners, and competitors for quality, consistency and professionalism. Our brands include Tenda, which serves the affordable entry-level housing segments, Gafisa, which offers a variety of residential options to the mid to higher income segments and Alphaville (equity method investment), which focuses on the identification, development and sale of high quality residential communities. In addition, we provide construction services to third parties on certain developments in the Gafisa segment where we retain an equity interest.

Our core business is the development of high-quality residential units in attractive locations. For the year ended December 31, 2015, 48% of the value of our launches was derived from high and mid high-level residential developments under the Gafisa brand. For the year ended December 31, 2015, approximately 52% of the value of our launches was derived from Tenda, our affordable entry-level housing brand.

We currently operate in several cities, including São Paulo, Rio de Janeiro, Salvador, Recife, Belo Horizonte, and Porto Alegre. Many of these developments are located in markets where few large competitors currently operate. For the year ended December 31, 2015, approximately 24% of the value of our launches was derived from our operations outside the states of São Paulo and Rio de Janeiro and from developments related to the "*Minha Casa Minha Vida*" program under the Tenda brand.

In the fourth quarter of 2011, we conducted an extensive review of our operations and the operations of our subsidiaries, and our combined business strategy. As a result of this review, the following changes were made:

Table of Contents

temporary reductions of the activities of the Tenda segment, increase in investments in the Alphaville segment and focus the Gafisa segment on the markets of Sao Paulo and Rio de Janeiro.

The closing of 2013 marked the completion of Gafisa's strategic repositioning, which commenced in early 2012. Our goal at the time was clear: we needed to reduce the level of debt and restrict the Company's exposure to unprofitable businesses and markets. This process evolved positively throughout the last two years in several fronts - including improvement in margins and cash generation, and culminated with the sale of a 70% interest in Alphaville, which unlocked significant value and contributed to a reduction in the Company's leverage, adjusting its capital structure. At the end of 2013 we finalized the development of our five-year business plan for the period from 2014 to 2018. During the planning process, we set guidelines for the development of our business for the upcoming years, including the expected size of Gafisa and Tenda operations, appropriate leverage, profitability guidelines, and more importantly, our commitment to capital discipline and shareholder value generation, which are reflected in the guidance released to the market at the end of 2013. Gafisa S.A. completed the sale of a majority interest in Alphaville Urbanismo S.A. ("Alphaville"), the leading residential community development company in Brazil, to Private Equity AE Investimentos e Participações ("Fundo AE"), which has as shareholders Pátria Investimentos and Blackstone Real Estate Advisor, which was announced on June 7, 2013. The transaction values Alphaville at an equity value of R$2.0 billion. The cash sale to Pátria and Blackstone resulted in Fundo AE owning 70% of Alphaville, with Gafisa retaining the remaining 30%. All precedent conditions were met including governmental approval, to the completion of the transaction. The transaction was concluded on December 9, 2013, with a sale of a 50% interest by Gafisa and a 20% interest by Construtora Tenda S.A. ("Tenda"), with Gafisa retaining the remaining 30% of Alphaville capital stock. Following this transaction and since December 2013, Alphaville is no longer consolidated in the financial statements of the Company.

The Company's results of operations reflect the results of operations of Alphaville for the period January 1 to November, 30 2013 which are presented in the line item "Results from discontinued operations".

For the year ended December 31, 2013, the Company held two business combination transactions, as follows:

On February 27, 2013, the Company implemented a business combination through an asset swap in which the Company swapped its 50% interest in the jointly-controlled entity SPE Reserva Ecoville in exchange for a 50% controlling interest in SPE Parque Ecoville at a R$59.9 million fair value. As a result, we recorded an adjustment to inventory of R$22.6 million.

On September 12, 2013, the company implemented a business combination through which it obtained control of Manhattan Square Empreendimentos Imobiliarios Comercial 02 ("MC 02") and Manhattan Square Empreendimentos Imobiliarios Residencial 02 ("MR 02"). These two entities were previously jointly controlled and the Company held a 50% interest in both entities. As a result of this acquisition, the company now holds a 100% interest. The combined

purchase price was R$64.7 million and was paid on September 12, 2013. As a result of this transaction, the Company allocated the amount of R$62.3 million recorded as fair value adjustment to inventory.

On February 2, 2014, Gafisa's board of directors authorized management to initiate studies for a potential spin-off of Gafisa and Tenda business units into two independent publicly traded companies. Our management initiated the studies in the first quarter of 2014.

During 2014, we revised our 2014 launch guidance for the Gafisa segment as a result of weakening economic conditions in Brazil. This revision in the projected volume of launches affected guidance for the Administrative Expenses to Launch Volumes ratio for the Gafisa segment, as well as projected consolidated launches.

During 2015, as part of the spin-off studies, we (i) separated several joint departments of Gafisa and Tenda, including, among others, the services, personnel and management department and the legal department, (ii) converted Tenda's issuer registration with the CVM from category B to category A, (iii) entered into negotiations with several banks and insurance companies to open lines of credit for Tenda that are independent of Gafisa, and (iv) reviewed our contracts with our third party counterparties and evaluated the potential impact of a spin-off on those contracts. As of the date of this annual report, we are also evaluating potential capital structure options for each of the Gafisa and Tenda business units should we conclude the potential spin-off, taking into account the business cycle of each business unit. In parallel, we continue to assess separation alternatives for the Gafisa and Tenda business units. As communicated in the material fact dated April 29, 2015, the spin-off studies are ongoing and will take longer to be concluded than had been initially expected. Accordingly, as of the date of this annual report, we cannot estimate when the potential spin-off of the Gafisa and Tenda business units may be concluded.

Table of Contents

During 2015, we did not issue a launch guidance for the Tenda segment or the Gafisa segment as a result of the continuing weakening economic conditions and political instability in Brazil. High interest rates, high rates of inflation and an increase in levels of unemployment, among other factors, had an adverse impact on the real estate market, including the Gafisa segment, resulting in a sharp decrease in the overall volume of real estate launches in Brazil. Consequently, we adopted a conservative approach to launches, seeking to balance the level of launches of new products in the market by prioritizing ventures with more liquidity, with the aim to reach stable sales and profitability levels. In contrast, and despite the continuing weakening economic conditions in Brazil, we were able to expand the Tenda segment of our business, which focuses on the low-income market.

Our common shares are listed on the BM&FBOVESPA under the symbol “GFSA3” and the ADSs are listed on the NYSE under the symbol “GFA.”

Our agent for service of process in the United States is National Corporate Research, Ltd. located at 10 East 40th Street, 10th floor, New York, NY 10016.

Historical Background and Recent Developments

Gomes de Almeida Fernandes Ltda., or “GAF,” was established in 1954 in the city of Rio de Janeiro with operations in the real estate markets in the cities of Rio de Janeiro and São Paulo. In December 1997, GP Investimentos S.A. and its affiliates, or “GP,” entered into a partnership with the shareholders of GAF to create Gafisa S.A. In 2004, as a result of a corporate restructuring, GP assumed a controlling position in our company. In 2005, an affiliate of Equity International Management, LLC, or “Equity International,” acquired approximately 32% of our company through a capital contribution. In February 2006, we concluded our initial public offering in Brazil, resulting in a public float of approximately 47% of our total share capital at the conclusion of the offering.

In September 2006, we created Gafisa Vendas Intermediação Imobiliária Ltda., or “Gafisa Vendas,” to function as our internal sales division in the state of São Paulo and in February 2007, we created a branch of Gafisa Vendas in Rio de Janeiro, or “Gafisa Vendas Rio,” to function as our internal sales division in the metropolitan region of Rio de Janeiro.

In October 2006, we entered into an agreement with Alphaville Participações S.A. to acquire 100% of Alphaville, one of the largest residential community development companies in Brazil in terms of units and square meters, focused on the identification, development and sale of high quality residential communities in the metropolitan regions throughout Brazil targeted at upper and upper-middle income families. On January 8, 2007, we successfully completed the acquisition of 60% of Alphaville’s shares for R$198.4 million, of which R$20 million was paid in cash and the remaining R$178.4 million was paid in exchange for 6.4 million common shares of Gafisa. On May 27, 2010,

the shareholders of Gafisa approved the acquisition of 20% of Alphaville's shares for the total amount of R$126.5 million, through the merger of Shertis Empreendimentos e Participações S.A. or "Shertis", which main asset were 20% of Alphaville's shares. As a consequence of such merger, Gafisa issued 9,797,792 common shares, paid to the former shareholders of Shertis.

On March 17, 2007, we concluded our initial public offering of common shares in the United States, resulting in a public float of 78.6% of our total share capital at the conclusion of the offering. Upon completion of the offering, entities related to Equity International and GP controlled 14.2% and 7.3% of our total capital stock, respectively. In June 2007, Brazil Development Equity Investments, LLC, a company affiliated with GP, sold its remaining interest in our company (7.1% of our capital stock at the time).

On March 15, 2007, we created a new wholly-owned subsidiary, Fit Residencial Empreendimentos Imobiliários Ltda., or "FIT," for the development, construction and management of lower and lower-middle income residential projects. On October 21, 2008, Gafisa and Tenda concluded a business combination in which FIT was merged into Tenda. The purpose of the merger was to consolidate the activities of FIT and Tenda in the lower-income segment in Brazil focused on developing real estate units with an average price of less than R$200.0 thousand. As a result of the business combination, Gafisa became the owner of 60.0% of the total and voting capital stock of Tenda. On December 30, 2009, the shareholders of Gafisa and Tenda approved a corporate restructuring to consolidate Gafisa's non-controlling share ownership in Tenda. The restructuring was accomplished by exchanging all of the remaining Tenda shares not held by Gafisa into Gafisa shares. As a result of the restructuring, Tenda became a wholly-owned subsidiary of Gafisa. On October 26, 2007, Gafisa acquired 70% of Cipesa Empreendimentos Imobiliários S.A., a leading homebuilder in the State of Alagoas at the time.

Table of Contents

On October 1, 2010, Equity International sold its remaining interest in our company. As of December 31, 2013, Fundação dos Economiarios Federais ("FUNCEF"), Polo and Skagen, were the shareholders holding more than 5.0% of our shares.

On June 8, 2012, according to the material fact then disclosed, the third phase of the Investment Agreement and Other Covenants entered into on October 2, 2006 ("Investment Agreement"), established the rules and conditions for Gafisa related to the acquisition of the remaining 20% interest in the capital stock of Alphaville not held by the Company. While the valuation of the capital stock has been agreed by both parties, the number of shares that shall be issued by the Company to settle this transaction is being decided in arbitration proceedings initiated by the minority shareholders of Alphaville, according to the material fact we released on July 3, 2012. There is an embedded derivative component to the Investment Agreement, relating to the Company's obligation to purchase the Alphaville shares held by the non-controlling interest. As the fair value of this embedded derivative for all reporting periods has no significant value, since the future settlement of the derivative will be based on the fair value of Alphaville's capital stock, no derivative asset or liability has been recorded. The future settlement to be made in cash or shares represented an amount of R$359.0 million as at December 31, 2012 and 2011. If 70,251,551 common shares of Gafisa are issued to the other shareholders of Alphaville, these shareholders will receive 13.96% of Gafisa's total capital stock. On June 7, 2013, according to the material fact then disclosed, Gafisa entered into an agreement to sell a 70% interest in Alphaville to Blackstone and Patria and also agreed to complete the purchase of the outstanding 20% interest in Alphaville, finalizing the arbitration process.

On July 3, 2013, Gafisa completed the purchase of the outstanding 20% interest in Alphaville, belonging to Alphapar, resulting in the Company holding 100% of Alphaville's capital stock. This transaction resulted in a temporary increase in the Company's leverage to 126% (Net Debt/Equity) and it was financed partially through Company' cash in addition to funding of R$250 million in June. The total disbursement was made in July in the amount of R$366.6 million.

On December 9, 2013, Gafisa announced the completion of the agreement to sell a 70% interest in Alphaville to private equity firms Blackstone and Pátria. Gafisa retained a 30% interest. The sale valued Alphaville at R$2.0 billion. The proceeds from the transaction totaled R$1.54 billion, of which R$1.25 billion was received through the sale of shares, and R$290 million was received as a dividend distributed by Alphaville.

On February 2, 2014, Gafisa's board of directors authorized management to initiate studies for a potential spin-off of Gafisa and Tenda business units into two independent publicly traded companies. Our management initiated the studies in the first quarter of 2014. During 2015, we implemented several initiatives in connection with the potential spin-off and we are currently evaluating potential capital structure options for each of the Gafisa and Tenda business units should we conclude the potential spin-off. During 2014, we also revised our 2014 launch guidance for the Gafisa segment as a result of weakening economic conditions in Brazil. We did not issue a launch guidance for the Gafisa segment or the Tenda segment during 2015 due to the continuing weakening economic conditions and political instability in Brazil. See "Item 4. Information on the Company—A. History and Development of the Company—General" for further information.

Capital Expenditures

In 2015, we invested R$54.6 million in machinery and equipment, information technology equipment, software, project planning and information technology projects. Our main investments during the period were related to sales stands and software acquisitions, which amounted to R$9.4 million and R$22.7 million, respectively.

In 2014, we invested R$88.5 million in machinery and equipment, information technology equipment, software, project planning and information technology projects. Our main investments during the period were related to sales stands and software acquisitions, which amounted to R$19.3 million and R$10.9 million, respectively.

In 2013, we invested R$81.0 million in machinery and equipment, information technology equipment, software, project planning and information technology projects. Our main investments during the period were related to software and hardware acquisitions, which amounted to R$34.1 million and R$9.8 million, respectively.

Our capital expenditures are all made in Brazil and are usually funded by financings through local debt capital markets. We currently do not have any significant capital expenditures in progress.

Table of Contents

B. Business Overview

General Overview

We believe we are one of Brazil's leading homebuilders. For over more than 50 years, Gafisa has been recognized as one of the foremost professionally-managed homebuilders, having completed and sold more than 1,100 developments and constructed over 12 million square meters of housing, which we believe is more than any other residential development company in Brazil. We believe our brands "Gafisa," "and "Tenda" are well-known brands in the Brazilian real estate development market, enjoying a reputation among potential homebuyers, brokers, lenders, landowners and competitors for quality, consistency and professionalism.

Our core business is the development of high-quality residential units in attractive locations. For the year ended December 31, 2015, 48% of the value of our launches was derived from high and mid high-level residential developments under the Gafisa brand. In addition, we also provide construction services to third parties on certain developments in the Gafisa segment where we retain an equity interest. For the year ended December 31, 2015, approximately 52% of the value of our consolidated launches was derived from the Tenda brand, our affordable entry-level housing brand. We are currently operating in several cities, including São Paulo, Rio de Janeiro, Salvador, Recife Belo Horizonte and, Porto Alegre which represents approximately 13% of the national population and approximately 21% of the gross domestic product as of December 31, 2015. Many of these developments are located in markets where few large competitors currently operate. For the year ended December 31, 2015, approximately 24% of our launches were derived from our operations outside the states of São Paulo and Rio de Janeiro and from developments related to the "*Minha Casa Minha Vida*" program under the Tenda brand.

Our Markets

We are present in 115 municipalities throughout Brazil, including Abatia, Águas Lindas de Goias, Ananindeua, Anápolis, Aparecida de Goiânia, Aracajú, Barbacena, Barra dos Coqueiros, Barreiro, Barueri, Belém, Belford Roxo, Belo Horizonte, Betim, Brasília, Cabo Frio, Cachoeirinha, Cajamar, Camaçari, Campinas, Campo Grande, Campos dos Goytacazes, Canoas, Caruaru, Caxias, Contagem, Cotia, Cuiabá, Curitiba, Diadema, Duque de Caxias, Eusébio, Estrada do Coco, Feira de Santana, Ferraz de Vasconcelos, Fortaleza, Foz do Iguaçu, Goiânia, Governador Valadares, Gramado, Gravataí, Guarujá, Guarulhos, Iguaraçu, Itaboraí, Itanhaém, Itapevi, Itaquaquecetuba, Itu, Jaboatão dos Guararapes, Jandira, Jardim Primavera, João Pessoa, Juiz de Fora, Jundiaí, Lauro de Freitas, Londrina, Macaé, Maceió, Manaus, Maricá, Mauá, Mirante Campina Grande, Mogi das Cruzes, Montes Claros, Mossoró, Natal, Niterói, Nova Iguaçu, Nova Lima, Novo Gama, Novo Hamburgo, Osasco, Paço do Lumiar, Parnamirim, Petrolina, Pinhais, Piracicaba, Poá, Porto Alegre, Porto Velho, Recife, Resende, Ribeirão das Neves, Ribeirão Preto, Rio das Ostras, Rio de Janeiro, Salvador, Samambaia, Santa Luzia, Santana de Parnaiba, Santo André, Santos, São Bernardo do Campo, São Caetano do Sul, São Gonçalo, São José dos Campos, São Leopoldo, São Luis, São Paulo, São Vicente, Sapucaia

do Sul, Serra, Sete Lagoas, Sorocaba, Suzano, Taboão da Serra, Teresina, Valência, Valparaíso, Vespasiano, Vitória da Conquista, Camaragibe, Paulista and Volta Redonda.

Our Real Estate Activities

Our real estate business includes the following activities:

· developments for sale of:

- residential units;
- land subdivisions (also known as residential communities);
- commercial buildings;
- construction services to third parties on certain developments in the Gafisa segment where we retain an equity interest; and
- sale of units through our brokerage subsidiaries, Gafisa Vendas and Gafisa Vendas Rio, jointly referred to as "Gafisa Vendas."

The table below sets forth our potential sales value, generated from new developments for each of our real estate activities and as a percentage of total real estate amount generated during the periods presented:

Table of Contents

	For year ended December 31,					
	2015 **(in thousands of *reais*)**	(% of total)	2014 **(in thousands of *reais*)**	(% of total)	2013 **(in thousands of *reais*)**	(% of total)
Residential buildings	2,060,984	98.8	1,636,311	100.0	1,292,271	44.8
Land subdivisions(1)	—	N/A	—	N/A	1,462,087	50.6
Commercial	24,272	1.2	—	N/A	131,846	4.6
Potential sales	2,085,257	100.0	1,636,311	100.0	2,886,204	100.0

(1) This information is presented for comparison purposes and for the year ended December 31, 2013 only, as we sold our controlling interest in Alphaville on December 9, 2013 and currently hold a 30% non-controlling interest in Alphaville.

The table below sets forth our actual sales value from new developments generated for each of our real estate activities and as a percentage of total real estate amount generated during the periods presented:

	For year ended December 31,					
	2015 **(in thousands of *reais*)**	(% of total)	2014 **(in thousands of *reais*)**	(% of total)	2013 **(in thousands of *reais*)**	(% of total)
Residential buildings	770,960	97.6	519,210	100.0	603,809	40.2
Land subdivisions(1)	N/A	N/A	N/A	N/A	857,330	57.0
Commercial	18,679	2.4	N/A	N/A	41,728	2.8
Actual sales	789,639	100.0	519,210	100.0	1,502,867	100.0

(1) This information is presented for comparison purposes and for the year ended December 31, 2013 only, as we sold our controlling interest in Alphaville on December 9, 2013 and currently hold a 30% non-controlling interest in Alphaville.

Table of Contents

Developments for Sale

The table below provides information on our developments for sale activities during the periods presented:

	As of and for the year ended December 31,		
	2015	2014	2013
	(in thousands of *reais*, unless otherwise stated)		
São Paulo			
Potential sales value of units launched(1)	884,269	770,269	1,054,359
Developments launched(2)	10	7	10
Usable area (m2)(3)	104,678	107,156	154,959
Units launched(4)	2,224	1,474	1,935
Average sales price (R$/m2)(3) (5)	8,448	7,188	6,804
Rio de Janeiro			
Potential sales value of units launched(1)	112,047	252,742	30,982
Developments launched(2)	2	2	1
Usable area (m2)(3)	9,427	27,827	4,101
Units launched(4)	206	315	63
Average sales price (R$/m2)(3)(5)	11,886	9,083	7,554
Other States (6)			
Potential sales value of units launched(1)	—	—	—
Developments launched(2)	—	—	—
Usable area (m2)(3)	—	—	—
Units launched(4)	—	—	—
Average sales price (R$/m2)(3)(5)	—	—	—
Total Gafisa			
Potential sales value of units launched(1)	996,315	1,023,012	1,085,341
Developments launched(2)	12	9	11
Usable area (m2)(3)	114,105	134,983	159,060
Units launched(4)	2,378	1,789	1,998
Average sales price (R$/m2)(3)(5)	8,732	7,579	6,820
Alphaville (7)			
Potential sales value of units launched(1)	—	—	1,462,087
Developments launched(2)	—	—	18
Usable area (m2)(3)	—	—	2,620,224
Units launched(4)	—	—	6,414
Average sales price (R$/m2)(3)(5)	—	—	558
Tenda			
Potential sales value of units launched(1)	1,088,941	613,299	338,776

Developments launched(2)	29	14	8
Usable area (m2)(3)	314,152	191,438	114,197
Units launched(4)	7,711	4,315	2,660
Average sales price (R$/m2)(3)(5)	3,466	3,203	2,996

(1) Potential sales value is calculated by multiplying the number of units in a development by the expected sales price of the unit.

(2) Does not consider acquisitions of additional ownership interests in projects or cancelled projects.

(3) One square meter is equal to approximately 10.76 square feet.

(4) The units delivered in exchange for land pursuant to barter transactions are not included.

29

Table of Contents

(5) Average sales price per square meter was R$8,732, R$7,579 and R$6,820 in 2015, 2014 and 2013, respectively, for Gafisa's ventures only, and R$558 in 2013 for Alphaville ventures. Average sales price per square meter was R$916 in 2013 for the combined ventures of Gafisa and Alphaville.

(6) In 2011, Gafisa launched one project outside São Paulo and Rio de Janeiro and cancelled another which had higher potential sales value, usable area and number of units than the new launch.

(7) This information is presented for comparison purposes and for the year ended December 31, 2013 only, as we sold our controlling interest in Alphaville on December 9, 2013 and currently hold a 30% non-controlling interest in Alphaville.

Our developments for sale are divided into three broad categories: (1) residential buildings, (2) land subdivisions, and (3) commercial buildings.

Overview of Residential Buildings

In the residential buildings category, we develop three main types of products: (1) luxury buildings targeted at upper-income customers; (2) buildings targeted at middle-income customers; and (3) affordable entry-level housing targeted at lower-income customers. Quality residential buildings for middle- and upper-income customers are our core products and we have developed them since our inception. A significant portion of our residential developments is located in São Paulo and Rio de Janeiro where we have held a leading position over the past five years based upon area of total construction. In 2006, we began our national expansion to pursue opportunities in residential buildings outside these cities. However in 2012, as a result of the difficulties to manage these projects and to achieve reasonable profits, we focused our efforts back to São Paulo and Rio de Janeiro

Luxury Buildings

Luxury buildings are a high margin niche. Units usually have over 180 square meters of private area, at least four bedrooms and three parking spaces. Typically, this product is fitted with modern, top-quality materials designed by brand-name manufacturers. The development usually includes swimming pools, gyms, visitor parking, and other amenities. Average price per square meter generally is higher than approximately R$8,000. Luxury building developments are targeted to families with monthly household incomes in excess of approximately R$30,000.

The table below sets forth our luxury building developments launched between January 1, 2013 and December 31, 2015:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2015)
067 Hermann Junior	2015	100	6,563	2018	22	25 %
Scena Alto da Lapa	2015	100	5,229	2018	42	21 %
Delux	2013	100	9,751	2016	44	82 %
Follow	2013	100	15,800	2016	240	77 %

(1) One square meter is equal to approximately 10.76 square feet.

(2) Values for 100% of the building development, except on projects with partial interest.

Middle Income Buildings

Buildings targeted at middle-income customers have accounted for the majority of our sales since our inception. Units usually have between 90 and 180 square meters of private area, three or four bedrooms and two to three underground parking spaces. Buildings are usually developed in large tracts of land as part of multi-building developments and, to a lesser extent, in smaller lots in attractive neighborhoods. Average price per square meter ranges from approximately R$4,500 to R$8,000. Developments in Rio de Janeiro tend to be larger due to the large tracts of land available in Barra da Tijuca. Middle-income building developments are tailored to customers with monthly household incomes between approximately R$10,000 and R$30,000.

Table of Contents

The table below sets forth our middle-income building developments launched between January 1, 2013 and December 31, 2015:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2015)
Go Maraville	2015	100	16,383	2017	296	43 %
Vision Paulista	2015	100	7,168	2017	200	23 %
Bosque Marajoara	2015	100	23,833	2018	339	42 %
Mood Lapa	2015	100	7,085	2017	153	40 %
Alphamall	2015	100	2,342	2018	53	75 %
Smart Santa Cecilia	2015	100	8,836	2018	261	15 %
Smart Vila Madalena	2015	100	7,321	2018	230	31 %
Vision Capote Valente	2015	100	7,149	2018	151	13 %
Barra Vista Fase 1	2015	50	5,468	2019	216	24 %
Hi Centro	2014	100	15,343	2016	271	46 %
Alphagreen	2014	100	18,170	2016	207	45 %
D.O.C. Quatá	2014	100	4,437	2016	78	37 %
Lorian Qd3B	2014	100	27,276	2017	271	70 %
Itaboraí	2014	100	7,725	2016	80	100 %
Today Modern Residences	2014	100	9,657	2017	108	47 %
Guacá	2014	100	9,702	2017	182	57 %
SCS Cerâmica QI Fase 1 (Home)	2014	100	28,794	2017	256	57 %
Eiras Garcia	2014	100	23,878	2017	336	78 %
Today Santana	2013	100	11,290	2015	165	100 %
Go Maracá	2013	100	11,274	2016	129	97 %
Axis	2013	100	12,616	2016	215	31 %
Easy Tatuapé	2013	100	9,142	2017	144	76 %
Laguna Mall	2013	100	4,161	2015	63	75 %
Square Santo Amaro	2013	100	27,330	2016	362	90 %
Wide Cambuí	2013	100	19,833	2016	244	38 %
EQ Jardim Prudência	2013	100	10,525	2016	97	84 %
Square Osasco	2013	100	27,397	2017	295	93 %

(1) One square meter is equal to approximately 10.76 square feet.

(2) Values for 100% of the building development, except on projects with partial interest.

Affordable Entry-Level Developments

Affordable entry-level housing consists of building and house units. Units usually have between 42 to 60 square meters of indoor private area and two to three bedrooms. Average price per square meter ranges from approximately R$3,000 to 4,800. Affordable entry-level housing developments are tailored to families with monthly household incomes between approximately R$1,600 and R$5,000.

As part of our strategy of expanding our foothold in the affordable entry-level residential market, on March 15, 2007 we incorporated a wholly-owned subsidiary, FIT, to focus exclusively on this market. The principal emphasis of FIT was on five standardized residential developments in the peripheries of large metropolitan regions. Financing for FIT's developments primarily came from the CEF, and such financing was structured so that customers paid low monthly installments without increasing our credit risk.

On October 21, 2008, Gafisa and Tenda concluded a business combination in which Gafisa's wholly-owned subsidiary FIT was merged into Tenda. The purpose of the merger was to consolidate the activities of FIT and Tenda in the lower-income sector in Brazil and to develop real estate units with an average value of less than R$200,000. As a result of the business combination, Gafisa received 60.0% of the total and voting capital stock of Tenda and FIT was merged into Tenda. Because Tenda launched very few units in 2008, we believe the full impact of the merger was not reflected in Gafisa's results of operations until 2009.

On December 30, 2009, the shareholders of Gafisa and Tenda approved a corporate restructuring to consolidate Gafisa's non-controlling share ownership in Tenda. The restructuring was accomplished by exchanging all of the remaining Tenda shares not held by Gafisa into Gafisa shares. As a result of the restructuring, Tenda became a wholly-owned subsidiary of Gafisa.

As a result of Tenda's and Gafisa's underperformance in 2011 due to high cost overruns and customer dissolutions, our management and the board of directors have undertaken widespread structural and operational changes to avert future losses and strains on the business. Tenda is now operating under a new strategy whereby pre-sales recognition and the remuneration of the sales force is based on the ability to immediately pass mortgages on to financial institutions and the number of third party construction partners has been reduced to a group that has been thoroughly vetted for quality and sustainability. The strategy also consists of a reduction in the number of launches, and in 2012, we suspended the launch of additional Tenda units. Moreover, our management has decided to focus its low- to middle-income businesses in São Paulo, Rio de Janeiro, Minas Gerais and Bahia, where it has historically, had a better supply chain structure and stronger customer demand. As part of our new organizational strategy to manage further risks, our management has assigned a chief executive for each segment pursuant to which, our

Table of Contents

former CFO, Rodrigo Osmo assumed the position as Tenda CEO during the second half of 2011. In 2013, Tenda implemented a new business model and resumed its launches.

The table below sets forth our affordable entry-level housing developments launched by us between January 1, 2013 and December 31, 2015:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2015)
Residencial Orquídeas	2015	100	10,842	2016	280	97 %
Residencial Vera Cruz	2015	100	9,618	2016	220	74 %
Campo de Aviação F1	2015	100	12,668	2016	304	77 %
Residencial Viena F1	2015	100	17,173	2017	440	39 %
Jardins Itaquera	2015	100	7,744	2016	200	95 %
Residencial das Laranjeiras	2015	100	8,518	2015	220	100 %
Vida Alegre Sarandi F1	2015	100	12,865	2016	320	93 %
Residencial Flor de Liz	2015	100	6,970	2016	180	97 %
Mar de Abrantes	2015	100	14,051	2016	360	37 %
Residencial Vila Atlântica F2	2015	100	7,876	2016	200	100 %
Praia de Jangada F1	2015	100	14,631	2016	352	31 %
Parque Rio Maravilha F2	2015	100	12,242	2017	280	36 %
Bela Vida F1	2015	100	10,443	2016	239	28 %
Engenho Camaras - F1	2015	100	12,001	2017	288	34 %
Vila Florida F2	2015	100	8,275	2017	192	49 %
Vila Imperial F1	2015	100	11,214	2017	280	52 %
Vida Alegre Sarandi F2	2015	100	11,270	2016	280	30 %
Palácio Imperial - F2	2015	100	10,493	2016	240	12 %
Recanto do Sol	2015	100	12,235	2017	280	14 %
Nova Zelândia	2015	100	15,488	2017	400	48 %
Viver Bem São Gabriel	2015	100	7,736	2017	180	22 %
Res Parque Real Garden	2015	100	6,814	2017	156	6 %
Residencial Vida Leve	2015	100	14,682	2017	336	5 %
Res Provincia Do Porto I	2015	100	11,281	2017	280	20 %
Res Morada Das Gaivotas	2015	100	8,518	2017	220	5 %
Res Bellas Aguas	2015	100	12,175	2017	304	6 %
Barra Viva	2015	50	15,415	2017	546	20 %
Res Mirante Guaianazes	2015	100	9,293	2017	240	24 %
Residencial Tulipas	2015	100	9,293	2016	240	55 %
Res. Nova Itaquera	2015	100	7,744	2016	200	51 %
Parque Das Flores Guaianazes	2014	100	4,437	2015	100	100 %
Parque Rio Maravilha	2014	100	19,521	2015	440	100 %
Verde Vida - F2	2014	100	15,084	2015	340	100 %

Renascença Candeias	2014	100	19,166	2015	432	98	%
Vila Florida - F1	2014	100	19,166	2016	432	96	%
Palácio Imperial - F1	2014	100	11,491	2016	259	89	%
Rio Da Prata	2014	100	13,842	2015	312	100	%
Recanto De Abrantes - F1	2014	100	15,084	2015	340	98	%
Monte Alegre	2014	100	8,873	2015	200	100	%
Parque Santo André	2014	100	7,098	2015	160	99	%
Residencial Das Palmeiras	2014	100	11,535	2016	260	100	%
Terra Brasilis - F1	2014	100	13,310	2016	300	90	%
Vila Atlântica - F1	2014	100	10,648	2017	240	97	%
Reserva Das Árvores - F1	2014	100	22,183	2015	500	68	%
Novo Horizonte	2013	100	25,732	2014	580	100	%
Vila Cantuária	2013	100	19,521	2014	440	99	%
Itaim Paulista	2013	100	10,648	2014	240	100	%
Verde Vida - F1	2013	100	15,084	2015	340	100	%
Germania - F2I	2013	100	8,873	2014	200	100	%
Jaraguá	2013	100	11,535	2014	260	100	%
Viva Mais Campo Grande	2013	100	13,310	2014	300	98	%
Chacara Campo Limpo	2013	100	13,310	2015	300	100	%

(1) One square meter is equal to approximately 10.76 square feet.

(2) Values for 100% of the building development, except on projects with partial interest acquisition.

Table of Contents

Land Subdivisions under our Gafisa Brand

In 2001, we started developing residential land subdivisions for sale upon which residential buildings can be developed. Land subdivisions under our Gafisa brand are usually smaller than Alphaville residential communities and do not include some of the facilities available in Alphaville residential communities, such as various amenities, shopping centers and schools. We usually provide the infrastructure for a given land subdivision planning such as the electric, water and sewage systems, paved streets, and common recreational areas. Our land subdivisions are typically located in affluent suburban areas close to major highways leading to the states of São Paulo and Rio de Janeiro. A typical lot has between 250 and 1,500 square meters. Average price per square meter ranges from approximately R$150 to R$800. We target clients with monthly household incomes in excess of approximately R$5,000 for these land subdivisions. Since 2011, our only land subdivisions project was the development project of Barra da Tijuca, in partnership with Alphaville, for which our share is 65%.

The table below sets forth our luxury and middle income housing and commercial developments under Gafisa's Brand as of December 31, 2015, with percentage of units sold less than 90%:

	As of December 31, 2015
Project Description	**Units Sold (%)**
Alpha Land (1)	72
Alpha Green (2)	68
Alta Vista (3)	89
Américas Avenue Business Square (4)	58
Gran Park Árvores F2 (5)	89
Gran Park Árvores F4 (6)	87
Gran Park Árvores F6 (7)	72
Gran Park Varandas F1 (8)	87
Gran Park Varandas F2 (9)	86
Gran Park Varandas F3 (10)	73
Gran Park Varandas F4 (11)	58
Gran Park Varandas F5 (12)	56
Gran Park Varandas F6 (13)	62
ICON (14)	87
Manhattan Square - Wall Street (15)	83
O Bosque (16)	72

(1) Alpha Land. This development was 100% completed at December 31, 2015 at which time 72% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining

units will be sold within a short time period.

(2) Alpha Green. This development was 100% completed at December 31, 2015 at which time 68% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(3) Alta Vista. This development was 100% completed at December 31, 2015 at which time 89% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(4) Américas Avenue Business Square. This development was 100% completed at December 31, 2015 at which time only 58% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within the next two years.

(5) Grand Park Árvores F2. This development was 100% completed at December 31, 2015 at which time 89% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(6) Grand Park Árvores F4. This development was 100% completed at December 31, 2015 at which time 87% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

Table of Contents

(7) Grand Park Árvores F6. This development was 100% completed at December 31, 2015 at which time 72% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(8) Grand Park Varandas F1. This development was 100% completed at December 31, 2015 at which time 87% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(9) Grand Park Varandas F2. This development was 100% completed at December 31, 2015 at which time 86% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(10) Grand Park Varandas F3. This development was 100% completed at December 31, 2015 at which time 73% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(11) Grand Park Varandas F4. This development was 100% completed at December 31, 2015 at which time 58% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(12) Grand Park Varandas F5. This development was 100% completed at December 31, 2015 at which time 56% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(13) Grand Park Varandas F6. This development was 100% completed at December 31, 2015 at which time 62% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(14) ICON. This development was 100% completed at December 31, 2015 at which time 87% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period

(15) Manhattan Square - Wall Street. This development was 100% completed at December 31, 2015 at which time 83% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(16) O Bosque. This development was 100% completed at December 31, 2015 at which time 72% of the units had been sold. According to the Company's business plan, this development's selling forecast indicates the remaining

units will be sold within a short time period.

We have evaluated all of our Gafisa brand developments for impairment and we identified cases of impairment, and impairment provisions have been recorded for the following projects: Espaço Alpha, AltaVista, Canto dos Passaros, Reserva do Bosque, Jatiuca Trade Residence, Americas Avenue, Icon Business e Mall, Target Offices e Mall, Vision Capote Valente, Smart Vila Madalena and Barra Viva.

Table of Contents

The table below sets forth our finished affordable entry-level housing developments under Tenda's Brand as of December 31, 2015, with less than 90% of units sold:

	As of December 31, 2015
Project Description	**Units Sold (%)**
Residencial Cordoba (1)	59
Residencial Morada de Ferraz (2)	89
Fit 16 SPE Emp. Imob./Mirante do Lago F2 (3)	82
Res Napoli I (4)	80
Fit 31 SPE Emp. Imob./Fit Giardino (5)	82
Residencial Michelangelo (6)	88
Positano Garden II (7)	75
Positano Garden IV (8)	50
Boulevard Das Palmeiras (9)	90
Res Vila Coimbra (10)	75
Residencial Da Vinci – Allegro (11)	89
Duo Valverde (12)	85
Residencial Vitale Tower (13)	77
Residencial Da Vinci – Giardino (14)	58

(1) Residencial Cordoba. This development was previously completed and has 59% of its units sold. Due to certain issues related to the legal documentation for the unsold units, there is no selling forecast as of the date of this annual report relating to the time period within which the remaining units will be sold. However, it is expected that, once these issues are resolved, the remaining units will be sold within a short time period, based on the Company's internal assessments.

(2) Residencial Morada de Ferraz. This development was previously completed and has 89% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(3) Fit 16 SPE Emp. Imob./Mirante do Lago F2. This development was previously completed and has 82% of its units sold. The sales speed for inventory outside of core markets remains lower than that of sales within core markets. The sale of this inventory and the run-off of legacy projects are on schedule and this development's selling forecast indicates the remaining units will be sold within a short time period.

(4) Res Napoli I. This development was previously completed and has 80% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(5) Fit 31 SPE Emp. Imob./Fit Giardino. This development was previously completed and has 82% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(6) Residencial Michelangelo. This development was previously completed and has 88% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(7) Positano Garden II. This development was previously completed and has 75% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(8) Positano Garden IV. This development was previously completed and has 50% (or two) of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining 50% (or two) units will be sold within a short time period.

(9) Boulevard Das Palmeiras. This development was previously completed and has 90% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(10) Res Vila Coimbra. This development was previously completed and has 75% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(11) Residencial Da Vinci – Allegro. This development was previously completed and has 89% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(12) Duo Valverde. This development was previously completed and has 85% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(13) Residencial Vitale Tower. This development was previously completed and has 77% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

(14)

Residencial Da Vinci – Giardino. This development was previously completed and has 58% of its units sold. According to the Company's existing business plan, this development's selling forecast indicates the remaining units will be sold within a short time period.

We have evaluated all of our Tenda brand developments for impairment and we identified cases of impairment for these projects and impairment provisions have been recorded:

Table of Contents

- Bairro Novo Cotia I and II
- Club Cheverny Tower F2
- Res. Fit Giardino
- Res. Parque Maceio F1
- Res. Santa Luzia Life
- Res. Assunção Life
- Res Curuca F1
- Res. Vila Coimbra
- Res. Villa Verde
- Res. Da Vinci
- Res. Flor do Anani
- Res. Pedra Bela
- Res. Jardim Girassol II F1
- Res. Green Park Life

Land Subdivisions under Alphaville Brand

As set forth in item “4. Information on the Company—A History and Development of the Company”, we completed the sale of a controlling interest in Alphaville, on December 9, 2013. As a result, Alphaville was no longer consolidated in the financial statements of the Company since then. In this annual report, while financial information related to Alphaville is treated as discontinued operations, all operating information related to our business includes full operating information for Alphaville through December 9, 2013.

The Alphaville brand was created in the 1970s when the first Alphaville community was developed in the cities of Barueri and Santana do Paranaíba in the metropolitan region of São Paulo. Beginning in the 1990s, Alphaville developed residential communities in several other cities in Brazil, such as Campinas, Goiânia, Curitiba, Londrina, Maringá, Salvador, Fortaleza, Belo Horizonte, Natal, Gramado, Manaus, Cuiabá, Campo Grande, São Luis and Rio de Janeiro.

Whenever Alphaville develops a new community, it is provided all the basic civil works for supporting the construction on the lots, such as electrical, telephone and data communications cabling, hydraulic (water and sewer) mains and treatment facilities, landscaping and gardening, lighting and paving of the streets and driveways and security fencing. In most Alphaville communities, there is also the building of a social and sports club for the residents, with soccer, golf and tennis fields, jogging and bicycle tracks, saunas, swimming pools, ballrooms, restaurants and bars, and other facilities. In addition, most Alphaville projects have a shopping center where residents can shop for clothes and groceries. Additionally, whenever Alphaville develops a new community far from large urban centers, it seeks to assist in establishing schools near the community by forming partnerships with renowned educational institutions. Throughout Alphaville communities, it also seeks to stimulate the local economy by drawing new businesses to that area.

Alphaville believes that the maintenance of a development's quality is essential. For this reason, it is imposed on every Alphaville community a series of building and occupancy standards that are more rigorous than those required by applicable local legislation. Every Alphaville community has an Alphaville association formed by us before delivery of the community starts, and is funded by maintenance fees paid by the residents. The purpose of the association is to allow community involvement in the management and maintenance of the premises and to ensure orderly and harmonious relationships among the residents.

Upon completion of a sale, a purchaser of an Alphaville property will receive, along with the purchase and sale contract, documentation that sets out the regulations on land use and occupancy, and these will serve as private zoning regulations that are binding on the resident. These regulations set forth, among other things, the maximum number of floors allowed in an Alphaville building, the minimum number of meters between buildings and land coverage limits, thereby maintaining the uniformity and quality of the Alphaville properties.

Table of Contents

The table below sets forth our residential communities launched by us under the Alphaville brand between January 1, 2013 and December 31, 2013. As a result of the sale of the 70% interest in Alphaville on December 9, 2013, we were not involved in the launch of any residential communities under the Alphaville brand in 2014 and 2015:

Project Description	**Year Launched**	**Gafisa Participation (%)**	**Usable Area (m2) (1)(2)**	Completion Year	Number of Units(2)
Alphaville Castello	2013	69	80,475	2015	222
Terras Alphaville Maricá 2	2013	47	107,594	2014	596
Terras Alphaville Ponta Grossa	2013	77	183,413	2014	742
Terras Alphaville Vitória da Conquista F2	2013	75	158,001	2014	565
Terras Alphaville Sergipe F2	2013	88	168,129	2014	614
Alphaville Feira de Santana F2	2013	72	172,713	2015	545
Alphaville Ribeirão Preto F3	2013	60	193,058	2015	584
Terras Alphaville Camaçari F2	2013	74	141,955	2015	616
Alphaville Volta Redonda	2013	72	133,286	2015	427
Terras Alphaville Dourados	2013	74	152,007	2015	604
Alphaville Anápolis	2013	67	106,165	2015	336
Terras Alphaville Linhares	2013	46	111,547	2015	576
Terras Alphaville Belém 3	2013	71	251,819	2015	976
Alphaville Dias Branco	2013	59	293,897	2015	1,020
Alphaville Litoral Norte 3	2013	68	145,443	2015	434
Alphaville Nova Esplanada F4	2013	30	68,216	2015	473
Alphaville D. Pedro 2	2013	58	75,803	2015	265
Alphaville D. Pedro 3	2013	58	76,704	2015	233

(1) One square meter is equal to approximately 10.76 square feet.

(2) Values for 100% of the building development.

Commercial Buildings

In 2013, we launched two commercial buildings: Axis Business Tower and Laguna Mall.

In 2014, we did not launch any commercial buildings.

In 2015, we launched one commercial building: Alphamall.

Construction Services

We provide construction services to third parties on certain developments where we retain an equity interest. This practice allows us to benchmark our construction costs, facilitates our access to new constructions materials, techniques and service providers such as architects and sub-contractors, and provides larger economies of scale.

The table below sets forth the real estate developments for third parties currently under construction, in which we also have an equity interest, between January 1, 2013 and December 31, 2015:

Project	First Year of Construction	Gafisa Participation (%)	Partner	Type of Project
Adamas	2013	50	GTIS Partners	Residential

Sale of Units Through Our Brokerage Subsidiaries

In September 2006, we created a new subsidiary, Gafisa Vendas, to function as our internal sales division in the state of São Paulo. In February 2007, we created another new subsidiary, Gafisa Vendas Rio, to function as our internal sales division in the metropolitan region of Rio de Janeiro. These wholly-owned subsidiaries promote sales of our projects in the states of São Paulo and Rio de Janeiro and focus their efforts on: (1) launches — our internal sales force focuses on promoting launches of our developments; however, we also use outside brokers, thus creating

Table of Contents

what we believe to be a healthy competition between our sales force and outside brokers; (2) inventory — Gafisa Vendas and Gafisa Vendas Rio each have a team focused on selling units launched in prior years; and (3) web sales — Gafisa Vendas and Gafisa Vendas Rio each have a sales team dedicated to internet sales as an alternative source of revenues with lower costs.

Our Clients

Our clients mainly consist of development clients. Development clients are clients who purchase units in our developments. As of December 31, 2015, our development-client database was comprised of more than 141,300 individuals. We currently have approximately 74,200 active clients.

We also provide construction services to certain construction-services clients in connection with developments in which we retain an equity interest. As of December 31, 2015, our main construction services client was GTIS Partners, with whom we retain an equity interest in the Adamas development.

No individual client represents more than 5% of our revenues from residential developments or construction services.

Our Operations

The stages of our development process are summarized in the diagrams below:

Land Acquisition

We use results from our extensive market research to guide our land reserves strategy and process. Our marketing and development teams monitor market fundamentals and trends. We have developed a sophisticated database to support our search for and analysis of new investment opportunities. Key decision factors used by our management for land acquisition and new developments include location, type of product to be developed, expected demand for the new developments, current inventory of units in the region and acquisition cost of the land.

Whenever we identify an attractive tract of land, we first conduct a study of the project to define the most appropriate use of the space. Afterwards, the basic design of the project enters the economic feasibility study stage, where we consider preliminary revenues and expenses associated with the project. This study will determine project profitability. We collect and analyze information on demand, competition, construction budget, sales policy and funding structure to ensure economic viability of the new development. We then initiate a legal due diligence of the property to identify liens, encumbrances and restrictions, potential solutions to such issues and the relevant costs. Before acquiring the land, we conduct a thorough due diligence process including an environmental review. Each decision to acquire land is analyzed and approved by our investment committee. See “Item 6. Directors, Senior Management and Employees—C. Board Practices” elsewhere in this annual report for further information on the activities of our committees and boards.

We seek to finance land acquisition through barter transactions, in which we grant the seller a certain number of units to be built on the land or a percentage of the proceeds from the sale of units in such development. As a result, we reduce our cash requirements and increase our returns. In the event we cannot do so or in order to obtain better terms or prices, we acquire land for cash, alone or in partnership with other developers. We purchase land both for immediate development and for inventory.

Table of Contents

As a new strategy defined by the end of 2011, the Company is selling landbank located in cities and places where there is no intention to run operations with new developments.

As of December 31, 2015, we had a combined inventory of 160 land parcels under both Gafisa and Tenda, in which we estimate we could develop a combined total of 45,131 residential units with a combined sales value of R$10.7 billion, of which 38.9% represents land acquired through barter transactions. The table below sets forth the breakdown of our land reserves by location and by the type of development:

	Gafisa		Tenda	
	Future Sales (% Gafisa) (1) (in millions of *reais*)	% Bartered	Future Sales (% Gafisa) (in millions of *reais*)	% Bartered
São Paulo	4,286.6	48,3 %	1,088.3	0 %
Rio de Janeiro	1,666.2	75,2 %	1,043.2	18,3 %
Other states	—	—	2,601.5	18.6 %
Total	5,952.8	58,5 %	4,732.9	14,2 %

(1) Information reflects our interest.

Project Design

In order to meet evolving preferences of our customers, we invest considerable resources in creating an appropriate design and marketing strategy for each new development, which includes determining the size, style and price range of units. Our staff, including engineers and marketing and sales professionals, works with recognized independent architects on the planning and design of our developments. Their activities include designing the interior and exterior, drafting plans for the execution of the project, and choosing the finishing construction materials. A team responsible for preparing the business plan and budget and assessing the financial viability for each of our projects is also involved. Simultaneously with the planning and design of our developments, we seek to obtain all the necessary licenses and regulatory approvals from local authorities, which usually take three to twelve months in the case of our residential buildings and three years in the case of our residential communities.

Marketing and Sales

Our marketing efforts are coordinated by our internal staff of approximately 16 professionals. Our specialized team generally coordinates with several outsourced brokerage companies with a combined sales force of more than 80 representatives, monitoring such sales representatives in order to promote loyalty and ensure performance. Our marketing intelligence team is also responsible for gathering information on the needs and preferences of potential customers to provide guidance on our land acquisition and project design activities.

Gafisa Vendas was created as our internal sales division and it currently consists of approximately 600 independent Gafisa Vendas brokers, 38 sales consultants and 6 sales managers.

The creation of Gafisa Vendas was intended to establish a strategic channel for us to access our clients and to reduce our dependence on outside brokers for marketing. Because the sales force at Gafisa Vendas is trained to sell our products exclusively, we believe that it is able to focus on the sale of our developments, articulate the unique features of our development, manage our current customers and capture new customers more effectively. Gafisa Vendas was initially established in São Paulo in 2006 and opened a branch in Rio de Janeiro in 2007. In 2008 and 2009, Gafisa Vendas was our most successful sales team, responsible for approximately 34% and 40% of our sales in the states of São Paulo and Rio de Janeiro, respectively. In 2010, Gafisa Vendas was responsible for approximately 37% and 53% of our sales in the states of São Paulo and Rio de Janeiro, respectively. In 2011, Gafisa Vendas was responsible for approximately 34% and 52% of our sales in the states of São Paulo and Rio de Janeiro, respectively. In 2012, Gafisa Vendas was responsible for approximately 47% and 52% of our sales in the states of São Paulo and Rio de Janeiro, respectively. In 2013, Gafisa Vendas was responsible for approximately 51% and 45% of our sales in the states of São Paulo and Rio de Janeiro, respectively. In 2014, Gafisa Vendas was responsible for approximately 61% and 23.4% of our sales in the states of São Paulo and Rio de Janeiro, respectively. In 2015, Gafisa Vendas was responsible for approximately 60.9% and 60.6% of our sales in the states of São Paulo and Rio de Janeiro, respectively.

Table of Contents

We will continue to utilize independent real estate brokerage firms as we believe this provides a healthy competition between our internal sales force and outside brokers. Independent brokers provide us with a broad reach, access to a specialized and rich database of prospective customers, and flexibility to accommodate the needs of our diverse offering and clientele. In line with our results-oriented culture, we compensate brokers based on their profit contribution rather than on sales. Brokers are required to attend periodic specialized training sessions where they are updated on customer service and marketing techniques, competing developments, construction schedules, and marketing and advertising plans. We emphasize a highly transparent sales approach, as opposed to the traditional high-pressure techniques, in order to build customer loyalty and to develop a sense of trust between customers and us. At our showrooms, brokers explain the project and financing plans, answer questions and encourage customers to purchase or sign on to receive a visit or additional information.

Under our Gafisa brand, we typically initiate our marketing efforts 60 days before the launch of a development. We typically have a showroom on or near the construction site, which includes a model unit furnished with appliances and furniture. We leverage our reputation for quality, consistency, on-time delivery and professionalism to increase sales velocity. We have been successful with this strategy, usually selling approximately 30% of the units before construction starts.

Alphaville has also been successful in its sales and marketing efforts. For example, in Campinas, Alphaville D. Pedro II & III development sold all the 498 lots in just a few hours on the first day; in Volta Redonda, Rio de Janeiro, the sales team needed only three hours to sell all of its residential lots; in Fortaleza, Ceará, 90% of the Alphaville lots were sold during the first day of launch, and Alphaville Anápolis in Goiás, 100% were sold in just a few hours in the same day of their launch.

We market our developments through newspapers, radio, television, direct mail advertising and by distributing leaflets in neighboring areas, as well as through telemarketing and websites. In addition, on a quarterly basis, we publish the magazine “Gafisa Way” which is distributed to our customers and offers news on our most recent developments and progress updates on buildings under construction. The Alphaville developments also publish special magazines geared to their specific communities.

Tenda’s sales and marketing efforts are coordinated through 36 store fronts located across the principal metropolitan areas of the country. A direct sales force is trained to offer advice to first-time home buyers and to assist these buyers in finding the best financing solution. In addition, this sales force provides information on the benefits under the public housing program “Minha Casa, Minha Vida”, including the process of obtaining a mortgage through the CEF and BB. Because the Tenda sales force is specially trained to provide information on the affordable entry-level segment, we believe that they are uniquely positioned to provide us with an advantage in this segment.

In addition to direct sales, Tenda markets its developments through telemarketing, which generates more than 54,000 calls and 31,000 chats per month and results in over 7,000 visits per month to its store fronts. Tenda also gathers information on its customers' preferences to better tailor its marketing efforts and has implemented a customer relationship management department in order to improve its client satisfaction. Finally, Tenda focuses on improving its sales during the launch of a development using a specific strategy for each type of development. For example, with large developments, Tenda has successfully combined its direct sales force with independent real estate brokerage firms, and the increase in cost associated with such combined efforts was offset by the significant increase in sales during the initial months after launch.

Under Brazilian law, we may establish a term within and the conditions under which we are entitled to cancel the development. According to our regular purchase contracts, if we are not able to sell at least 60% of the units within 180 days of launching, we can cancel the development. In the low income segment we need to have the project with at least 60% of the units sold (sales includes customers who are eligible for mortgages and that can be immediately transferred to financial institutions) and the project needs to be contracted with financial institutions prior to the launching phase, or we can cancel the development. Under those circumstances, we usually consider changing the project or selling the land, but, in any of those cases, we have to return the cash payment made by our customers adjusted for inflation but with no interest. Customers, however, are not entitled to other remedies.

Construction

Gafisa has been engaged in the construction business for over 50 years. Our experience spans across the entire construction chain. Before engaging in each new project, we develop sketches and research and develop projects and plans to create the most appropriate product possible. Our standardized construction techniques and unique control system are designed to optimize productivity and minimize raw material losses. Our monitoring tools are available

Table of Contents

on our intranet where all employees regularly review costs and key performance indicators of each development such as actual versus budget comparisons, volume consumption for each raw material, and construction schedule.

We use strict quality control methods. We have developed proprietary procedure manuals that describe in significant detail each task of each stage of the construction project. These manuals are also used for the training sessions that we require all of our workers to attend. In addition, we keep quarterly records of projects delivered.

The reviews focus on identifying problems in order to take corrective and preventive actions in projects underway and thus avoid costly repetition. We have adopted a quality management system that was certified for ISO 9002 by *Fundação Bureau Veritas*, from Universidade de São Paulo. In 2007, we received a certification from *Programa Brasileiro de Qualidade e Produtividade do Habitat* (PBQP-H), which is part of the Ministry of Cities. In addition, the Eldorado Business Tower building was certified as a Green Building, category Platinum, by the U.S. Green Building Council, which attests that it is environmentally sustainable, through the rational use of energy, natural lighting and pollution control and recycling. Eldorado Business Tower was the first building in Latin America to achieve this category.

We invest in technology. Our research and development costs amounted to R$1.0 million in 2015, R$1.2 million in 2014, and R$1.0 million in 2013. We believe that we have pioneered the adoption of advanced construction techniques in Brazil such as dry wall and plane pre-stressed slabs, which present numerous advantages over traditional techniques. We also optimize costs by synchronizing our projects' progress so as to coordinate the purchase of raw material and benefit from economies of scale. We have long-term arrangements with a number of suppliers which allow us to build our developments with quality, using brand name construction materials and equipment, and advanced technology. Moreover, our centralized procurement center enables us to achieve significant economies of scale in the purchase of materials and retention of services.

We do not own heavy construction equipment and we employ directly only a small fraction of the labor working on our sites. We generally act as a contractor, supervising construction while subcontracting more labor-intensive activities. Substantially all on-site construction is performed for a fixed price by independent subcontractors. We have policies in place in order to hire reputable, cost-oriented and reliable service providers that are in compliance with labor laws and have performed their work diligently and on time in the past. Hiring subcontractors instead of employing workers directly has some financial and logistical advantages. For instance, we do not need to incur fixed costs to maintain a specialized labor force even when they are not actively working at a construction site and we do not need to pay for frequent transfers of labor to different construction locations.

Our construction engineering group coordinates the activities of service providers and suppliers, monitors compliance with safety and zoning codes, and monitors completion of the project on a timely basis. We provide a five-year limited warranty covering structural defects in all our developments.

Risk Control

Our risk control procedures require that all of our projects be approved by our investment committee, which meets on a monthly basis, or more frequently on an as-needed basis, and consists of our chief executive officer and two members of our board of directors. Our investment committee carefully reviews the various studies conducted by us and described above. In addition, we have a board of officers, which meets monthly, and is in charge of overseeing and approving major decisions. See “Item 6. Directors, Senior Management and Employees—E. Share Ownership” in this annual report.

Customer Financing

The table below sets forth the percentage of each type of customer financing we provide for each type of development as of December 31, 2015:

Sales Term	Luxury	Middle Income	Affordable Entry—Level(1)
Mortgage lending (delivery)	90 %	90 %	0.8 %
Caixa Econômica Federal and Banco do Brasil	—	—	99.2 %
Gafisa 36 months	10 %	10 %	—
Gafisa 60 months	—	—	—
Gafisa 120 months	—	—	—

(1) Includes Tenda developments. We do not provide any customer financing for these developments.

Table of Contents

Mortgages. In 2015, 85% of our sales value was financed by bank mortgages, where the customer paid us approximately 25% to 60% of the sales price of the property during the period of construction, and upon delivery of the property paid the balance of the sales price through a bank mortgage. We analyze the credit history of each customer at the time of sale to see if the customer would qualify for a bank mortgage based on banks' standard credit rating policies. Although there is no assurance that the customer will qualify for a mortgage at the time of delivery, our analyses have been fairly successful in predicting whether the customer would qualify for a mortgage. The following table sets forth the credit limits established by mortgage sources available in Brazil in 2015:

Credit Lines	Typical Interest rate	Maximum Home Value	Maximum Loan Value
Mortgage portfolio (*Carteira Hipotecária*) or CH	% annually + TR(1)	No limit	No limit
Housing Finance System (*Sistema Financeiro da Habitação*) or SFH	% annually + TR	R$750,000	R$600,000
Government Severance Indemnity Fund for Employees (*Fundo de Garantia do Tempo de Serviços*) or FGTS	6% annually + TR	R$190,000	R$190,000

(1) TR refers to the daily reference rate.

Mortgage financing for Tenda's developments primarily comes from CEF and BB. The financing is structured so that customers with monthly income of up to ten times the Brazilian minimum wage pay low monthly installments without increasing our credit risk because CEF and BB assume the credit risk of each customer.

Financing by Gafisa during construction. We finance some of our own sales during the construction period, with a down payment of 20-30% and financing of the balance through monthly installments up to the delivery of the unit.

Financing by Gafisa after delivery. In addition, we offer financing plans to prospective customers using our own capital, where we finance purchases for up to 120 months after the completion of the construction. For completed units we require a down payment of 30% and financing of the remaining balance with up to 120 monthly installments. For units under construction we require a down payment of 10% and provide financing of 25-35% with up to 30 monthly installments until the delivery of the unit and financing of the remaining 75-65%, respectively, with up to 120 additional monthly installments. All of our financing plans are guaranteed by a conditional sale of the unit, with the transfer of the full property rights of the unit to the customer upon the full payment of the outstanding installments.

We have developed a strict credit policy in order to minimize risks. We take the following steps whenever we conduct a credit review process:

- trained independent brokers interview each potential customer to collect personal and financial information and fill out a registration form;

- registration forms are delivered, along with a copy of the property deed, to us and, if the bank providing the financing requests, to an independent company specialized in real estate credit scoring;

- credit is automatically extended by us to the customer if his or her credit analysis is favorable. However, if the credit analysis report raises concerns, we will carefully review the issues and accept or reject the customer's application depending on the degree of risk. To the extent financing is provided by a bank, such financial institution will follow their own credit review procedures; and

- after approving the application, our staff accepts the down payment which is given as a deposit on the purchase of the unit.

Table of Contents

Sales contracts. Our sales contracts generally provide for adjustment of the sales price according to the INCC during construction and at an annual interest rate of 12% plus IGP-M over the receivables balance after a stated date in our sales contracts. We have historically experienced a low rate of customer delinquency on our sales. On February 29, 2016, our clients' delinquency level was 11.99% of our accounts receivable for Gafisa and 12.16% for Tenda.

In order to maintain low rates of customer delinquency, we have adopted a conservative and robust credit and receivables management policy, pursuant to which: (1) we conduct database research on the socio-economic background of our prospective customers; (2) our agreements discourage delinquency and cancellation of the purchase by imposing immediate penalty fees, interest and liquidated damages which are adjusted for inflation, and we retain approximately 40-45% (Gafisa), 20% (Tenda) and 20% (Alphaville) of the total amount paid to us plus expenses incurred by us, which in general represents all or a substantial portion of the amount that the defaulted clients have already paid us; and (3) we offer several options to our customers if they experience financial difficulties, such as offering them a greater number of installment payments or exchanging the unit bought for a less expensive one. When a delinquency occurs, we endeavor to renegotiate the outstanding loan with our customers before taking any legal action.

We will only transfer title of the unit to a buyer after the release of the certificate of acceptance of occupancy by local authority and the full payment of all outstanding installments. We have increased the percentage of mortgages that our customers obtain from commercial banks from approximately 33% in 2006 to 56% in March 2016. This increase reflects the growing interest of commercial banks in financing the Brazilian housing industry. See "Item 5".

Operating and Financial Review and Prospects—A. "Operating Results—Launches and Contracted Sales—Contracted Sales" for a discussion of the sales value of contracts cancelled by our customers and penalties paid in connection with such cancellations.

The table below sets forth the client's delinquency level breakdown by segment:

	As of and for the year ended December 31,		
Delinquency level by segment	2015	2014	2013
Gafisa	11.40%	6.19%	5.13 %
Tenda	12.85%	7.43%	15.57%
Alphaville(1)	-	-	2.24 %

(1) This information is presented for comparison purposes only, as we sold our controlling interest on December 9, 2013 and currently hold a 30% non-controlling interest in Alphaville.

The increase in our delinquency levels is mainly due to the weakening economic conditions and political instability in Brazil in 2014 and 2015.

Cancelation of sales contracts. Gafisa and Tenda sales contracts are irrevocable under Brazilian law. That means that a customer does not have the unilateral ability to terminate a contract once it is executed, nor does the customer have an ability to require a refund of amounts previously paid unless we agree. To the extent that a customer is not in compliance with its obligations under a contract, we may at our option either force compliance through the Brazilian courts, or agree to a "default" by the customer. Should we agree at our sole discretion to refund part of the amounts paid to the defaulting party, we will normally apply the penalty set forth in the contract.

In the event either we or the customer do not agree to enter into a commercial negotiation following a customer default there are two courses of action available:

(1) the first option is that we may seek to enforce the agreement in Court to collect the amount outstanding and effectively transfer ownership of the unit to the buyer; or

(2) as provided in the contract and contemplated in Brazilian law we have the right to force the unit to be auctioned. When the unit is purchased in auction by a third party the proceeds from the auction are used in part to settle in full (including interest and penalties for late payments) the amount owed by the customer to Gafisa and the remaining balance is paid to the customer. When no third party is willing to acquire the unit in the auction, the title to the unit returns to Gafisa or Tenda without any disbursement, except for the auctioneers fees. Provisions in the Gafisa contract indicate that when such auction occurs it is without prejudice of the penalties set forth in this contract (meaning that the penalty provisions survive). Upon consultation, our legal counsel advised us that the

Table of Contents

customer has a right to request that amounts paid by him be returned after the contractual "penalty" has been deducted.

The table below provides the number and sales value of contracts terminated by customers for the periods presented:

	As of December 31, 2015		As of December 31, 2014		As of December 31, 2013	
Year Segment	Number of contracts	Sales value (in thousands of reais)	Number of contracts	Sales value (in thousands of reais)	Number of contracts	Sales value (in thousands of reais)
Gafisa						
Contracted sales	3,305	1,427,733	2,836	1,246,996	3,671	1,416,939
Volume/Sales value of terminations	(972)	(512,937)	(1,014)	(435,964)	(1,292)	(455,738)
Percentage	29.4%	35.9%	35.8%	35.0%	35.2%	32.1%
Sales value, net of termination	2,333	914,796	1,822	811,032	2,379	961,201
Tenda						
Contracted sales	8,108	1,208,135	6,248	919,381	8.292	1,089,301
Volume/Sales value of terminations(1)	(1,293)	(192,004)	(3,561)	(523,400)	(4,278)	(598,897)
Percentage(1)	16.0%	15.9%	57.0%	56.9%	51.6%	55.0%
Sales value net of terminations	6,815	1,016,131	2,687	395,981	4,014	490,403
Alphaville (2)						
Contracted sales	—	—	—	—	7,955	1,295,260
Volume/Sales value of terminations	—	—	—	—	(1,307)	(233,005)
Percentage	—	—	—	—	16.4%	18.0%
Sales value net of termination	—	—	—	—	6,648	1,062,260
Total sales value net of termination	9,148	1,930,927	4,509	1,207,013	13,041	2,513,860

(1) After a detailed analysis of Tenda receivables portfolio, we identified clients who no longer qualified for the mortgage because their contracts had terminated. In 2015, we had R$192.0 million in sales value of termination, R$523.4 million in 2014 and R$598.9 million in 2013. As of the fourth quarter of 2011, we adopted a new sales policy for Tenda units to avoid contract terminations. The new terms of the contracts increased security in the client's transfer of their contracts to financial agents. This change led to a longer time period for new sales and for resale of units under contracts entered into during that period.

(2) This information is presented for comparison purposes and for the year ended December 31, 2013 only, as we sold our controlling interest in Alphaville on December 9, 2013 and currently hold a 30% non-controlling interest in Alphaville.

Receivables securitization

We release capital for new projects by seeking not to maintain receivables after our projects are completed. The securitization (mortgage-backed securities) market in Brazil is expanding. This expansion is helped significantly by recent development in Brazilian foreclosure laws.

With the growing availability of mortgages from commercial banks and the increasing liquidity of CRIs, we expect to further reduce our role as a financing provider to our customers. Our goal is to optimize our working capital by transferring the financing activities to securitization companies and banks.

Main Raw Materials and Suppliers

We purchase a wide variety of raw materials for our operations. Even though these raw materials have represented on average, over the last three years, approximately 35% of our total costs of development, aside from land, the only raw materials that represent more than approximately 5% of our total costs are steel and concrete. Prices of some raw materials have increased over the last three years at a rate higher than inflation. The index that

Table of Contents

measures the fluctuation of construction costs, the INCC, increased 24.26% during the three year period ended December 31, 2015, resulting in a 24.3% increase in the construction costs of Gafisa and Tenda over that period. During the three year period ended December 31, 2015, the IGP-M increased 20.93%, resulting in a 20.9% increase in unit prices for Gafisa and a 19.8% increase in unit prices for Tenda over that period. We have been working on the development of new construction techniques and the utilization of alternative materials in order to reduce costs and improve our construction process with advanced technology.

We contract with major suppliers for the materials used in the construction of the buildings. We receive general pricing proposals from various suppliers of raw materials and select the proposal with the best terms and conditions for each development. In addition to pricing, we select our suppliers by the quality of their materials. We set forth specific minimum quality requirements for each construction project, and the chosen supplier must meet this quality requirement. The materials for our developments are readily available from multiple sources and, accordingly, we do not rely on any one supplier for our raw materials.

Our nine largest suppliers in terms of volume are Gerdau Aços Longos S.A., Votorantim Cimentos Brasil Ltda., Portobello S.A., Thyssen Krupp Elevadores S.A., Alumni Esquadrias de Aluminio Ltda., RCI Esquadrias de Aluminio S/C Ltda., InterCement Brasil SA, Cortesia Serviços de Concretagem Ltda, and Mare Cimento Ltda. In general terms, we purchase products for our construction based on the scheduled requirements, and we are given approximately 28 days to pay. The products we purchase generally come with a five-year warranty. We do not have any exclusive arrangements with our suppliers. We work closely with suppliers, enabling them to schedule their production in order to meet our demand or notify us in advance in the event they anticipate delays. We have good relationships with our suppliers and have experienced no significant construction delays due to shortages of materials in recent years. We do not maintain inventories of construction materials.

We achieve significant economies of scale in our purchases because we:

- use standard construction techniques,
- engage in a large number of projects simultaneously, and
- have long-term relationships with our suppliers. We periodically evaluate our suppliers. In the event of problems, we generally replace the supplier or work closely with them to solve the problems.

Customer Service

In our industry, customer satisfaction is based in large part on our ability to respond promptly and courteously to buyers before, during and after the sale of our properties, including providing an owner's guide. We use innovative and personalized customer service techniques beginning with the initial encounter with a potential customer. We believe we were one of the first homebuilders in Brazil to introduce services such as breakfast for customers at construction sites and providing monthly photos to customers on the progress of the construction. These services are provided with the objective of educating customers on the progress of the construction and improving customers' experience with the purchase of our units. Other customer service efforts include:

- a dedicated outsourced call center with consultants and specialists trained to answer our customers' inquiries;

- the development of the "Gafisa Viver Bem" web portal, through which our customers can, for example, follow the project's progress, alter their registration information, simulate unit designs and check their outstanding balances;

- relationship events to engage the customer with the "Gafisa Viver Bem" program, like the "Open House" (inauguration party in the unit) and the "House UP" (refurbish one room of the unit);

- the development of the " Alphaville Viver a Vida" web portal, through which our customers have easy and fast and easy access to all financial services related to Alphaville; and

- the development of the "Gafisa Personal Line," through which buyers of certain units are able to customize their units in accordance with plans and finishing touches offered by Gafisa. Such options vary by development.

Table of Contents

As part of our customer service program in our residential developments, we conduct pre-delivery inspections to promptly address any outstanding construction issues. Prior to the delivery of each unit, we maintain regular contact with the customer by sending the customer our magazine "Gafisa Way." We also conduct monitored inspections of our developments to allow buyers to gather more information from our technical personnel. In addition, we send a monthly status report on the construction of the unit. We conduct another evaluation of the customer's satisfaction with his or her unit, as well as the customer's experience with our sales personnel and our various departments (customer services, construction and title services) 18 months after the release of the certificate of acceptance of occupancy by the relevant local authority. We also provide a five-year limited warranty covering structural defects, which is required by Brazilian law.

Competition

The real estate market in Brazil is highly fragmented and competitive with low barriers to entry. The main competitive factors include price, financing, design, quality, reputation, reliability, meeting delivery expectations, partnerships with developers and the availability and location of land. Certain of our competitors have greater financial resources than we do, which could provide them an advantage over us in the acquisition of land using cash. In addition, some of our competitors have better brand recognition in certain regions, which could give them a competitive advantage in increasing the velocity of their sales. Because of our geographic diversification, we believe that we have access to different markets within Brazil that have different demand drivers.

Because of the high fragmentation of the markets in which we operate, no single developer or construction company is likely to obtain a significant market share. With the exception of São Paulo and Rio de Janeiro, where we face competition from major publicly-traded competitors, in other regions we generally face competition from small and medium-sized local competitors that are not as well-capitalized. We expect additional entrants, including foreign companies in partnership with Brazilian entities, into the real estate industry in Brazil, particularly the São Paulo and Rio de Janeiro markets.

The table below sets forth the most recent data available on our market share in the São Paulo and Rio de Janeiro markets:

São Paulo (1) — Gafisa's Market Share

	Year ended December 31,		
Year	2015	2014	2013
	(Launches in R$ million)		
Local market	14,410	26,359	32,367
Gafisa(2)	1,223	770	1,125
Gafisa's market share	8.5 %	2.9 %	3.5 %

Source: EMBRAESP and SECOVI.

Rio de Janeiro (1) — Gafisa's Market Share

	Year ended December 31,		
Year	2015	2014	2013
	(Launches in R$ million)		
Local market	2,119	11,796	12,590
Gafisa(2)	365	253	51
Gafisa's market share	17.2 %	2.1 %	0.4 %

Source: ADEMI.

(1) Metropolitan region.

(2) Gafisa interest.

Seasonality

Although the Brazilian real estate market is not generally seasonal, there are a few months of the year when the market slows down (January, February and July) each year. These months coincide with school vacations and result in the postponement of investment decisions. We are impacted similarly as the rest of the market during such periods.

Table of Contents

Subsidiaries

We carry out our real estate developments directly or through our subsidiaries or our jointly-controlled entities in partnership with third parties. As of December 31, 2015, Gafisa had 99 subsidiaries, 17 jointly-controlled entities under operations and 3 entities in which it had minority stakes. The majority of such subsidiaries, jointly-controlled entities and entities in which Gafisa has a minority stake are incorporated as special purpose entities, are headquartered in Brazil and operate exclusively in the real estate sector. Gafisa also holds a 30% interest in the capital stock of Alphaville.

Many of Gafisa's subsidiaries and joint-ventures are SPEs, many of which have been incorporated by us as joint ventures together with other real estate and construction companies in Brazil. Of our 119 SPEs, 75.63 % are wholly-owned by us and 7.57 % are majority-owned by us, and we hold an interest of 50% or less in the remaining 16.80 %.

Tenda is a wholly-owned subsidiary of Gafisa. As of December 31, 2015, Tenda had 84 subsidiaries, 11 jointly-controlled entities under operations and 5 entities in which it had minority stakes. The majority of such subsidiaries, jointly-controlled entities and entities in which Tenda has a minority stake are incorporated as special purpose entities, are headquartered in Brazil and operate exclusively in the real estate sector.

Many of Tenda's subsidiaries and joint-ventures are SPEs, many of which have been incorporated by us as joint ventures together with other real estate and construction companies in Brazil. Of Tenda's 84 SPEs, 81% are wholly-owned by us and 14% are majority-owned by us, and we hold an interest of 50% or less in the remaining 5%.

Intellectual Property

Trademarks

Our trademarks are filed or registered in Brazil with the Brazilian Institute of Industrial Property (*Instituto Nacional de Propriedade Industrial*), or the "INPI," which is the competent body for, among others, trademarks' and patents' registries in Brazil. Besides, the trademark "Gafisa" is also registered before the competent agency for registering trademarks in the United States.

Currently, the registration process of a trademark takes approximately 30 to 36 months from the date of filing of the application until the definitive registration. From the date of filing of the application to the date of the definitive registration, the applicant has an expectation of right for the use of the trademark in connection with the products and services for which the trademark was applied for.

Each trademark registration is effective for a 10-year period and is renewable for equal and successive periods. The renewal of a trademark registration is granted upon request accompanied by payment of renewal fees during the final year of the trademark's registration period or within the 6-month waiting period after its expiration. In case of non-payment, the registration is cancelled by INPI.

A trademark registration may be terminated in case (1) of expiration of its validity term; (2) the trademark owner or holder waives in whole or in part the rights granted by registration; (3) of forfeiture, or the applicant's or the holder's failure to use a registered trademark in connection with related goods or services for a period longer than five years; or (4) failure to appoint a Brazilian resident with powers to represent the applicant or holder in administrative or judicial proceedings, in cases where the applicant or the holder resides abroad.

As of the date of this annual report, we had approximately 155 pending trademark applications and 133 trademarks registered in Brazil with the INPI of which approximately (a) 139 pending applications and 123 registered trademarks refer to Gafisa, and (b) 16 pending applications and 10 registered trademarks refer to Tenda.

Our most significant trademark is "Gafisa," which is duly registered with the INPI in the relevant market segment. Other relevant trademark we own, such as "Tenda," are also registered with the INPI in several classes in connection with our daily activities.

Domain Name

As of the date of this annual report, we, together with our subsidiaries, were the owners of approximately 83 domain names including our and our subsidiaries' principal websites. The term of each domain name registration is

Table of Contents

one year and is renewable for equal and successive periods. An annual fee payment is necessary for the maintenance of the domain name registrations. Other than non-payment of the annual fee, domain name registration may be cancelled by: (1) express waiver of the owner; (2) irregularities in the data form as requested by the respective agency; (3) non-compliance with applicable regulations; (4) judicial order; or (5) in the case of foreign companies, non-compliance with the obligation to initiate the company's activities in Brazil. Our domain names will, unless renewed, expire between May 2016 and February 2021. We will seek to renew our domain names expiring in 2016, after evaluating their continuing applicability.

Patents

We have no patents registered in our name.

Software Licenses

Most of the software we use in our daily business refers to common computer programs, such as Windows, SAP and AutoCAD. Additionally, we own all required licenses of use in connection with such software. The use of computer software without the acquisition of proper licenses is considered a felony subject to both criminal and civil liabilities, including the payment of fines and restrictions of future use of the applicable software.

Licenses

Under Brazilian laws, we are required to obtain a variety of licenses for each of our new developments. As of the date of this annual report, we have obtained all necessary licenses and permits to operate our business.

Insurance

We maintain insurance policies with leading Brazilian insurance companies, such as Allianz Seguros S.A., ACE Seguradora S.A., Porto Seguro Cia de Seguros Gerais, Royal & Sunnaliance Seguros Brasil S.A. and J. Malluceli Seguros S.A., with coverage for, among others, (1) potential risks arising from the commencement of construction, including property damages, business interruption, engineering risks, fire, falls, collapse, lightning, and gas explosion; (2) construction errors; (3) performance bonds; and (4) losses arising from damages or defense costs associated with

litigation resulting from misconduct of directors and officer. Such insurance policies contain customary specifications, limits and deductibles. Additionally, we do not maintain any insurance policy for our properties after construction is completed.

According to Brazilian Federal Law, it is mandatory that homebuilders have insurance policies in force with coverage for, among others, damages and losses related to civil liabilities and performance bonds. Failure or default in contracting any compulsory insurance required by applicable legislation is subject to a penalty amounting to the higher amount between (1) twice the premium price of the insurance that should have been contracted; and (2) ten percent of the insured property value. Additionally, no operating authorization or license (or the renewal of any existing license) shall be granted to companies subject to compulsory insurance in default of the aforementioned obligations.

Our management believes that the insurance coverage for our properties is adequate and that our insurance policies are customary for our industry in Brazil and adequate for applicable regulations.

Regulatory Framework

Brazilian Government and Real Estate Sector Regulations.

The real estate sector is directly regulated by the Brazilian government and is indirectly impacted by the government's regulations on the availability of credit. Regulations include development policies, zoning restrictions and environmental laws which can determine the availability of different products offered in the market. For example, city master plans and zoning laws restrict the types of real estate developments that can be constructed in a given area.

As a general rule, the NBCC requires that the transfer of title of real estate properties, as well as the assignment, transfer, change or waiver of rights on real estate properties, be carried out by means of a public deed, except in certain cases, such as when the Real Estate Finance System (*Sistema Financeiro Imobiliario*), or SFI, or the SFH, are involved. The intent of this rule is to increase the security of real estate property transfers.

Table of Contents

According to applicable law, transfer of real estate title is only deemed effective upon the registration of the transfer with the relevant Real Estate Registry Office. The procedure for the execution of public deeds and also the respective registration with the Real Estate Registry Office (*Registro Imobiliário*) is regulated by the Brazilian Law of Public Registers (*Lei de Registros Públicos*), in particular Law No. 6,015 of December 13, 1973.

Real estate development

Real estate development activities are regulated by Law No. 4,591 of December 16, 1964, as amended, or Law No. 4,591. The main duties of a developer are to: (1) obtain all required construction approvals and authorizations from the proper authorities; (2) register the development with the Real Estate Registry Office (without registration, the developed units cannot be sold); (3) indicate in the preliminary documents the deadline for the developer to withdraw from the development; (4) indicate in all advertisements and sales contracts the registration number of the development with the Real Estate Registry Office; (5) oversee the construction of the project established by the contract which must be in accordance with the approval granted by the authorities; (6) deliver to the final owner the completed units, in accordance with the contractual specifications, and transfer to the final owner the title of the unit by signing the final sale deed; (7) assume sole responsibility for the delivery of the developed units to the respective purchasers; (8) assume sole responsibility in the event the construction of the unit is not in accordance with the advertisements and sale contracts; and (9) provide construction blueprints and specifications along with the joint ownership agreement to the proper Real Estate Registry Office. The final owner is obligated, in turn, to pay the price related to the cost of the land and the construction.

The construction of the real estate units may be contracted and paid for by the developer or by the final owners of the units. Brazilian law provides for two pricing methods in real estate development: (1) construction under contract and (2) construction under a system of management. In construction under contract, the contracting parties will either set a fixed price, stipulated before the construction begins, or agree on an adjustable price pegged to an index determined by the contracting parties. In construction under a system of management, an estimated price is agreed upon by the contracting parties, but no fixed final price is provided at the beginning of the construction process. The actual amount that purchasers of the units pay depends on the monthly costs of the developer or contractor.

Urban land subdivisions

Urban land subdivisions consist of subdivisions of urban land parcels into building lots and the construction of new roads and other infrastructure, and are regulated by Law No. 6,766 of December 19, 1979 - the Brazilian Law of Urban Land Subdivision (*Lei de Parcelamento do Solo*), as amended, or Law No. 6,766. Law No. 6,766 governs urban land subdivisions and establishes, among other things, the planning and technical requirements for this form of land parceling and the obligations of the developers, and also provides for fines and sanctions in the event of violation of its provisions.

Under Law No. 6,766, land subdivisions are intended for the creation of lots in urban areas or urban expansion zones, as defined by the planning director or approved by municipal law, and must comply with Law No. 6,766.

For the construction of land subdivisions, the developer must proceed through the following steps: (1) prior to developing the land subdivision plan, it must request the municipality in which the development will be located to issue directives on use policies specifically to the land, such as the delineation of lots, road and street systems and areas reserved for municipal or community properties; (2) pursuant to the directives issued by the municipality, it must develop a plan for the proposed land subdivision and present it to the municipality for approval, including the plans, designs, descriptions, and schedule for performance of the work, among other documents; and (3) after approval for the land subdivision project is obtained, it must be submitted for recording in the property registry of the appropriate Real Estate Registry Office within 180 days. The approval may be revoked if it is not submitted for recording within the 180-day period.

In addition to the approval of the project by the municipality in which the development will be located, the approval of other governmental bodies may be necessary in cases where the land subdivision: (1) is located in an area of special interest, such as a protected cultural, historical, landscape and archeological heritages site as defined by state or federal legislation; (2) is located in the boundary area of a city, belongs to more than one municipality, or is in a metropolitan region or urban agglomeration as defined in state or federal law; or (3) has an area greater than 1 million square meters. In the case of land subdivisions located in a municipality area that is within a metropolitan area, the examination and prior consent to the approval of such project will be subject to the metropolitan authority.

Table of Contents

The legal requirements for the approval of the land subdivision by a municipality include: (1) the developer must preserve a percentage of the land used for residential communities as open spaces for public use and for municipal or community properties with the percentage determined by each municipal zoning code; (2) each lot must have a minimum area of 125 square meters and the distance between the building and the street must be at least five meters; (3) the developer must reserve 15 meters of land on either side of running or still water and of strips of public domain land for roads and highways; and (4) the allotment procedures must be coordinated with the official adjacent tracks, exisiting or projected, and harmonized with the local topography.

Law No. 6,766 also sets forth locations where subdivisions are not permitted, such as: (1) on wetlands and lands subject to flooding, until measures have been taken to assure water drainage; (2) on land that has been filled with material that is a public health hazard, unless previously cleaned up; (3) on land that has a slope equal to or greater than 30 degrees, unless the requirements of the appropriate authorities have been met; (4) on lands where geological conditions make buildings inadvisable; and (5) in ecological preserves or areas where pollution creates unacceptable sanitary conditions, until corrected.

In order to offer greater security to the property market, Law No. 6,766 prohibits the sale or promise of sale of any lot that is the result of a subdivision where the developer has not previously obtained approval by the appropriate municipality and the development has not been recorded with the respective Real Estate Registry Office. If any such lot is sold or contracted to be sold, the developer and any person or legal entity benefiting from such sale or promise of sale shall be jointly liable for the resulting damages to the purchaser and the public authorities.

Assets for Appropriation

Law No. 10,931 of August 2, 2004, as amended, provides for certain protection of real estate assets. Accordingly, such protected assets are segregated from other properties, rights and obligations of the developer, including other assets previously appropriated, and such appropriated assets can only be used to guarantee debts and obligations related to the respective development. The appropriated assets are considered bankruptcy free and will not be affected in the event of bankruptcy or insolvency of the developer. In the event of a bankruptcy or insolvency of the developer, joint ownership of the construction may be instituted by a resolution of the purchasers of the units or by judicial decision. The joint owners of the construction will decide whether the project will proceed or the assets appropriated will be liquidated. Developers may also opt to submit a project to appropriation in order to benefit from a special tax system. Under this system, land and objects built on the land, financial investments in the land, and any other assets and rights with respect to the land are considered to be protected for the benefit of the construction of that development and the delivery of the units to the final owners, and are thus separate from the remaining assets of the developer.

In addition, in order to encourage the use of the appropriation system, Laws No. 11,977 of July 7, 2009 (amended by Law No. 12,249 enacted on June 11, 2010, Law No. 12,424 enacted on June 16, 2011, Law No. 12,693 enacted on July 24, 2012, Law No. 12,722 enacted on October 3, 2012, Law No. 13,043 enacted on November 13, 2014 and Law No. 13,097 enacted on January 19, 2015) and No. 12,844 of July 13, 2013, which granted tax benefits for the adoption of the system by reducing tax rates on appropriated assets from 7% to 4% and, in the case of the appropriated assets under the public housing program "*Minha Casa, Minha Vida*," the rates were reduced from 7% to 1%, until December 31, 2018, by Law No. 13,097, enacted January 19, 2015.

We have not yet utilized the appropriation system for any of our real estate developments. We prefer to use our subsidiaries and our jointly-controlled entities for each specific real estate development. Our subsidiaries and jointly-controlled entities allow us to borrow funds by segregating the credit risk taken on by the financial institutions.

Credit Policy Regulations

The real estate sector is highly dependent on the availability of credit in the market, and the Brazilian government's credit policy significantly affects the availability of funds for real estate financing, thus influencing the supply of and demand for properties.

Housing Finance System, or "SFH"

Law No. 4,380 of August 21, 1964, as amended, created the SFH to promote the construction and ownership of private homes, especially for low income earners. Financing resources under the SFH's control are provided by the Government Severance Indemnity Fund for Employees (*Fundo de Garantia do Tempo de Serviço*), or "FGTS," and from savings account deposits. The FGTS, created by Law No. 5,107 of September 13, 1966 and regulated by Law

Table of Contents

No. 8,036 of May 11, 1990, imposes a mandatory 8% employee payroll deduction on all employees in Brazil. Employees maintain FGTS accounts, which are similar to pension funds, and are allowed, among other things, to use the funds deposited in the accounts for the acquisition of real estate property under certain circumstances, as set forth by applicable law. The CEF is the agency responsible for managing the funds deposited in the FGTS. In order to be eligible for the financing, the beneficiary must purchase a completed unit or unit under construction priced at up to R$750,000 (price applicable to the States of Rio de Janeiro, São Paulo, Minas Gerais and Distrito Federal) or R$650,000 (price applicable to other Brazilian States). In addition, the beneficiary shall (1) not own or be the committed purchaser of any residential real estate financed by the SFH within Brazil; (2) not own or be the committed purchaser of, any real estate property built or under construction in both his or her current city of residence and the city where the beneficiary conducts his or her main activities; (3) reside for at least one year in the city where the property is located; (4) pay the FGTS; and (5) be registered for at least three years with the FGTS regime. The unemployed also have access to the FGTS to purchase real estate property provided that he still has funds on the FGTS account (where the 8% payroll deduction was deposited while employed).

Financings that originate from savings account deposits in the entities comprising the Brazilian Saving and Loan System (*Sistema Brasileiro de Poupança e Empréstimo*), or "SBPE," are regulated by the Central Bank. Such financings can be obtained through the SFH, which is strictly regulated by the Brazilian government, or through the mortgage portfolio system, where banks are free to set the financing conditions. SFH financing offers fixed interest rates lower than the market rates, capped at around 12% per year, and SFH financing contract terms vary, in general, between 15 and 30 years. The mortgage portfolio system financing offers market interest rates as determined by the financial institutions, generally varying between 18.5% and 12% per year.

CMN Resolution No. 3,932/2010 provides for the allocation of the funds deposited in savings accounts in the entities comprising SBPE and states that the following conditions must be met for SFH financing: (1) the maximum amount of the financing is 80% of the appraisal price of the property, as a general rule; (2) the maximum appraisal price for the financed unit is R$750,000 (applicable to the States of Rio de Janeiro, São Paulo, Minas Gerais and Distrito Federal) or R$650,000 (applicable to other Brazilian States); (3) the maximum actual cost to the borrower, which includes charges such as interest, fees and other financial costs, except insurance and other costs, may not exceed 12% per year; and (4) the borrower is responsible for the potential outstanding balance verified at the end of the financing term, (such term might be extended by half of the initial term).

SFH financings need to be secured by at least one of the following: (1) a first mortgage over the unit that is being financed; or (2) a conditional sale over the unit that is being financed, as prescribed by Law No. 9,514 of November 20, 1997, as amended by Law No. 10,931 of August 2, 2004, Law No. 11,076 of December 30, 2004, Law No. 11,481 of May 31, 2007, Law No. 12,703 of August 07, 2012, Law No. 12,810 of May 15, 2013, Law No. 13,043 enacted on November 13, 2014 and Law No. 13,097 enacted on January 19,2015 ("Law No. 9,514"); or (3) a first mortgage or conditional sale, as determined by Law No. 9,514, of other property owned by the borrower or by a third party; or (4) other guarantees, as established by the financing agent. SFH funds are only released upon the formalization of one of these methods of guaranteeing the loan.

The federal government has announced, in 2014, changes in the regulations on financing and construction in order to promote growth in the real estate market. Among the measures announced are: (1) all the acts involving immovable property will be entered on the property's record in the land registry office, i.e., unregistered acts and actions enforceable against third parties in good faith, even if the unregistered act or action challenges ownership to the property; (2) the buyer of a real estate property will be able to give property as guarantee to finance another, or to purchase other assets with funds raised in savings accounts; (3) banks will be able to issue a new type of security, the Secured Real Estate Note (LIG – *Letras Imobiliárias Garantidas*), which is exempt from income tax to raise more funds and borrow to finance the purchase of real estate; (4) banks may grant payroll loans, in which the parcels will be charged to the worker's salary in the private sector with more facilities, resulting in lower interests; and (5) the Brazilian government will create a type of credit that will be easier for the bank to recapture the property in case of default.

Mortgage portfolio

While a large portion of the funds in the deposits in saving accounts are allocated to the SFH, some of the funds are allocated to loans granted at market rates. CMN Resolution No. 3,932/10 established that at least 65% of these deposits should be used for real estate financing, with a minimum of 80% of the financing going to housing loans under the SFH and the remaining balance for loans granted at market rates which are usually higher than in SFH loans, including mortgage portfolio used by banks for the concession of housing loans.

Table of Contents

In early 2005 the Brazilian government took a number of measures to better regulate the use of the funds raised in savings account deposits in order to promote growth of the real estate sector, these measures included: (1) the cancellation of payments to the Central Bank of funds not invested in real estate financing in January, February and March; (2) the creation of a real estate interbank deposit market to allow financial institutions with excessive investments in real estate to trade with financial institutions that have capacity for more real estate credits; (3) a review of the factors used in the calculation guidelines of the SFH in order to stimulate financing for the acquisition of new real estate properties at a low cost, applicable as of January 1, 2005; (4) authorization for the SFH to provide financing to legal entities for the construction of development projects for their employees, provided that such entities follow all SFH guidelines; (5) in 2013, the increase in the operating limits of the SFH to units with a maximum sales price of R$750,000 and (6) in 2014, measures to facilitate the purchase of financed properties, as discussed in "*Housing Finance System*, or "*SFH*"" above. These changes have significantly increased the funds available for investments in the Brazilian real estate sector.

Real Estate Finance System, or "SFI"

The SFI was created by Law No. 9,514 to establish assignment, acquisition and securitization criteria for real estate credits. The system seeks to develop primary (loans) and secondary (trading of securities backed by receivables) markets for the financing of real estate properties by creating advantageous payment conditions and special protection of creditors' rights. The SFI supervises real estate financing transactions carried out by savings banks, commercial banks, investment banks, real estate credit portfolio banks, housing loan associations, savings and loan associations, mortgage companies and other entities authorized by the CMN to provide such financing. SFI real estate credits may be freely negotiated by the parties, under the following conditions: (1) the amount loaned and the related adjustments must be fully reimbursed; (2) interest must be paid at the rates established by the contract; (3) interest must be capitalized; and (4) borrowers must purchase life and permanent disability insurance.

Real estate sales, rental, or other real estate property financing in general, can be negotiated with non-financial institutions under the same conditions permitted by authorized entities under the SFI. In these cases, non-financial entities are authorized to charge capitalized interest rates greater than 12% per year.

The following types of guarantees are applicable to loans approved by the SFI: (1) mortgages; (2) fiduciary assignment of credit rights resulting from sales contracts; (3) guarantee of credit rights resulting from contracts of sale or promise of sale of property; and (4) conditional sale of real estate property.

Law No. 9,514 also reformed securitizations of real estate assets provisions, making them less expensive and more attractive. The securitization of credits in the context of the SFI is made through real estate securitization companies, non-financial institutions formed as joint stock companies whose objective is to acquire and securitize real estate credits. Funds raised by the securitizing companies can be made through the issuance of debentures or notes, or the

creation of a new type of CRI. According to applicable law, CRIs are nominative credit securities issued exclusively by securitizing companies, backed by real estate credits, freely negotiated, and payable in cash. CRIs tend to have, among others, the following characteristics: they are issued in book-entry form, they may have fixed or floating interest rates and can be paid in installments, they may contain adjustment provisions, they are registered and traded through centralized systems of custody and financial settlement of private securities and they can be secured by the assets of the issuing company.

Minha Casa, Minha Vida program

Provisional Measure No. 459 enacted on March 25, 2009, converted into Law No. 11,977 enacted on July 7, 2009, amended by Law No. 12,249 enacted on June 11, 2010, Law No. 12,424 enacted on June 16, 2011, Law No. 12,693 enacted on July 24, 2012, Law No. 13,043 enacted on November 13, 2014 and Law No. 13,097 enacted on January 19, 2015, created a public housing program called “*Minha Casa, Minha Vida*.” Provisional Measure No. 514 enacted on December 1, 2010, converted into Law No. 12,424 enacted on June 16, 2011, modified the aforementioned legislation, which calls for government investment of more than R$30 billion and is focused on building one million houses for families with monthly incomes of up to ten times the minimum wage. Under this program, the government is authorized to finance families purchasing houses with assessed values between R$90,000 and R$190,000. Law No. 12,868 enacted on October 15, 2013, released resources for "*Minha Casa Melhor*", in which CEF provides to each beneficiary of the program "*Minha Casa Minha Vida*" subsidized credit up to R$5,000 for the purchase of furniture and appliances, with interest rate of 5% per year and repayable in 48 months.

Table of Contents

Municipal Legislation

Municipal planning is regulated by articles 182 and 183 of the Federal Constitution and by Law No. 10,257 of July 10, 2001 (*Estatuto da Cidade*), as amended, or Law No. 10,257. Law No. 10,257 provides, among other things, for the establishment of (1) rules for the parceling, use and occupation of urban tracts of land in each municipality for the collective welfare and environmental balance of the community; and (2) a master plan, which shall be reviewed every 10 years. The master plan is the guiding tool used to plan developments in the urban areas of each municipality and is used as a reference by all public and private agents acting within the municipality. It establishes the strategic goals and general guidelines for urban construction, the objectives and guidelines for differentiated areas of planning and the instruments for their deployment.

We set out below certain details of the laws governing the municipal planning of the two major cities in which we operate, São Paulo and Rio de Janeiro:

São Paulo municipality

City laws govern the zoning, construction, parceling, use and occupation of land in the municipality of São Paulo. They set forth technical and urban planning requirements for parceling, and provide that the division, subdivision or segregation of urban tracts of land are subject to the prior approval of the São Paulo municipal government. Moreover, the zoning laws describe the types of permissible uses for the land and their respective characteristics, by dividing São Paulo into areas of use with fixed locations, limits and boundaries. They also provide for fines and sanctions for noncompliance.

Municipal Law No. 11,228 of June 25, 1992, approved the Code of Works and Construction, regulated by Decree 32,329 of September 23, 1992, which governs administrative and executive procedures and sets forth the rules to be followed in the planning, licensing, execution, maintenance and use of public works and construction within properties in the municipality of São Paulo, and provides for sanctions and fines applicable in cases of non-compliance with these rules.

On July 31, 2014, Municipal Law No. 16,050 was published, replacing Municipal Law No. 13,430 of September 13, 2002, approving the master plan and creating the Planning System of the municipality of São Paulo and regulating the new master plan of the municipality. The new master plan provides a series of guidelines for the development and growth of the city of São Paulo for the next 16 years, in order to (i) incentivize the use of public and non-motorized forms of transport; (ii) reduce the housing deficit; (iii) improve the access of residential areas to commercial areas of the city; and (iv) incentivize the development of urban areas already equipped with public transportation

infrastructure, among other guidelines.

On February 25, 2016, Draft Bill No. 272/2015 was approved by the Chamber of Deputies of São Paulo, which relates to the parceling, use and occupation of land in the municipality of São Paulo. Draft Bill No. 272/2015 is subject to ratification by the mayor of São Paulo.

Rio de Janeiro municipality

Decree 322 of March 3, 1976, as amended, of the municipality of Rio de Janeiro, and Decree "E" 3,800 of April 20, 1970, as amended, of the then State of Guanabara, jointly created the municipality's Zoning Regulation, Land Parceling Regulation and Construction Regulation. These regulations control the use of the municipality land, including urban zoning, use of properties, development of construction sites and conditions for the use of each zone in the municipality. The Ten-year master plan of the municipality, approved pursuant to Supplementary Law No. 111 of January 1, 2011, establishes rules and procedures related to urban policy of the municipality, determines guidelines, provides instruments for its execution and defines area policies and their related programs, aiming at meeting the social needs of the city.

Environmental Issues

We are subject to a variety of Brazilian federal, state and local laws and regulations concerning the protection of the environment, as well as urban regulations and zoning restrictions, as described below. Applicable environmental laws may vary according to the development's location, the site's environmental conditions and the present and former uses of the site. Compliance with these environmental laws may result in delays, cause us to incur in substantial costs, and prohibit or severely restrict project development. Before we purchase any real estate, we conduct investigations of all necessary and applicable environmental issues, including the possible existence of hazardous or toxic materials, as well as any inadequately disposed waste substances. During the investigations we also identify the existence of water wells and protected vegetation, observing the proximity of the real estate property to permanent preservation areas. We generally condition the real estate property acquisitions on obtaining the required regulatory approvals prior to closing.

Table of Contents

We have adopted certain practices to further our commitment to environmental protection and landscape development. Through our Selective Collection Project, we have partnered in environmental education initiatives with private and governmental entities, including non-governmental organizations. We provide training to all of our outsourced workers (before we begin work on any particular project), that focuses on the importance of preserving the environment and how to effectively collect, store and control materials for recycling. Alphaville was given the "ECO Award" in 2006 and 2007 (by the American Chamber of Commerce), the "Top Ambiental Award" (Top Environmental Award) in 2007 and 2008 (by the Brazilian Association of Marketing and Sales Agents, in recognition for its environmentally responsible practices) and the "Top Social Award" in 2008 and 2009 (by the Brazilian Association of Marketing and Sales Agents, in recognition for its socially responsible practices). Our Eldorado Business Tower building is the first building in Latin American, to be pre-certified by the U.S. Green Building Council as a Leed CS 2.0 Platinum building for leadership in energy and environmental design.

Environmental licenses and authorizations

Brazilian environmental policy requires environmental licenses and permits for the construction of real estate projects. Environmental licensing is required for both initial construction and alteration in existing developments, and the licenses must be periodically renewed. The Brazilian Institute of Environment and Renewable Natural Resources (*Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis*), or the IBAMA, is responsible for granting such licenses for projects with regional or national impact on the environment. In other cases, state or municipal environmental agencies are responsible for granting such environmental licenses, depending on the extent of environmental impacts caused by certain projects.

The environmental licensing process is comprised of three stages: preliminary license, installation license and operational license. The preliminary license, issued during the preliminary planning phase of the project, authorizes the location and basic development, and establishes the conditions and technical requirements to be observed in further stages of development. The installation license authorizes the facility's construction. The operating license authorizes the commencement and continuation of operational activities. Operating licenses are subject to compulsory renewal depending on their validity. The licensing of activities that may impact the environment as determined by the competent environmental agency and according to the Environmental Impact Study and Environmental Impact Report ("EIA/RIMA"), requires environmental offset payments, to be invested in conservation units (e.g. national parks, biological reserves etc.), pursuant to Article 36 of Law No. 9,985/00. The value of the environmental offset is established by the environmental agency conducting the licensing proceeding, according to the "ecosystem impact level" of the proposed activity, pursuant to Article 31-A of Federal Decree No. 6,848/09.

The installation, operation or alteration of projects without proper and valid environmental licensing or the non-compliance with the conditions or technical requirements of the respective environmental licenses, may subject the violator to administrative sanctions that may range from fines (R$500 to R$10 million), as well as the suspension

of activities and, depending on the specific circumstances, criminal liability (of individuals and companies), pursuant to Federal Law No. 9,605/98.

The construction, maintenance and sale of our projects may be hampered or halted by delays in the issuance of applicable licenses or even by failure to obtaining such licenses.

The construction of real estate developments often requires land moving activities, and in many cases, the cutting down of trees. In addition to environmental licenses and permits, Brazilian legislation requires specific environmental authorizations for the development of projects, based on the characteristics of the project, its location and the natural features inherent to the area. The development of projects that require the cutting trees or removing vegetation must receive specific authorizations from environmental agencies. Companies that apply for an authorization for vegetation removal are required to perform the reforestation of other areas as a compensatory measure, such as reforestation or to repair the affected areas, which may imply additional expenses. Brazilian legislation also requires special protections for certain specific types of flora and areas with special ecological purpose, imposing additional legal requirements to removal of such vegetation.

The removal of vegetation without proper and valid authorization, or non-compliance with the authorization requirements, may subject the transgressor to civil liability (in case environmental damage occurs), administrative

Table of Contents

sanctions (such as fines) and, according to specific circumstances, criminal liability (of individuals and/or companies), pursuant to Federal Law No. 9,605/98.

The licensing of projects with relevant environmental impacts located in a conservation unit or within its buffer zone will depend on prior authorization from the conservation unit's managing office. In addition, the development of projects that require water abstraction from bodies of water or groundwater, as well as the discharge of effluents into water bodies, are subject to specific water use grants, to be issued by the relevant authorities. Water use grants are subject to certain conditions and technical requirements, including maximum capacity requirements and effluent treatment standards.

Waste disposal

Brazilian legislation relies on several standards and procedures for waste management. All waste must be properly stored, treated, transported and disposed of, in order to avoid the occurrence of environmental damages – and as a result, environmental liability.

The Brazilian "National Waste Management Policy" and CONAMA Resolution 307/2002 specifically regulates the handling of solid waste generated by the construction sector. Companies are required to present and have a solid waste management plan approved by state environmental agency and must comply with the conditions and obligations set forth in such plan. Failure to comply with such obligations may lead to civil (obligation to repair/indemnify in case of pollution), administrative (e.g. fines, suspension of activities etc.) and, according to specific circumstances, criminal liability.

Regarding civil liability, because Brazilian legislation imposes strict, joint and several liability for environmental damages, companies may be held liable for any environmental damages that may arise as a result of its activities, including waste generated thereof, which must be properly stored, treated, transported and disposed of. Likewise, the hiring of third parties for management of waste generated from our activities does not exempt us from civil environmental liability.

Contaminated areas

We develop and construct projects in several states within Brazil. Each state has its Environmental Secretary and/or Environmental Agency. The São Paulo State Secretary of Environment (*Secretaria de Estado do Meio Ambiente de*

São Paulo), or the "SMA," and the State Environmental Agency of São Paulo (*Companhia Ambiental do Estado de São Paulo*), or "CETESB," are the principal environmental regulatory entities of the State of São Paulo, and they have adopted procedures with regard to the management of contaminated areas, including the creation of environmental standards to preserve the quality of land and underground water, as well as procedures to be complied with if contamination is confirmed. The standards established by CETESB are used as reference by most Brazilian states that have no specific regulation on contaminated land management.

In addition, the Rio de Janeiro State Secretary of Environment (*Secretaria de Estado do Meio Ambiente e Desenvolvimento Urbano do Rio de Janeiro*) and the Rio de Janeiro State Environmental Agency, or "INEA," also maintain their own quality standards, in combination with those established by the National Environmental Council (*Conselho Nacional do Meio Ambiente*), or "CONAMA". Other states have similar requirements.

If contaminated areas are identified in the development of our projects, we must provide proper disclosure to environmental authorities and registration before real estate property records. Given the strict liability regime, we may be required to proceed with the remedial actions deemed necessary by environmental agencies in order to comply with technical standards set forth for each kind of project, even if we have not caused the contamination, and may result in delays for the project development's completion. Prior approval from environmental agencies before engaging in remedial actions may be necessary. All emergency actions to prevent and mitigate risks to the environment and public health, if required, must be adopted promptly and at our expense.

Non-compliance with the guidelines established by the environmental and health entities may result in criminal, as well as administrative penalties. Moreover, the owners of properties may be required to pay for costs relating to the clean-up of any contaminated soil or groundwater located in their properties, even if they did not cause the contamination.

If there are contaminated areas in the properties where our projects will be developed, this must be disclosed to our clients.

Table of Contents

Environmental liability

Article 225 of the Brazilian Federal Constitution, provides that "activities that are harmful to the environment shall subject violators, whether individuals or companies, to criminal and administrative sanctions, regardless of the obligation to repair the damage caused." Therefore, the Brazilian Federal Constitution provided for environmental liability in three distinct fields: civil, administrative and criminal. As an example, payment of an administrative fine does not offer exemption from the duty to make reparations or indemnify for damages that might be caused by harmful conduct, nor does it offer exemption from possible criminal charges prompted by the event.

Civil environmental liability in Brazil is considered by case law as *propter rem*, that is, liability attaches to the real estate property. Therefore, whoever buys environmentally damaged land will succeed in the liability for the clean-up or recovery and for reparation of potential damage to third parties. Although this liability can be contractually allocated between the parties, it cannot be opposed either administratively or before third parties, meaning the concept of a *bona fide* prospective purchaser does not exist in civil environmental liability in Brazil.

In addition, Federal Law No. 6,938/81 establishes strict liability for the recovery of environmental damages or, if not possible, compensation or indemnity for such damages, with joint and several liability established among all those directly or indirectly contributing to environmental degradation, regardless of the degree of participation in the damage. Each of those involved may be held liable for the full amount of the damages.

At the administrative level, environmental liability may be assigned through administrative sanctions imposed by the competent environmental entities, pursuant to Law No. 9,605/98 which "*rules on the criminal and administrative sanctions deriving from conduct and activities that are harmful to the environment*" and pursuant to Federal Decree No. 6,514/08. These sanctions may include, among others: (1) fines of up to R$50 million, tailored to the economic capacity and track record of the offender, in addition to the severity of the facts and past performance, with the possibility of these fines being imposed at double or triple rates for repeated offenses; (2) suspension or interdiction of the activities of the respective enterprise; and (3) withdrawal of tax incentives and benefits. Administrative liability falls on the person engaged in the conduct described as an administrative offense.

Criminal liability is personal, arising directly from the unlawful conduct of the agent, with the crimes necessarily being specifically addressed in the law. Brazilian law allows criminal liability to be assigned to individual persons as well as corporate entities. When liability is assigned to the latter, the individual persons taking the decision that resulted in the criminal conduct (such as directors, officers, administrators, board members, members of technical entities, auditors, managers, agents or representatives) may also be penalized to the extent of their culpability. Moreover, Brazilian environmental legislation determines that the corporate veil may be pierced whenever the veil is considered to be an obstacle to recovery for environmental damages. As a result the controlling legal entity can be found liable despite a limited liability legal status.

Although administrative and criminal liability require a direct connection with the action or omission that resulted in breach of environmental legislation or environmental damage, financial penalties may be imposed that may pierce the corporate veil and disregard the legal entity doctrine. Article 4 of Federal Law No. 9,605/1998 expressly provides for the possibility of piercing the corporate veil if necessary for the recovery or compensation of environmental damages.

C. Organizational Structure

The following chart shows our organizational structure for our principal subsidiaries, including our now affiliate Alphaville, all of them incorporated in Brazil, as of December 31, 2015:

Table of Contents

(*)We held 30% of this entity at December, 2015, December 31, 2014 and December 31, 2013.

(**) At December 31, 2013 we held 70% of this entity and acquired the 30% remaining in November 21, 2014. At December 31, 2015 we held 100% of this entity.

For more information on our remaining subsidiaries and jointly-controlled entities, see “Item 4. Information on the Company—B. Business Overview—Subsidiaries.” A list of our significant subsidiaries as determined in accordance with Rule 1-02(w) of Regulation S-X is being filed as Exhibit 8.1 to this annual report.

D. Property and Equipment

We lease our headquarters located at Av. Nações Unidas No. 8,501, 19th floor, São Paulo, SP — Brazil. We also lease our branch office located at Av. Dr. Marcos Penteado de Ulhôa Rodrigues, 939, 11th floor – Jatobá Tower, Barueri, SP — Brazil. Currently, we and our main subsidiaries leased approximately 12,132 square meters. We believe our current facilities are adequate for the full development of our operations.

As of December 31, 2015, our property and equipment recorded on our balance sheet mainly consisted of sales stands, facilities, model apartments, computer equipment, vehicles and leasehold improvements, among others, the balance of which was R$49.2 million.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

The financial statements for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 were prepared in accordance with the accounting practices adopted in Brazil, which comprise the rules of the Brazilian Securities Commission (CVM), and the standards, interpretations and guidelines of the Accounting Standards Pronouncements Committee (CPC), and are in compliance with the International Financial Reporting Standards (IFRS) adopted in Brazil, including the Guideline OCPC 04—Application of the Technical Interpretation ICPC 02 to the Brazilian Real Estate Development Entities—regarding the revenue recognition, and the respective costs and expenses arising from real estate development operations over the construction progress (percentage of completion method). The Brazilian GAAP applied by us is not in compliance with IFRS as issued by IASB.

Table of Contents

Following the acquisition, formation and incorporation of the entities Alphaville, FIT and Bairro Novo in 2007 and following the merger of FIT into Tenda in 2008, our financial results for 2007 and 2008 included the results of the following segments: Gafisa S.A., Alphaville, Tenda, FIT (merged with Tenda in October 2008) and Bairro Novo. Further, following Gafisa's withdrawal from Bairro Novo and the exchange of all the remaining Tenda shares not held by Gafisa into Gafisa shares, our financial results for 2013, 2012 and 2011 included the results of the following segments" Gafisa S.A., Alphaville and Tenda. On December 9, 2013, we completed the sale of a majority interest in Alphaville to Private Equity AE Investimentos e Participações ("Fundo AE"), a company controlled by Pátria Investimentos Ltda. and Blackstone Real Estate Advisor L.P., which was previously announced on June 7, 2013. All conditions precedent to the completion of the transaction were met, including governmental approval. The transaction was concluded with a sale of 50% interest by Gafisa and 20% interest by Tenda, with Gafisa retaining the remaining 30% of Alphaville capital stock. As a result, since November 30, 2013, Alphaville results are no longer consolidated in our financial statements.

In October 2014, Shertis Empreendimentos e Participações S.A. or "Shertis", which held a 20% interest in the capital stock of Alphaville, was merged into Gafisa. As a result and as of the date of this annual report, we hold a direct 30% interest in the capital stock of Alphaville.

On November 21, 2014, we acquired the remaining shares of Cipesa Empreendimentos Imobiliários S.A. in the amount of R$6,354. As a result of this transaction, the Company recorded a net effect of the write-off of goodwill, in the amount of R$17,604.

See "Item 4. Information on the Company—A. History and Development of the Company—Historical Background and Recent Developments." Our chief executive officer, who is responsible for allocating resources among these businesses and monitoring their progress, uses economic present value data, which is derived from a combination of historical operating results and forecasted operating results, to assess segment information primarily on the basis of different business segments.

Overview

We generate our revenues mainly from the development and sale of real estate developments. We recognize revenues from the sale of real estate developments over the course of their construction periods, based on a financial measure of completion and not at the time that the sales agreements are executed. To a lesser extent, we also generate revenues from real estate services such as construction, technical and real estate management we render to third parties. We structure some of our projects through either our subsidiaries or jointly-controlled entities organized as special purpose vehicles.

Brazilian Economic Environment

Our business and results of operations are significantly affected by changes in the Brazilian economic environment, including changes in employment levels, population growth, consumer confidence, stability of income levels and availability of financing for land home site acquisitions.

At the end of 2010 and in the beginning of 2011, the Central Bank began implementing more restrictive monetary policies as a precaution against unsustainable economic growth. In the second half of 2011, with growing uncertainty in economic conditions, due in part to ongoing volatility in global financial markets, particularly in Europe, the Central Bank began to implement an easing process. As of December 31, 2011, the Central Bank had set the basic interest rate at 11% and the *real* depreciated by 12.6% relative to the U.S. dollar in 2011. As of December 31, 2011, the *real*/U.S. dollar exchange rate was R$1.87 per US$1.00. During this period, inflation according to the INPC was 6.50%.

By the second half of 2011, the Brazilian economy faced growing uncertainty and economic conditions began to deteriorate, due in part to ongoing volatility in global financial markets, particularly in Europe. In order to avoid a contraction in economic growth, the Central Bank began to implement easing measures combining macroeconomic policies and interest rate decreases in order to stimulate demand.

As of December 31, 2012, the Central Bank had set the SELIC rate at 7.25% and the *real* depreciated 8.8% relative to the U.S. dollar in 2012. As of December 31, 2012, the *real*/U.S. dollar exchange rate was R$2.048 per US$1.00. During this period, inflation according to the IPCA was 5.8%.

Table of Contents

As of December 31, 2013, the Central Bank set the SELIC rate at 10% and the *real* depreciated 13.2% relative to the U.S. dollar in 2013. As of December 31, 2013, the *real*/U.S. dollar exchange rate was R$2.3575 per US$1.00. During this period, inflation according to the IPCA was 5.9%.

As of December 31, 2014, the Central Bank set the SELIC rate at 11.75% and the *real* depreciated 12.7% relative to the U.S. dollar in 2014. As of December 31, 2014, the *real*/U.S. dollar exchange rate was R$2.6550 per US$1.00. During this period, inflation according to the IPCA was 6.4%.

As of December 31, 2015, the Central Bank set the SELIC rate at 14.25% and the *real* depreciated 47.0% relative to the U.S. dollar in 2015. As of December 31, 2015, the *real*/U.S. dollar exchange rate was R$3.9048 per US$1.00. During this period, inflation according to the IPCA was 10.7%.

The table below shows the actual growth of the Brazilian GDP, inflation, interest rates and dollar exchange rates for the periods indicated:

	Year ended December 31,		
	2015	2014	2013
	(%, unless otherwise stated)		
Real growth in GDP	(3.8)	n/a	2.3
Inflation rate (INPC)(1)	11.3	6.2	5.5
Inflation rate (IGP—M)(2)	10.5	3.7	5.5
National Construction Cost Index (INCC)(3)	7.5	6.9	8.1
TJLP rate(4)	7.0	5.0	5.0
CDI rate(5)	13.2	10.8	8.1
Appreciation (devaluation) of the *real* vs. US$	(47.0)	(12.7)	(13.2)
Exchange rate (closing) — US$1.00	R$3.90	R$2.65	R$2.35
Exchange rate (average)(6) — US$1.00	R$3.39	R$2.35	R$2.18

(1) INPC: consumer price index measured by the IBGE.

(2) General Market Price Index (*Índice Geral de Preços-Mercado*) measured by the FGV.

(3) National Index of Construction Cost (*Índice Nacional de Custo da Construção*) measured by the FGV.

(4) Represents the interest rate used by BNDES for long-term financing (end of period).

(5) Represents an average of interbank overnight rates in Brazil (accumulated for period-end month, annualized).

(6) Average exchange rate for the last day of each month in the period indicated.

Brazilian Real Estate Sector

The Brazilian real estate sector is characterized by cyclical performance influenced by various macroeconomic factors. Demand for housing, the availability of financing and growth in population and incomes are, among others, factors that influence the performance of the real estate market.

Since 1994, Brazil's ability to control inflation has contributed to the country's economic recovery (particularly at the lower income level) and allowed Brazil to assert itself more effectively into the global economic context. For example, during the second half of the 1990s, policies that promoted economic liberalization and privatization of public services facilitated a significant influx of foreign investment. This environment generated pressure among the Brazilian financial and business communities to encourage responsible and transparent public management, promoting economic stability. In general, the current and previous presidential administrations have adopted comparatively austere economic policies, characterized by increased independence of the Central Bank, transparency and control over public accounts. Another significant effect of Brazil's heightened international profile and economic stability was an increase in the competitiveness of various economic sectors, with a notable improvement in standards of corporate administration and governance. This pattern, along with favorable conditions in the global economy, has contributed to improved economic indicators in Brazil.

In addition, since 2006, the Brazilian government has enacted incentives in the real estate sector, including the following:

Table of Contents

- Provisional Measure No. 321 enacted on September 12, 2006, later converted into Law No. 11,434 enacted on December 28, 2006 and amended by Law No. 12,599 enacted on March 23, 2012, gave banks the option to charge fixed interest rates on mortgages;

- Law No. 10,820 enacted on December 17, 2003, amended by Law No. 10,953 enacted on September 27, 2004, regulated by Decree No. 5,892 enacted on September 12, 2006, as amended by Decree No. 4,840 enacted on September 17, 2003, as amended by Law No. 13,097 enacted on January 19, 2015, allowed payroll deductible mortgage loans to employees of both public and private entities;

- Decree No. 6,006 enacted on December 28, 2006, replaced by Decree No. 7,660 enacted on December 23, 2011, implemented a 50% tax cut on Tax on Manufactured Products (*Imposto sobre Produtos Industrializados*), or IPI, levied on the acquisition of important construction products, including certain types of tubes, ceilings, walls, doors, toilets and other materials. In 2009, other decrees eliminated the IPI levied on the acquisition of similar products, but were implemented for a limited term only and were set to expire in March 2010, but were extended until December 31, 2012;

- Provisional Measure No. 459 enacted on March 25, 2009, converted into Law No. 11,977 enacted on July 7, 2009, amended by Law No. 12,249 enacted on June 11, 2010, Law No. 12,424 enacted on June 16, 2011 and Law No. 12,693 enacted on July 24, 2012, Law No. 12,722 enacted on October 3, 2012, Law No. 13,043 enacted on November 13, 2014 and Law No. 13,097 enacted on January 19, 2015 created a public housing program called "*Minha Casa, Minha Vida*," which calls for government investment of more than R$30 billion and is focused on building one million houses for families with monthly incomes of up to ten times the minimum wage. Under this program, the government is authorized to finance families purchasing houses with assessed values between R$90,000 and R$190,000;

- Provisional Measure No. 514 enacted on December 1, 2010, converted into Law No. 12,424 enacted on June 16, 2011 confirmed the extension of "*Minha Casa, Minha Vida*" through 2014, and a total investment of R$72 billion, more than doubled the R$34 billion allocated to the initial program. The goal of the second phase of the "*Minha Casa, Minha Vida*" program is to deliver two million homes in four years encompassing an even lower income segment than previously targeted, but also expanded the current resources available to 40% of the total new amount to be destined to the lower-income segments;

- Provisional Measure No. 620 enacted on June 12, 2013, converted into Law No. 12,686 enacted on October 15, 2013, which released resources for "*Minha Casa Melhor*", in which CEF provides to each beneficiary of the program "*Minha Casa Minha Vida*" subsidized credit up to R$5,000 for the purchase of furniture and appliances, with interest rate of 5% per year and repayable in 48 months; and

- Provisional Measure No. 656 enacted on October 7, 2014, converted into Law No. 13,097 enacted on January 19, 2015, which establishes mechanisms for protecting purchasers and recipients of *in rem* rights which enter into legal transactions based on the information contained in the real estate records. In addition, deals with payroll loans, establishing the concentration of acts in the real estate property registration and creates the Real Estate Covered

Bonds (LIG - *Letras Imobiliárias Garantidas*).

- Normative Instructions No. 30 and No. 31 enacted on December 30, 2015, which establish new interests rates and loan limit subsidies for the 2nd and 3rd brackets of the “National Individual Loan Program” segment of the FGTS.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with Brazilian GAAP requires management to make judgments, estimates and adopts assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the balance sheet date. Assets and liabilities subject to estimates and assumptions include the useful life of property plant and equipment, impairment of assets, deferred tax assets, provision for uncertainty tax positions, labor and civil risks, and the measurement of the estimated cost of ventures and financial instruments. Estimates are used for, among other things, impairment of non-financial assets, transactions with share-based payment, provisions for tax, labor and civil risks, fair value of financial instruments, estimated costs of ventures, realization of deferred income tax and other similar provisions. Although we believe that our judgments and estimates are based on reasonable assumptions that are subject to several risks and uncertainties and are made in light of information available to us, our actual results may differ from these judgments and estimates.

Table of Contents

In this sense, we set forth below summarized information related to our critical accounting policies. See the note 2.2 to our consolidated financial statements, included elsewhere in this annual report for further information on these and other accounting policies we adopt.

Impairment of non-financial assets

We annually review the carrying amount of assets, with the objective of evaluating events or changes in the economic, operational or technological circumstances that may indicate a decrease or loss in the recoverable amount of such assets. Should such evidence exist, and the carrying amount exceeds the recoverable amount, a provision for impairment loss is recognized in the statement of operations by adjusting the carrying amount to the recoverable amount. A test for impairment of intangible assets with indefinite useful lives and goodwill is performed at least annually or when circumstances indicate a decrease in the carrying amount. As of December 31, 2014, the Company has recorded a provision for impairment for land and goodwill related to the acquisition of Cipesa Empreendimentos Imobiliários S.A.

The recoverable amount of an asset or of a certain cash-generating unit is defined as the greater of its value in use and its fair value less costs to sell. When estimating the value in use of an asset, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the weighted average cost of capital for the industry in which the cash-generating unit operates. Cash flows are derived from the budget for the following five years, and do not include restructuring activities for which the Company has not yet committed or future significant investments that will improve the asset basis of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, as well as the estimated future cash inflows and the growth rate used. The fair value less costs to sell is determined, whenever possible, based on a binding sale agreement in an arm's length transaction between knowledgeable and willing parties, adjusted for expenses attributable to the sale of the asset, or, in the absence of a binding sale agreement, based on the market price in an active market, or on a recent transaction with similar assets.

The main assumptions used in the estimate of value in use are the following: Revenue – revenues were projected between 2016 and 2020 considering the growth in sales and client base of the different cash-generating units. Operating costs and expenses – costs and expenses were projected in line with the Company's historical performance, as well as the historical growth of revenues. The key assumptions were based on the Company's historical performance and on reasonable macroeconomic assumptions, and supported by the financial market projections, documented and approved by the Company's management.

Properties for sale

Our properties for sale are stated at construction cost, which cannot exceed its net realizable value. In the case of real estate developments in progress, the portion in inventory corresponds to the cost incurred for units that have not yet been sold.

The cost of properties for sale includes expenditures incurred in the acquisition of the land and in construction (including foundation, structure, finishing and the respective costs of construction materials), costs of own and outsourced labor, and financial costs directly related to the ventures.

Land is recorded at acquisition cost. See “Item 4. Information on the Company—B. Business Overview—Our Operations—Land Acquisition”. Land can be acquired for cash, in installments, through barter for units that are completed or in construction of other ventures, or through barter for receivables from future sales of ventures. The cost of land related to bartered units comprises the estimated sale price in cash, this fair value being recorded as contra-entry to the advances from customers-barter.

The interest on loans and financing directly related to ventures financed by the National Housing System (SFH) and other credit facilities which funds are used to finance the construction and acquisition of land are capitalized over the development and construction stage, and recognized in the statement of operations in the proportion to the units sold.

We have the policy of annually conducting tests on our landbank, comparing its carrying amount and its recoverable amount, and on the units in construction and completed units, comparing the unit construction cost with the sale value of units in inventory. The assumptions that usually underlie the calculation of the recoverable value of assets are based on expected cash flows, and economic viability studies of real estate ventures that show the recoverability of assets or its market value, all discounted to present value.

Table of Contents

The classification of land into current or non-current assets is carried out by the Management based on the schedule of the real estate venture launches. Management periodically reviews the estimates of real estate venture launches.

In accordance with our internal policy, each individual project launched has been internally evaluated taking into consideration the following: (1) assumptions for market, sales forecast, economics and operating conditions; (2) cash flow analysis using the discounted cash flow method; (3) approval by an investment committee; and (4) inclusion in the business plan regarding the timetable and backlog for development releases. This process is part of our corporate governance practices. We update the assumptions on an annual basis and consider the continuing viability for each project for impairment test purposes.

Transactions with share-based payment

We measure the cost of transactions with employees to be settled with shares based on the fair value of equity instruments on the grant date. The estimate of the fair value of share-based payments requires the determination of the most adequate pricing model to grant equity instruments, which depends on the grant terms and conditions. It also requires the determination of the most adequate data for the pricing model, including the expected option life, volatility and dividend income, and the corresponding assumptions.

Provisions for legal claims

We recognize a provision for tax, labor and civil claims. The assessment of the probability of a loss includes the evaluation of the available evidence, the hierarchy of Laws, existing case law, the latest court decisions and their significance in the judicial system, as well as the opinion of external legal counsel. The provisions are reviewed and adjusted to take into account the changes in circumstances, such as the applicable expiration term, findings of tax inspections, or additional exposures found based on new court issues or decisions. The settlement of transactions involving these estimates may result in amounts different from those estimated in view of the inaccuracies inherent in the process of estimating them. The Company reviews its estimates and assumptions on a monthly basis.

Taxes on income

Current income tax and social contribution

Current income tax is the expected tax payable or receivable to be offset in relation to taxable profit or loss for the year. To calculate the current income tax and social contribution on net profits, we adopt the regime set forth by Law No. 12,973 enacted on May 13, 2014 and in force as of January 1, 2015. The new regime is based on the Brazilian accounting standards introduced by Laws No. 16,638/2007 and No. 11,941/2009, from the tax basis of such taxes, thus revoking the Brazilian Transitory Tax Regime, or "RTT".

Taxes on income in Brazil comprise income tax (25%) and social contribution on net profits (9%), for entities on the standard profit regime, for which the composite statutory rate is 34%. Deferred taxes for these entities are recognized as at the balance sheet date for all temporary tax differences between the tax bases of assets and liabilities, and their carrying amounts.

As permitted by tax legislation, certain subsidiaries opted for the presumed profit regime, a method under which taxable profit is calculated as a percentage of gross sales. For these companies, income tax is calculated on presumed profits of 8% of gross revenues and social contribution on presumed profits of 12% on gross revenues, to which income tax and social contribution rates of 25% and 9%, respectively, are applied.

As permitted by tax legislation, the development of certain ventures are subject to the "*afetação*" regime, whereby the land and its features where a real estate will be developed, as well as other binding assets and rights, are separated from the assets of the developer and comprise the "*patrimônio de afetação*" (detached assets) of the corresponding development and which real estate units will be delivered to the buyers. In addition, certain subsidiaries elected the irrevocable option for the Special Taxation Regime (RET), adopting the "patrimônio de afetação", according to which the income tax, social contribution on net profits, PIS and COFINS are calculated at 4% on monthly gross revenues

On May 13, 2014, Provisional Measure No. 627 was converted into Law No. 12,973/14, revoking the RTT and bringing significant changes to Brazilian tax legislation. The new rules came into effect on January 1, 2015, with an option to adhere to the new rules from January 1, 2014. During 2014, we analyzed the potential impact of the new rules on our consolidated financial statements and internal control structure. Based on our analysis, we concluded

Table of Contents

that the new rules would not have a material impact on how we account for taxes in 2014 and we therefore opted not to adopt them from January 1, 2014. We have adhered to the new rules since January 1, 2015.

Deferred income tax and social contribution

Deferred tax is recognized in relation to tax losses and temporary differences between the carrying amount of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes. It is recognized to the extent that it is probable that future taxable income will be available to be used to offset deferred tax assets, based on profit projections made using internal assumptions and considering future economic scenarios that estimate their full or partial use. The recognized amounts are periodically reviewed and the impacts of realization or settlement are reflected in compliance with tax legislation provisions. Tax credits on accumulated tax losses do not have an expiration date, however, they can only be offset against up to 30% of the taxable profit for each year. Companies that opt for the presumed profit tax regime do not record tax losses and do not have temporary differences, and for this reason, deferred taxes are not recognized.

To the extent that the realization of deferred tax assets is not considered to be probable, this amount is not recorded. We record deferred tax on a net basis, determined by legal entity and same jurisdiction. For entities with cumulative tax losses for the last three years, the Company and its subsidiaries recognized deferred tax assets and liabilities based on the following assumptions:

- 100% of deferred tax liabilities on temporary differences;

- Deferred tax assets on temporary differences that have realization terms similar to deferred tax liabilities, and relate to the same legal entity, are recorded up to the limit of the deferred tax liabilities; and

- In situations where recent losses indicate that future taxable income is uncertain, deferred tax assets are not recognized on deductible temporary differences in excess of deferred tax liabilities recorded on taxable temporary difference liabilities nor is an asset recognized for the carry forward of unused tax losses.

Provision for non-recognition of the deferred tax asset balance

Our projections assume that a significant portion of our business will be conducted in our principal holding companies, and this enables the recovery of a substantial portion of our accumulated tax losses.

However, several external factors, beyond our control, may affect such tax calculations, in addition to possible requirements to segregate ventures in their own development entities (SPEs, for example) to a greater extent than we intend. There is also the possibility that taxation rulings relating to new ventures or even ventures that have already been developed within the principal holding companies, may require the exclusion of such businesses and for such businesses to file their own tax returns separate from that of the Company.

A reduction in the concentration of projects in holding companies with tax losses carried forward may, therefore, compromise the expected recovery of losses carried forward, which is the reason we partially recognized a deferred income tax asset.

Fair value of financial instruments

When the fair value of the financial assets and liabilities presented in the balance sheet cannot be obtained in the active market, it is determined using valuation techniques, including the discounted cash flow method. The data for such methods is based on those available in the market, when possible; however, when such data is not available in the market, a certain level of judgment is required to establish the fair value. This judgment includes considerations on the data used, such as liquidity risk, credit risk, and volatility. Changes in the assumptions about these factors may affect the presented fair value of financial instruments.

Estimated cost of construction

Total estimated costs, mainly comprising the incurred and future costs for completing the construction works, were reviewed in the preparation of these financial statements, and changes to estimates are possible.

Table of Contents

Development and sale of real estate

Real estate development and sales

Revenues, as well as costs and expenses directly relating to real estate development units sold and not yet finished, are allocated to the statement of operations over the construction period and the following procedures are adopted:

(a) For the sales of completed units, revenues are recorded when the sale is completed and the transfer of significant risks and benefits has occurred, regardless of the receipt from the customer of the contracted amount;

(b) For the sales of units under construction, the following applies:

- The incurred cost, including the cost of land, and other directly related expenditure, that correspond to the units sold is fully recognized in the consolidated statement of operations;

- Sales revenues are recognized in profit or loss, using the percentage-of-completion method for each venture, this percentage being measured in view of the incurred cost in relation to the total estimated cost of the respective ventures

- Revenue recognized in excess of actual payments received from customers is recorded as either a current or non-current asset in “Trade accounts receivable”. Any payment received in connection with the sales of units that exceeds the amount of revenue recognized is recorded as “Payables for purchase of land and advances from customers";

- Interest and inflation-indexation charges on accounts receivable as from the time the units are delivered, as well as the adjustment to present value of accounts receivable, are recognized in profit or loss on a pro rata basis using the accruals basis of accounting;

- The financial charges on accounts payable for acquisition of land and those directly associated with the financing of construction are recorded in properties for sale and recorded in the incurred cost of finished units until their completion, and follow the same recognition criteria as for the recognition of the cost of real estate units sold while under construction;

· Taxes levied and deferred on the difference between real estate development revenues and the cumulative revenue subject to tax are calculated and recognized when this difference in revenue is recognized; and

· Advertising and publicity expenses are recorded in the consolidated statement of operations on an accrual basis.

Construction services

Revenues from real estate services are recognized as services are rendered and consist primarily of amounts received in connection with construction management activities for third parties, and technical advisory services, related to developments in the Gafisa segment where we retain an equity interest.

Barter transactions

Barter transactions have the objective of receiving land from third parties and are settled with the delivery of real estate units or transfer of portions of the revenue from the sale of real estate units of ventures. The value of the land acquired is determined based on the fair value, as a component of inventory of properties for sale, with a corresponding entry to advances from customers' liabilities. Revenues and costs incurred from barter transactions are included in profit or loss over the course of construction period of ventures, as described in item (b).

Allowance for doubtful accounts and cancelled contracts

We annually review the assumptions used in establishing an allowance for doubtful accounts and cancelled contracts, in view of the revision of historical data of its current operation and improvement of measurement estimates.

Table of Contents

We record an allowance for doubtful accounts and cancelled contracts for customers whose installments are past due, based on the annually reviewed assumptions for each segment. For the Gafisa segment, we record an allowance for doubtful accounts for contracts for customers whose installments are over 360 days past due for completed units, even though all of our financing plans are guaranteed by a conditional sale of the unit, with the transfer of the full property rights of the unit to the customer upon the full payment of the outstanding installments. For the Tenda segment, we record an allowance for cancelled contracts for customers whose financing balance has not yet been received from financial agents and for customers whose installments are over 90 days past due. This allowance is calculated based on the percentage of the construction work completion, a methodology adopted for recognizing income for the year and the amounts are considered sufficient by management to cover possible future losses on accounts receivable.

Launches and Contracted Sales

Launches

The table below presents detailed information on our launches for the periods presented, including developments launched by our jointly-controlled entities in partnership with third parties:

	As of and for the year ended December 31,		
	2015	2014	2013
Launches (in millions of *reais*)	2,085	1,636	2,886
Number of projects launched	42	23	37
Number of units launched(1)	10,089	6,073	11,072
Launched usable area (m2)(2)(3)	428,257	326,421	2,893,541
Percentage of Gafisa investment	85 %	100 %	76 %

(1) The units delivered in exchange for land pursuant to barter arrangements are not included.

(2) One square meter is equal to approximately 10.76 square feet.

(3) Does not include Terreno Cajamar Alphaville (approximately 5,420,927m²).

In 2015, we launched 11 residential developments with a total potential sales value of R$2.1 billion, with Gafisa accounting for 48% of launches and Tenda for 52% in terms of potential sales value. 20 of the developments we

launched were located in the state of São Paulo, 9 developments were located in the state of Rio de Janeiro and the remaining 13 developments were located in Camaçari, Salvador and Lauro de Freitas, in the state of Bahia, Vespasiano and Belo Horizonte, in the state of Minas Gerais Porto Alegre, in the state of Rio Grande do Sul and Paulista, Camaragibe and Jaboatão dos Guararapes, in the state of Pernambuco.

In 2014, we launched 23 residential developments with a total potential sales value of R$1.6 billion, with Gafisa accounting for 62.5% of launches and Tenda for 37.5% in terms of potential sales value. 11 of the developments we launched were located in the state of São Paulo, 6 developments were located in the state of Rio de Janeiro and the remaining 6 developments were located in Camaçari, Salvador and Lauro de Freitas, in the state of Bahia, Vespasiano, in the state of Minas Gerais and Jaboatão dos Guararapes, in the state of Pernambuco.

In 2013, we launched 37 residential developments with a total potential sales value of R$2.9 billion, with Gafisa accounting for 38% of launches, Tenda for 12% and Alphaville the remaining 51% in terms of potential sales value. The total sales value for 2013 was approximately 2% lower than the total sales value of R$3.0 billion for 35 residential developments launched in 2012. In 2013, 18 of the 37 developments we launched were located in the state of São Paulo, while another four developments were located in the state of Rio de Janeiro. The remaining 15 residential developments launched were located in cities of Camaçari, in the state of Bahia, Porto Alegre, in the state of Rio Grande do Sul, Salvador, in the state of Bahia, Ponta Grossa, in the state of Paraná, Vitória da Conquista, in the state of Bahia, Barra dos Coqueiros, in the state of Sergipe, Feira de Santana, in the state of Bahia, Dourados, in the state of Mato Grosso do Sul, Anápolis, in the state of Goiás, Linhares, in the state of Espírito Santo and Belém in state of Pará. In 2012, we launched 35 residential developments with a total potential sales value of R$3.0 billion, with Gafisa accounting for 54% of launches and Alphaville the remaining 46% in terms of potential sales values (compared to a 28% share in 2011). This sales value was approximately 21% lower than that achieved in 2011, during which we launched 49 residential developments totaling R$3.5 billion. We refocused our business operations in 2012 to prioritize cash flow and reduction of net debt, restructuring the debt profile and reducing launches of new units, while still generating what we consider to be an appropriate volume of business of R$3.0 billion. In 2012, 17 of the 35 developments we launched were located in the state of São Paulo, while another three developments were located in the state of Rio de Janeiro. The remaining 15 residential developments launched were located in the cities

Table of Contents

of Juiz de Fora, in the state of Minas Gerais, Aracaju, in the state of Sergipe, Anapolis, in the state of Goiás, Mossoró, in the state of Rio Grande do Norte, Vespasiano, in the state of Minas Gerais, Brasília, in the state of Distrito Federal, Barra dos Coqueiros, in the state of Sergipe, Teresina, in the state of Piaui, Pelotas, in the state of Rio Grande do Sul, Porto Velho, in the state of Roraima, Vitória da Conquista, in the state of Bahia, Resende, Campo Grande, in the state of Mato Grosso do Sul and Camaçari, in the state of Bahia.

During 2015, approximately 24% of our launches in terms of potential sales value was generated from launches outside the states of São Paulo and Rio de Janeiro. The affordable entry-level business accounted for approximately 52% of our total potential sales value for the year ended December 31, 2015, of which 45.7% was generated from launches outside the states of São Paulo and Rio de Janeiro.

During 2014, approximately 16.6% of our launches in terms of potential sales value was generated from launches outside the states of São Paulo and Rio de Janeiro. The affordable entry-level business accounted for approximately 37.5% of our total sales value for the year ended December 31, 2014, of which 44.2% was generated from launches outside the states of São Paulo and Rio de Janeiro.

During 2013, approximately 37.4% of our launches in terms of potential sales value was generated from launches outside the states of São Paulo and Rio de Janeiro. The affordable entry-level business accounted for approximately 20% of our total sales value for the year ended December 31, 2013. During 2012, approximately 37.8% of our total sales value was generated from launches outside the states of São Paulo and Rio de Janeiro. The affordable entry-level business accounted for approximately 3% of our total sales value for the year ended December 31, 2012. For the year ended December 31, 2011, the affordable entry-level business represented approximately 10% of our total sales value.

Gafisa segment

In 2015, Gafisa launches totaled R$996.3 million, a 2.6% decrease compared with 2014.

Contracted sales for the year totaled R$914.8 million, up 12.8% from 2014. Sales of units launched over the year accounted for 30.8%, while sales of inventories accounted for the remaining 69.2%.

In 2014, Gafisa launches totaled R$1.0 billion, a 6% decrease compared with 2013.

Contracted sales for the year totaled R$811 million, down 16% from 2013. Sales of units launched over the year accounted for 42.2%, while sales of inventories accounted for the remaining 57.8%.

In 2013, Gafisa launches totaled R$1.1 billion, a 32.5% decrease compared with 2012, with the Gafisa segment accounting for 38% of the consolidated launches for the period.

Contracted sales for the year totaled R$981 million, down 39.9% from 2012. Sales of units launched over the year accounted for 60%, while sales of inventories accounted for the remaining 40%.

In 2015, Gafisa delivered 22 ventures/stages and 4,986 units, accounting for R$2.4 billion in Potential Sales Volume.

The market value of Gafisa segment inventories reached R$2.0 billion at the end of 2015, compared to R$2.3 billion at the end of 2014 and R$2.1 billion at the end of 2013.

Tenda segment

Full-year Tenda launches in 2011 totaled R$398 million, a 75% reduction compared to 2010, and included 17 projects/phases across 8 states and the cancellation in the fourth quarter of 2011 of R$103 million of projects no longer feasible under the Company's new criteria adopted in the third quarter of 2011. No more than 30% of these projects had been completed. This more conservative approach to Tenda's operations led to full-year sales of R$330 million, a 77% reduction compared to 2010, in line with the reduced volume of launches. In 2012, Tenda worked to reduce the complexity of its operations and master the fundamentals of its new operating model suspending launches. Tenda resumed the launch of new ventures in 2013, reaching R$338.8 million in the launches of 8 new developments, totaling 12% of the consolidated launches for 2013.

In 2015, Tenda launches totaled R$1.1 billion. Contracted sales for the year totaled R$1.0 billion, a 257% increase compared with 2014. Sales of units launched over the year accounted for 50.0%, while sales of inventories accounted for the remaining 50.0%.

Table of Contents

Cancellation levels decreased significantly in 2015 mainly due to Tenda's increased efficiency and improved controls. The primary driver of the reduction in cancellations was the implementation of a sales process by which potential customers were required to obtain approved financing with CEF as part of the purchase process, which significantly decreases the probability of cancellation. Out of R$1.0 billion in property launches during 2015, we recorded sales of R$889 million in which financing has already been obtained by the end purchaser.

Out of R$613.3 million in property launches during 2014, we recorded sales of R$176.8 million in which financing had already been obtained and reached a total amount of R$396.0 million in net sales. In 2013, out of R$338.8 million in property launches, we recorded sales of R$217.4 million. Of the R$217.4 million, R$122.0 million is related to sales in which financing had already been obtained by the end purchaser, with the remaining R$95.4 million relating to sales in which financing was being finalized at the end of 2013.

In 2015, The Tenda segment delivered 21 ventures/stages, and 5,711 units accounting for R$802.5 million in Potential Sales Value.

The market value of Tenda inventories was R$899.8 million at the end of 2015, compared to R$828.7 million at the end of 2014 and R$618.4 million at the end of 2013

Contracted sales

The following table shows the composition of our contracted sales by the type of development, according to units sold during the same year that they were launched and the units sold in the years after they were launched, as well as their respective percentages in relation to total sales for the periods presented:

	As of and for the year ended December 31,		
	2015	2014	2013
Type of development	**(in millions of *reais*, unless otherwise stated)**		
Luxury buildings	212.7	108.8	367.7
Middle-income buildings	676.5	650.0	431.9
Affordable entry-level housing (2)	1,034.1	396.0	490.4
Commercial	7.6	52.2	161.5
Land(1)	N/A	N/A	1,062.2
Total contracted sales	1,930.9	1,207.0	2,513.8

Sale of units launched in the year	789.6		519.2		1,502.8	
Percentage of total contracted sales	41	%	43	%	60	%
Sale of units launched during prior years	1,141.3		687.8		1,010.9	
Percentage of total contracted sales	59	%	57	%	40	%

(1) Includes Gafisa's participation on the Alphaville Barra da Tijuca project.

(2) Amount net of sales cancellation.

The following table shows our and our main subsidiaries' and our current affiliate Alphaville's, contracted sales for the periods presented:

	As of and for the year ended December 31,		
	2015	2014	2013
Contracted sales	**(*in millions of reais*, unless otherwise stated)**		
Gafisa	914.8	811.0	961.2
Tenda (1)	1,016.1	396.0	490.4
Alphaville (2)	—	—	1,062.2
Total contracted sales	1,930.9	1,207.0	2,513.8
(-) Discontinued operations	—	—	(1,062.2)
Total contracted sales	1,930.9	1,207.0	1,451.6

(1) Amount net of sales cancellation.

(2) This information is presented for comparison purposes and for the year ended December 31, 2013 only, as we sold our controlling interest in Alphaville on December 9, 2013 and currently hold a 30% non-controlling interest in Alphaville.

Table of Contents

In 2015, we sold 40.9% of the launched units, which combined with the sales of units launched during prior periods, resulted in total contracted sales of R$1,930.9 million, an increase of approximately 60% compared to 2014.

In 2014, we sold 42.2% of the launched units, which combined with the sales of units launched during prior periods, resulted in total contracted sales of R$1,207.0 million, a decrease of approximately 16.9% compared to 2013, net of discontinued operations.

In 2013, we sold 60% of the launched units, which combined with the sales of units launched during prior periods, resulted in total contracted sales of R$2,513.8 million, a decrease of approximately 5% compared to 2012.

In 2015, we sold 50.0% of the units launched during that year through our Tenda brand, which together with the sales of units launched during prior periods, resulted in total contracted sales of R$1,016.1 million. In 2014, we sold 29.6% of units launched during that year through our Tenda brand, which together with the sales of units launched during prior periods, resulted in total contracted sales of R$396.0 million. In 2013, we sold 44% of units launched during that year through our Tenda brand, which together with the sales of units launched during prior periods, resulted in total contracted sales of R$490.4 million.

Our sales contracts are irrevocable under Brazilian law, which means a customer does not have a unilateral ability to terminate a contract once it is executed, or require a refund of amounts previously unpaid unless we agree. To the extent that a customer is not in compliance with its obligations under a contract, we have the option to either force compliance through the Brazilian courts, or agree to "default" by the customer. Should we agree to such default, the customer is then charged penalties as defined in the contracts with any remaining amounts remitted to the customer. Penalties charged by Tenda have historically been 20% of amounts paid, while penalties charged by Gafisa have historically been significantly higher (average about 60-65% of amounts paid).

We provide a limited amount of post-construction client financing, although this financing is not available to Tenda clients. Our default rate was 11.8%, 7.4% and 9.3% as of December 31, 2015, 2014 and 2013, respectively.

The table below shows the penalties charged to customers that have defaulted and had their contracts cancelled for the periods presented:

	As of and for the year ended

	December 31,		
	2015	2014	2013
	(in millions of *reais*)		
Gafisa	22.6	16.4	13.3
Tenda	2.1	1.1	2.3
Alphaville (1)	—	—	5.9

(1) This information is presented for comparison purposes only, as we sold our controlling interest on December 9, 2013 and currently hold a 30% non-controlling interest in Alphaville.

The following table sets forth the growth of our contracted sales expected to be recognized, as well as the amount corresponding to the expected cost of units sold, and the expected margin, all of them to be recognized in future periods, for the periods presented:

	As of and for the year ended December 31,		
	2015	2014	2013
	(*in millions of reais*, unless otherwise stated)		
Sales to be recognized	793.0	1,064.0	1,863.4
Net sales(1)	764.0	1,025.2	1,795.4
Cost of units sold to be recognized(2)	(453.9)	(628.8)	(1,181.3)
Expected gross margin—yet to be recognized(3)	310.1	396.4	614.3
Expected margin percentage	40.6 %	38.7 %	34.2 %

(1) Excludes indirect PIS and COFINS taxes of 3.65%. This information includes ventures that are subject to restriction due to a contractual clause, which defines the legal period of 180 days in which the Company can cancel a development.

(2) The estimated gross profit shown does not consider the tax effects or the present value adjustment, and the costs of lands, financial charges and guarantees, which will be carried out to the extent they are realized.

(3) Based on management's estimates.

Table of Contents

Gross Operating Revenues

Our revenues are derived mainly from the development and sale of real estate and, to a much lesser extent, the rendering of construction services to third parties on certain developments in the Gafisa segment where we retain an equity interest.

Real estate development and sales

Real estate development revenues, including inflation adjustments and interest from credit sales, comprise revenues from the sales of units in the residential buildings we develop, and to a lesser extent, the sales of lots and commercial buildings.

Construction services rendered

Our revenues generated by real estate services consist substantially of amounts received in connection with construction management activities for third parties, technical management and real estate management, related to developments in the Gafisa segment where we retain an equity interest. As of December 31, 2015, 0.6% of our net operating revenues were derived from constructions services rendered.

Operating Costs

Our operating costs consist of real estate development costs and, to a lesser extent, costs of services rendered.

Real estate development costs

Real estate development costs consist of costs of land, construction (which includes costs for a broad variety of raw materials and labor), capitalized interest (financial costs) from project specific financing, projects, foundations, structuring and furnishing, as well as costs for outsourced labor. The items making up our costs, as a percentage of our

total cost, were as set forth for the periods presented:

	For the year ended December 31,		
	2015	2014	2013
Land	18.7 %	15.1 %	14.2 %
Construction costs	64.8 %	68.6 %	70.6 %
Financial costs	10.0 %	10.0 %	8.2 %
Development costs	6.4 %	6.3 %	7.0 %
Total	**100.0 %**	**100.0 %**	**100.0 %**

One of our principal real estate development costs is the cost of land. Over the last five years, land represented, on average, 17% of our total cost of development. However, this is an extremely volatile component, varying according to characteristics of the land, the region where the land is located, the type of development to be launched and market conditions. Land can be acquired for cash, through the exchange of units once the building is constructed, through financial swaps (whereby a portion of sales is given to the owner of land as a form of financing for the land), or through a combination of the three options.

No single raw material alone represents a significant portion of our total costs of development, but over the last five fiscal years, raw materials represented, on average, 35% of our total cost of development. The index that measures construction cost variation, the INCC, increased by 7.5%, 7.0% and 8.1% in 2015, 2014 and 2013, respectively. Although some of the principal raw materials, such as steel, have experienced significant price

Table of Contents

increases well above the level of inflation over the last four years, we have reduced our raw materials costs by developing and using new construction techniques and materials.

Over the last five years, we have incurred most of our construction costs from the 1st to the 18th month of construction of a development, as shown in the table below:

Period of construction	Percentage of costs incurred(1)
1st to 6th month	16 %
7th to 12th month	25 %
13th to 18th month	31 %
19th to 24th month	20 %
25th to 30th month	8 %

(1) Including cost of land.

Real estate services

Our costs of real estate services consist of direct and indirect labor fees and outsourced services.

Operating Expenses

Our operating expenses include selling, general and administrative expenses, depreciation and amortization expenses and revenues and revaluation of investment in affiliates.

Selling expenses

Selling expenses include advertising, promotion, brokerage fees and similar expenses.

General and administrative expenses

General and administrative expenses principally include the following:

- employee compensation and related expenses;
- fees for outsourced services, such as legal, auditing, consulting and others;
- management fees and expenses;
- stock option plan expenses;
- overhead corporate expenses;
- expenses related to legal claims and commitments; and
- legal expenses related to public notaries and commercial registers, among others.

Depreciation and amortization

Depreciation expenses consist of depreciation of our property and equipment. Since January 1, 2009, goodwill is no longer amortized under Brazilian GAAP.

Revaluation of investment in affiliates

Revaluation of investment, in line with the definition provided for in the paragraph 25 of CPC 36 (R3) – Consolidated Statements, consists in recognizing the addition related to the revaluation of the portion of the remaining investment of 30% with the sale of and cease of control over Alphaville.

Table of Contents

Financial Income and Expenses

Financial income includes income from financial investments. Interest revenues are recognized on an accrual basis. Financial expenses generally consist of interest payable on loans, financings and debentures and are also recognized on an accruals basis.

Taxes on Income

In general, taxes on income in Brazil consist of federal income tax (25%) and social contribution on net profits (9%), for a composite statutory tax rate of 34%. We calculate income tax and social contribution in accordance with the "taxable profit" regime. Our subsidiaries and jointly-controlled entities, however, with annual billings lower than a specified threshold, may calculate their respective income and social contribution taxes through either this "taxable profit" regime or through the "presumed profit" regime, depending on our strategic tax planning. For the companies that opt for the "presumed profit" regime, the income tax basis is calculated as 8% of gross revenues and the social contribution basis is calculated as 12% of gross revenues, to which income tax and social contribution rates of 25% and 9%, respectively, are applied.

As permitted by tax legislation, the development of certain ventures are subject to the "afetação" regime, whereby the land and its features where real estate will be developed, as well as other binding assets and rights, are separated from the assets of the developer and comprise the "patrimônio de afetação" (detached assets) of the corresponding development and whose real estate units will be delivered to the buyers. In addition, certain subsidiaries made the irrevocable option for the Special Taxation Regime (RET), adopting the "patrimônio de afetação", according to which the income tax, social contribution on net profits, PIS and COFINS are calculated at 4% monthly on gross revenues.

Net profit from discontinued operations

The profit from discontinued operations represents the results of operations of Alphaville for the period January 1, 2013 to November 30, 2013, as well as the results of operations for this entity for the comparative periods. This line item also contains the gain on disposal of our 70% controlling interest in this entity, which occurred in December 2013.

In accordance with CPC 31 – Non-current Asset Held for Sale and Discontinued Operations, the profit of discontinued operations is presented as a single amount in statement of operations, which includes the total after-tax-income of

these operations, less any impairment-related loss.

Results of Operations

The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with Brazilian GAAP. References to increases or decreases in any given period relate to the corresponding preceding period, unless otherwise indicated.

As explained in Note 8.2 to the Company's 2013 consolidated financial statements, the results of operations of Alphaville have been retrospectively presented as discontinued operations under Brazilian GAAP in the Company's 2013 consolidated statements of operations given its disposal during 2013. In addition, with the adoption of CPCs 19 (R2) (or IFRS 11) and 36 (R3) (or IFRS 10), starting from January 1, 2013, the proportional consolidation method for investments in jointly-controlled investees, which was previously applied by the Company, is no longer allowed under Brazilian GAAP.

Results of Operations for the Years Ended December 31, 2015 and 2014

Net operating revenue

On a consolidated basis, net operating revenue for the year ended December 31, 2015, recognized by the Percentage of Completion ("PoC") method, was R$2.3 billion, an increase of 6.7% from R$2.15 billion for the year ended December 31, 2014, as a result of an increase in Tenda segment sales, due to a higher level of launches under Tenda's new business model implemented in 2013. During 2015, Gafisa and Tenda brands accounted for 63% and 37% of net operating revenue, respectively.

The gross revenue generated from the sale of property and barter transactions, net of the cancellation provision (reversal) totaled R$2.5 billion for the year ended December 31, 2015, an increase of R$219.7 million or 9.7%

Table of Contents

compared with the same period in 2014 of R$2.3 billion. The tax deductions from gross revenue reached R$191.0 million in 2015 from R$174.7 million in 2014, representing an increase of 9.3%, which was mainly impacted by higher launch volumes in Tenda.

In addition, due to the continuing deterioration of economic conditions in Brazil during 2015, the Company continued to take a more conservative and selective approach with respect to the development and launch of products, focusing mainly on the middle to high income segment, in order to prioritize stable levels of profitability.

During 2015, inflation as measured by the INCC, the main Brazilian indicator for civil construction costs, was 7.49%. This resulted in an increase in our construction costs and consequently, the prices of our units. This increase was offset by (i) monthly increases in the sale prices of our inventory units, and (ii) monthly upward adjustments of outstanding balances on our units sold, in order to reflect inflationary increases.

Operating costs

Operating costs in 2015 totaled R$1.7 billion, a 3.6% increase compared to R$1.6 billion in 2014, as a result of an increase in sales in the Tenda segment, due to a higher level of launches under Tenda's new business model implemented in 2013. Cost related to construction is the main component of operating cost, totaling R$1.3 billion, equivalent to 78.4% of the original total cost base of projects. Operating costs, as a percentage of net operating revenue, decreased from 74.8% in 2014 to 72.7% in 2015, mainly due to better performance on construction projects.

Gross profit

Gross profit in 2015 totaled R$626.8 million, representing an increase of 15.7%, from R$541.7 million in 2014. The increase was mainly due to (i) the replacement of Gafisa and Tenda segment legacy projects with more recent projects launched in core markets, and (ii) the higher level of launches under Tenda's new business model since 2013, which contain higher margins. Tenda launches totaled R$1.1 billion in 2015, an increase from R$613.3 million in 2014.

In 2015, the gross margin generated from our activities increased to 27.3% as compared to 25.2% in 2014. This increase was due to the recognition of higher margins from recent projects, mainly Tenda projects, which offset the recognition of lower margins in connection with prior year projects.

Selling expenses

Selling expenses in 2015 totaled R$163.3 million, representing an increase of 10.3% as compared to R$148.0 million in 2014, mainly due to an increase in marketing expenses and expenses associated with the increase of launches under Tenda's new business model. Selling expenses in 2015 represented 7.1% of our net operating revenue compared to 6.9% in 2014.

General and administrative expenses

General and administrative expenses were R$181.4 million in 2015, a 14.4% decrease from the R$211.9 million recorded in 2014, reflecting our strategy of realigning costs to the phase of our business cycle and to the current challenging macroeconomic scenario in Brazil. Our payroll expenses decreased by 6.6%, totaling R$74.2 million in 2015.

Depreciation and amortization

Depreciation and amortization in 2015 was R$47.4 million, a decrease of R$31.9 million when compared to the R$79.3 million recorded in 2014, mainly due to the lower level of Gafisa launches in 2015 and to a non-recurring goodwill impairment of R$14.5 million recorded in 2014 as a result of the incorporation of a subsidiary.

Financial income and expenses, net

Net financial expenses totaled R$38.1 million in 2015, compared to net financial expenses of R$8.9 million in 2014. The difference is mainly due to a decrease in financial revenues of 20.8% and higher average interest rates for loans and financings during the period.

Table of Contents

Taxes on income

Income, social contribution and deferred taxes for 2015 amounted to R$7.2 million, compared to R$15.3 million in 2014. For the year ended December 31, 2015, current tax expenses amounted to R$24.6 million (compared to R$33.3 milion in 2014), comprised of R$4.3 million related to Gafisa's holding tax calculation on the standard profit regime, and R$20.2 million related to our subsidiaries' tax calculation on the presumed profit regime and the Special Taxation Regime (RET). Additionally, deferred tax income amounted to R$17.4 in 2015 (R$18.0 million in 2014) and is mainly related to the increase of temporary differences, as a result of an increase in our provisions.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interests decreased from a loss of R$1.2 million in 2014 to a loss of R$3.5 million in 2015, due to the overall negative financial results of our subsidiaries for the year ended December 31, 2015.

Net income attributable to owners of Gafisa

Net income attributable to owners of Gafisa increased to R$74.4 million in 2015, compared to a net loss of R$42.5 million in 2014. This increase is mainly due to (i) the further consolidation of the Gafisa segment's production cycle and (ii) the higher level of launches under Tenda's new business model implemented in 2013, which contain higher margins than legacy projects.

Results of Operations for the Years Ended December 31, 2014 and 2013

Net operating revenue

On a consolidated basis, net operating revenue for the year ended December 31, 2014, recognized by the PoC method, was R$2.15 billion, a decrease of 13.3% from R$2.5 billion for the year ended December 31, 2013, as a result of a lower level of launches in Gafisa in the previous 2 years.

The reduction in the level of launches in Gafisa is primarily due to the implementation of the Company's new strategy at the beginning of 2012. The Company's new strategy aimed to reduce operational complexity, improve the cost and expenses structure, develop a new operational model for Tenda and consolidate Gafisa's strategic positioning in the markets of São Paulo and Rio de Janeiro. In addition, due to the economic slowdown in Brazil during the second half of 2014, the Company took a more conservative and selective approach to the development and launch of products in order to prioritize stable levels of profitability.

In terms of Potential Sales Volume, Gafisa launched projects totaling R$1.6 billion in 2012, R$1.1 billion in 2013 and R$1.0 billion in 2014. Tenda did not launch any projects in 2012, launched projects totaling R$339 million in 2013 and R$613 million in 2014.

During 2014, the Gafisa and Tenda brands accounted for 73% and 27% of total net operating revenue, respectively.

The gross revenue generated from the sale of property and barter transactions, net of cancellation provision (reversal), totaled R$2.3 billion for the year ended December 31, 2014, a decrease of R$374.1 million or 13.8% from R$2.7 billion for the year ended December 31, 2013. Tax deductions from gross revenue totaled R$174.7 million for the year ended December 31, 2014, a decrease of 20.1% from R$218.6 million for the year ended December 31, 2013. This decrease was mainly due to the lower launch volumes in Gafisa and Tenda, a decrease in net revenue from the delivery of Tenda legacy projects, and also to the initial stages of the recognition of revenues from Tenda projects starting in 2013, recognized using the PoC method, as Tenda resumed its launches only during 2013.

During 2014, inflation as measured by the INCC, the main Brazilian indicator for civil construction costs, was 6.9%. This resulted in an increase in our construction costs and consequently, our units prices. This increase was offset by (i) monthly increases in the sale prices of our inventory units, and (ii) monthly upward adjustments of outstanding balances on our units sold, in order to reflect inflationary increases.

Table of Contents

Operating costs

Operating costs in 2014 totaled R$1.6 billion, a decrease of 14% as compared to R$1.9 billion in 2013, due to the lower level of operations as a result of the lower level of launches in Gafisa during 2013 and 2014. During 2014, costs related to construction totaled R$1.2 billion, equivalent to 76.3% of our total operating costs. Operating costs, as a percentage of net operating revenue, decreased from 75.1% in 2013 to 74.8% in 2014, despite the above mentioned inflation effect (6.9%) in our costs. This decrease in the Company's cost structure was mainly due to a better performance on construction projects.

Gross profit

Gross profit in 2014 totaled R$541.7 million, representing a decrease of 12.3%, from R$617.4 million in 2013. The improvement of gross margin resulted from the replacement of Gafisa and Tenda segment legacy projects by projects launched in core markets and under the new Tenda business model, which contain higher margins.

In 2014, the gross margin generated from our activities increased to 25.2% as compared to 24.9% in 2013. This increase was due to the recognition of higher margins from recent projects, which offset the recognition of lower margins in connection with prior year projects.

Selling expenses

Selling expenses in 2014 totaled R$148.0 million, representing a decrease of 31.3% as compared to R$215.6 million in 2013, mainly due to the effectiveness of the sales process through its own Tenda stores, allowing greater control and efficiency in this line, and due to a decrease in marketing expenses and a decrease in sales commissions expenses resulting from the lower volume of sales in 2014 under both Gafisa and Tenda brands. Selling expenses in 2014 represented 6.9% of our net operating revenue compared to 8.7% in 2013.

General and administrative expenses

General and administrative expenses were R$211.9 million in 2014, a 9.4% decrease over the R$234.0 million recorded in 2013, reflecting our strategy of realigning costs to our current size and the phase of our business cycle.

General expenses decreased to R$13.1 million in 2014 from R$17.3 million in 2013. This decrease is mainly due to a decrease in our payroll liability as a result of the reduction in the total number of employees.

Depreciation and amortization

Depreciation and amortization in 2014 was R$79.3 million, an increase of R$16.3 million when compared to the R$63.0 million recorded in 2013, mainly due to the incorporation of a subsidiary, which generated a goodwill impairment of R$14.5 million.

Financial income and expenses, net

Net financial expenses totaled R$8.9 million in 2014, compared to net financial expenses of R$162.5 million in 2013. The difference is mainly due to an increase in financial revenues of 93.4% and to the reduction of total debt during the period.

Taxes on income

Income tax, social contribution and deferred taxes for 2014 amounted to R$15.3 million, compared to R$2.8 million in 2013.

The provision for, or benefit from, income taxes is calculated using the asset and liability method, under which deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are evaluated on a quarterly basis to determine if adjustments to the valuation allowance are required. The Company assesses whether a valuation allowance should be established based on the consideration of all available evidence using a “more likely than not” standard with respect to whether deferred tax assets will be realized. The ultimate realization of deferred tax assets depends primarily on the generation of future taxable income during the periods in which the differences become deductible. Judgment is required in determining the future tax consequences of events that have been recognized in the Company’s consolidated financial statements and/or tax returns.

Table of Contents

Net income attributable to non-controlling interest

Net income attributable to non-controlling interests increased from a gain of R$235 thousand in 2013 to a loss of R$1.2 million in 2014, due to the overall negative financial results of our subsidiaries for the year ended December 31, 2014.

Net income attributable to owners of Gafisa

Net income attributable to owners of Gafisa decreased to a net loss of R$42.5 million in 2014, compared to a net income of R$867.4 million in 2013. This decrease is due to the decrease in income resulting from the discontinuation of our operations in Alphaville following the sale of our 70% interest in Alphaville in December 2013.

Business Segments

See “Item 4. Information on the Company—A. History and Development of the Company—Historical Background and Recent Developments.” Our chief executive officer, who is responsible for allocating resources among these businesses and monitoring their progress, uses data derived from a combination of historical operating results and forecasted operating results, to assess segment information primarily on the basis of different business segments.

We provide below a measure of historical results, selected segment assets and other related information for each reporting segment. The information below is derived from our statutory accounting records which are maintained in accordance with Brazilian GAAP. No individual customer represented more than 10% of our net operating revenue.

	For Year Ended December 31, 2015		
	Gafisa	Tenda	Total
	(millions of *reais* except for percentages)		
Net operating revenue	1,443.3	851.0	2,294.3
Operating costs	(1,061.9)	(605.6)	(1.667,5)
Gross profit	381.4	245.4	626.8
Gross margin	26.4 %	28.8 %	27.3 %
Net income from continuing operations	44.1	30.3	74.4

	For Year Ended December 31, 2014		
	Gafisa	Tenda	Total
	(millions of *reais* except for percentages)		
Net operating revenue	1,580.9	570.1	2,151.0
Operating costs	(1,165.0)	(444.2)	(1,609.2)
Gross profit	415.9	125.9	541.8
Gross margin	26.3 %	22.1 %	25.2 %
Net income (loss) from continuing operations	66.9	(109.4)	(42.5)

	For Year Ended December 31, 2013		
	Gafisa (1)	Tenda	Total
	(millions of *reais* except for percentages)		
Net operating revenue	1,663.7	817.5	2,481.2
Operating costs	(1,111.6)	(752.2)	(1,863.8)
Gross profit	552.2	65.2	617.4
Gross margin	33.2 %	8.0 %	24.9 %
Net income (loss) from continuing operations	363.7	(127.1)	236.6
Net income from discontinued operations	588.6	42.5	631.1

(1) Includes all subsidiaries except Tenda.

Table of Contents

Gafisa Segment

Years Ended December 31, 2015 and 2014

Net operating revenue

Net operating revenue for the Gafisa segment was R$1.443,3 million in 2015 compared to the net operating revenue of R$1,580.9 million in 2014, which represents a decrease of 8.7%. This decrease was mainly due to the mix of sales in the period, which was more concentrated in projects launched in 2014 and the reduction in the level of launches in Gafisa in 2015.

Operating costs

The costs of development and sale and barter transactions in 2015 totaled R$1.1billion, a decrease of 8.8% compared with the R$1.2 billion reported in 2014. This decrease was mainly due to the lower volume of projects under construction.

Gross profit

The gross profit in 2015 was R$381.4 million, representing a decrease of 8.3% compared with the R$415.9 million reported in 2014, in line with the decrease in net operating revenues. The gross margin in 2015 generated by our projects sales increased to 26.4% compared to 26.3% in the same period of 2014. This increase was primarily due to the lower volume of projects under construction and the mix of sales in 2015, which was more concentrated in projects recently launched and with higher profit margins.

Net income from continuing operations

Net income for the Gafisa segment was R$44.1 million in 2015, compared to a net income of R$66.9 million in 2014. The decrease in net income is primarily a result of the following: (i) lower level of revenues; (ii) higher expenses related to contingencies; and (iii) negative impact of net financial income in 2015 when compared to 2014. Net income from continuing operations as a percentage of net operating revenues was positive 3.0% in 2015 as compared to positive 4.2% in 2014.

Tenda Segment

Years Ended December 31, 2015 and 2014

Net operating revenue

Net operating revenue of sales and/or services during 2015 totaled R$851.0 million, compared to R$570.1 million in 2014, an increase of 49.3%. In 2015, Construtora Tenda S.A accounted for 37% of the consolidated net operating revenue. This increase was mainly due to an increase in sales under the Tenda segment, as a result of the higher level of launches under Tenda's new business model implemented in 2013.

Operating costs

The costs of development and sale of property and barter transactions in 2015 totaled R$605.6 million, compared to R$444.2 million in 2014. This increase was mainly due to the higher volume of projects launched under Tenda's new business model since 2013.

Gross profit

Gross profit in 2015 was R$245.4 million, compared to R$125.9 million in 2014. Gross margins increased from 22.1% in 2014 to 28.8% in 2015, impacted by the replacement of Tenda's legacy projects by projects launched pursuant to Tenda's new business model, the profit margins of which are higher.

Net income (loss) from continuing operations

Net income for the Tenda segment was R$30.3 million in 2015, compared to a net loss of R$109.4 million in 2014. This increase in net income is a result of the higher volume of projects launched under Tenda's new business model during 2015.

Table of Contents

Gafisa Segment

Years Ended December 31, 2014 and 2013

Net operating revenue

Net operating revenue for the Gafisa segment was R$1,580.9 million in 2014 compared to the net operating revenue of R$1,663.7 million in 2013, which represents a decrease of 5.0%. This decrease was primarily due to the lower volume of launches during 2014 (a decrease of 6% compared to 2013).

Operating costs

The costs of the sale and barter transactions in 2014 totaled R$1.2 billion, an increase of 4.8% compared with the R$1.1 billion reported in 2013. This increase was mainly due to the increase in construction costs in 2014.

Gross profit

The gross profit in 2014 was R$415.9 million, representing an decrease of 24.7% compared with the R$552.2 million reported in 2013. The gross margin in 2014 generated by our projects sales decreased to 26.3% compared to 33.2% in the same period of 2013. This decrease was primarily due to the lower volume of launches during 2014 and certain non-recurring events such as (i) the recording of a provision for impairment on landbank and properties for sale and (ii) adjustments in the five-year limited warranties we provide to cover structural defects.

Net income (loss) from continuing operations

Net income for the Gafisa segment was R$66.9 million in 2014, compared to a net income of R$363.7 million in 2013. The decrease in net income is primarily a result of the revaluation of the portion of our remaining 30% interest in Alphaville (following the sale of our 70% controlling interest in Alphaville in December 2013) in the amount of R$375.8 million. Net income (loss) from continuing operations as a percentage of net operating revenues was positive

4.2% in 2014 as compared to positive 21.8% in 2013.

Tenda Segment

Years Ended December 31, 2014 and 2013

Net operating revenue

Net operating revenue of sales and/or services during 2014 totaled R$570.1 million, compared to R$817.5 million in 2013, a decrease of 30.3%. In 2014, Construtora Tenda S.A accounted for 26.5% of the consolidated net operating revenue. This decrease was mainly due to the decrease in the delivery of legacy projects in 2014, which was higher in 2013.

Operating costs

The costs of development and sale of property and barter transactions in 2014 totaled R$444.2 million, compared to R$752.2 million in 2013. This decrease was mainly due to Tenda's efficient control over the construction process and focus on the completion and the run-off of legacy projects. The final phase of Tenda legacy projects ended in 2014 with around 2,593 units to be delivered. In addition, Tenda recorded a reversal of the cancellation provision in the amount of R$68.0 million.

Gross profit

Gross profit in 2014 was R$125.9 million, compared to gross profit in 2013 of R$65.2 million. In 2014, gross margins increased from 8.0% in 2013 to 22.1% in 2014.

Net income (loss) from continuing operations

Net loss for Tenda segment was R$109.4 million in 2014, compared to a net loss of R$127.1 million in 2013. This decrease of net loss in 2014 when compared to 2013 is a result of Tenda's better performance reflecting its new strategy of Tenda launches under a new business model, based on three basic pillars: operating efficiency, risk

management and capital discipline. Currently, the Company operates in 5 macro regions: São Paulo, Rio de Janeiro, Minas Gerais, Northeast (Bahia and Pernambuco) and South (Rio Grande do Sul).

Table of Contents

B. Liquidity and Capital Resources

Our transactions are financed mainly through the contracting of real estate financing and securitization of receivables. When necessary and in accordance with market demands, we carry out long-term financing for the sale of our developments. In order to turn over our capital and accelerate its return, we try to transfer to banks and sell to the market the receivables portfolio of our units.

In 2015, we carried out the following receivables sales with recourse:

On December 3, 2015, Gafisa and its subsidiaries entered into a CCI transaction relating to a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$32.2 million in exchange for cash at the transfer date, discounted to present value, for R$24.5 million.

In 2014, we carried out the following receivables sales with recourse:

On November 25, 2014, Gafisa and its subsidiaries entered into a CCI transaction relating to a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$15.2 million in exchange for cash at the transfer date, discounted to present value, for R$12.4 million.

In 2013, we carried out the following receivables sales with recourse:

On May 28, 2013 after selling all the subordinated series of Gafisa FIDC, the remaining receivable portfolio of the initial sales, was transferred to investors and the Company was still required to grant the guarantee to its holders.

On November 29, 2013, a selected portfolio of sales receivables from us and our subsidiaries was transferred to investors. The assigned portfolio amounts to R$24.1 million in exchange of cash at the transfer data, discounted to present value, by R$19.6 million.

Construction financing lines of credit are available and we have fulfilled substantially all of our construction financing needs for 2015 and 2014 at consolidated rates similar to the CDI rate. In order to mitigate the effects of the 2008 global credit crisis, the Brazilian government has announced additional lines of credit to assist the construction industry and its customers, including R$6 billion from the FGTS (a Government Severance Indemnity Fund for Employees). In 2009 we approved the issue of two series of debentures for Gafisa and Tenda in the total amount of R$1.2 billion. In addition, local financial institutions are financing up to 80% of construction costs, through the Brazilian Saving and Loan System (*Sistema Brasileiro de Poupança e Empréstimo* — SBPE) indexed to TR (*Taxa Referencial*) and a fixed rate spread.

During 2015, our customers' ability to obtain bank mortgage loans continued to improve, with interest rates in the range of 6%+TR (affordable entry level) to 10%+TR, depending on family income and credit score.

The following table shows the balance of our receivables from clients for the development and sale of properties for the periods presented:

	As of December 31,		
	2015	2014	2013
	(in millions of *reais*)		
Real estate development receivables:			
Current	1,395.3	1,440.5	1,909.9
Long-term	407.1	384.8	313.8
Total	1,802.4	1,825.3	2,223.7
Receivables to be recognized on our balance sheet according to percentage of completion method:			
Current	—	—	—
Long-term	793,0	1,064.0	1,863.4
Total	793,0	1,064.0	1,863.4
Total receivables from clients	2,595.4	2,889.3	4,087.1

Table of Contents

The total balance of receivables on the balance sheet has the following maturity profile:

Maturity	As of December 31, 2015 (in millions *reais*)
Overdue	392.2
2016	1,003.1
2017	987.3
2018	102.4
2019	42.2
2020 onwards	68.2
Total	**2,595.40**

Loans made to our clients are generally adjusted on a monthly basis as follows: (1) during construction, by the INCC in São Paulo, Rio de Janeiro and other Brazilian cities; and (2) after delivery set forth in the contract, by the IGP-M plus 12% per annum in all markets.

We limit our exposure to credit risk by selling to a broad customer base and by continuously analyzing the credit of our clients. As of February, 29, 2016, our clients' default level was 11.99% of our accounts receivable for Gafisa and 12.16% for Tenda. We annually review the assumptions used in establishing an allowance for doubtful accounts and cancelled contracts, in view of the revision of historical data of its current operation and improvement of measurement estimates. The Company records an allowance for doubtful accounts and cancelled contracts for customers whose installments are past due, based on the assumptions made about each segment of the Company. This allowance is calculated based on the percentage of the construction work completion, a methodology adopted for recognizing income for the year. The allowance for doubtful accounts and cancelled contracts totaled R$78.8 million as of December 31, 2015 and is considered sufficient by our management to cover expected future losses on the realization of accounts receivable.

Cash Flows

Operating activities

Net cash generated from operating activities totaled R$91.7 million in 2015 compared to R$41.9 million in 2014. This increase reflects the improved operational and financial management in both Gafisa and Tenda segments, with a higher volume of sales and revenues from projects with higher gross margins. The R$91.7 million was primarily composed of: (1) income before income tax and social contribution in the amount of R$78.2 million, as a result of our improved operational and financial performance; (2) a decrease in expenses (income) not affecting cash and cash equivalents, totaling R$279.9 million in 2015; (3) an increase in properties for sale totaling R$130.9 million, attributable to landbank and construction; and (4) other less significant increases and decreases in other operating categories.

Net cash generated from operating activities totaled R$41.9 million in 2014 compared to R$297.6 million in 2013. The R$41.9 million was primarily composed of: (1) a decrease in expenses (income) not affecting cash and cash equivalents, totaling R$305.0 million in 2014; (2) an increase in properties for sale of R$462.4 million attributable to landbank and construction; (3) a decrease in trade accounts receivable of R$391.6 million; and (4) other less significant increases and decreases in other operating categories.

Investing activities

Net cash generated in investing activities, including the acquisition of property, equipment and new investments, was R$361.5 million in 2015 compared to a net cash generated in investing activities of R$752.0 million in 2014. Our cash used in 2015 was mainly related to investments in marketable securities, restricted securities and loans in the amount of R$417.7 million, which was lower than the amount of R$761.1 million in 2014 mainly due to the continuing deterioration of economic conditions in Brazil in 2015.

Net cash generated in investing activities, including the acquisition of property, equipment and new investments, was R$752.0 million in 2014 compared to a net cash used in investing activities of R$102.3 million in 2013. Our cash generated in 2014 was mainly related to investments in marketable securities, restricted securities and loans in the amount of R$761.6 million and investments in property and equipment in the amount of R$88.5 million.

Table of Contents

Financing activities

Net cash used from financing activities in 2015 totaled R$480.5 million, compared to the net cash used from financing activities in 2014 of R$899.1 million. The cash used in 2015 was mainly attributable to: repayment of loans and financing, net of the increase of new contracts, totaling R$524.7 million, in line with our conservative approach to allocation of capital, and the purchase of treasury shares totaling R$24.2 million. The decrease in the net cash used from financing activities in 2015 compared to R$899.1 million in the previous year is mainly due to the occurrence of non-recurring events in 2014, primarily the payment of dividends and interest on equity in the amount of R$150.0 million, payment to venture partners totaling R$112.7 million and a higher amount of treasury shares purchased totaling R$115.3 million in 2014 when compared to R$24.2 million in 2015.

During 2014 and in December 2013, we used R$1.6 billion and R$423.0 million, respectively, of the proceeds from the sale of our controlling interest in Alphaville (completed on December 9, 2013) to repay part of our total gross debt in an effort to reduce it. During 2014 and 2013, we also used R$208.7 million of such proceeds to fund our share buyback programs.

Net cash used from financing activities in 2014 totaled R$899.1 million, compared to the net cash used from financing activities in 2013 of R$568.1 million. The cash used in 2014 was mainly attributable to: repayment of loans and financing, net of the increase of new contracts, totaling R$541.7 million, payment of dividends and interest on equity in the amount of R$150.0 million and the purchase of treasury shares totaling R$115.3 million.

Pledged mortgage receivables and short-term investments

As of December 31, 2015, substantially all of our mortgage receivables totaling R$1,673.3 million are pledged. In addition, R$108.5 million of our short-term investments and collaterals are restricted as they have been pledged.

Capital Expenditures

In 2015, we invested R$54.6 million in property and equipment, primarily information technology equipment, software, the construction of sales stands, facilities, model apartments and related furnishings and office facilities in São Paulo. Our main investments during the period were investments in information technology equipment and

software, which totaled R$31.7 million, the construction of sales stands, which totaled R$9.4 million, and third party leasehold improvements and facilities, which totaled R$2.8 million.

In 2014, we invested R$88.5 million in property and equipment, primarily information technology equipment, software, the construction of sales stands, facilities, model apartments and related furnishings and office facilities in São Paulo. Our main investments during the period were the construction of sales stands, which totaled R$19.3 million, investments in information technology equipment and software, which totaled R$17.6 million, and third party leasehold improvements and facilities, which totaled R$6.7 million.

In 2013, we invested R$81.0 million in property and equipment, primarily information technology equipment, software, the construction of sales stands, facilities, model apartments and related furnishings and office facilities in São Paulo. Our main investments during the period were the construction of sales stands, which totaled R$9.9 million, investments in information technology equipment and software, which totaled R$43.9 million, and third party leasehold improvements and facilities, which totaled R$12.2 million.

Our capital expenditures are all made in Brazil and are usually funded by local debt capital markets. We currently do not have any significant capital expenditures in progress.

Indebtedness

When we consider appropriate, we have incurred indebtedness within SFH, which offers lower interest rates than the private market. When our customers obtain a mortgage, we use the proceeds to redeem our SFH indebtedness. We intend to continue our strategy of maintaining low levels of debt comprised mainly of transactions within SFH or long-term transactions.

As of December 31, 2015, we had outstanding debt in the total amount of R$2,156 million, a decrease of 17.0% as compared to December 31, 2014. As of December 31, 2015, our indebtedness principally consisted of: (1) debentures totaling R$858.0 million, (2) working capital loans in the total amount of R$131.1 million and (3) other loans (mainly SFH) in the total amount of R$1,162 million. In addition, we had outstanding payables to venture partners in the amount of R$4.9 million.

Table of Contents

As of December 31, 2014, we had outstanding debt in the total amount of R$2,598 million, a decrease of 15.5% as compared to December 31, 2013. As of December 31, 2014, our indebtedness principally consisted of: (1) debentures totaling R$1,189 million, (2) working capital loans in the total amount of R$269 million and (3) other loans (mainly SFH) in the total amount of R$1,129 million. In addition, we had outstanding payables to venture partners in the amount of R$11 million.

As of December 31, 2013, we had outstanding debt in the total amount of R$3,060 million, a decrease of 15.9% as compared to December 31, 2012. As of December 31, 2013, our indebtedness principally consisted of: (1) debentures totaling R$1,421.2 million, (2) working capital loans in the total amount of R$550.1 million and (3) other loans (mainly SFH) in the total amount of R$1,088.3 million. In addition, we had outstanding payables to venture partners in the amount of R$124 million.

	Maturity				
	Total	2016	2017	2018	2019 and thereafter
	(in millions of *reais*)				
Debentures (Project Finance)	654. 4	354.9	299.6	—	—
Debentures (Working Capital)	203.5	34.7	45.1	83.5	40.2
Other Working Capital	131.1	102.8	25.1	2.2	1.0
Housing Finance System (SFH)	1,161.7	569.6	415.3	164.8	12.0
Payables to venture partners	4.9	3.8	1.1	—	—
Total	2,155.7	1,065.7	786.2	250.5	53,2

Payables to venture partners refer to contributions received from venture partners of R$45.0 million in 2011, which will be fully redeemed by us until 2017.

On June 27, 2011, eight certificates of bank credit (CCBs) were issued by the Company, totaling R$65.0 million. CCBs are guaranteed by 30,485,608 shares issued by Gafisa SPE-89 Empreendimentos Imobiliários S.A. Funds from the aforementioned CCBs were allocated to develop residential projects.

As part of the funding through issuance of Certificates of Bank Credit– CCB, the Company entered into a paid usufruct agreement in connection with 100% of the preferred shares in SPE-89 Empreendimentos Imobiliários S.A for a period of six years, having raised R$45.0 million recorded based on the effective interest method of amortization in the consolidated statement of operations.

On May 9, 2013, we issued a Certificate of Bank Credit (CCB) in a total amount of R$217 million due in 2017. The CCB is guaranteed by pledge of to be performed units of selected ventures and real estate receivables. This issuance was fully redeemed by October 7, 2013.

On October 7, 2013, the Company entered into a loan agreement in a total amount of R$300 million due in July 2017. This agreement was guaranteed by a pledge of to be performed units of selected ventures and real estate receivables.

On September 29, 2014 the Company entered into a loan agreement of R$194 million due in October 2018. This agreement was guaranteed by a pledge of to be performed units of selected ventures and real estate receivables.

Debenture program

On May 16, 2008, the CVM approved our third debenture program under which we can issue up to R$1.0 billion in non-convertible debentures. The first issuance under the third debenture program consisted of 25,000 nominal, non-convertible debentures with a face value of R$10,000, which were issued in two series totaling R$250.0 million. The debentures provide for the payment of annual interest corresponding to 107.2% of the CDI rate, which, on March, was renegotiated to 120.0% of the CDI rate, calculated from the subscription date, with a maturity of 5 years. On December 31, 2013, the issuance was bought back in accordance with its instruments and canceled afterwards. The issuance had certain covenants which would restrict Company’s ability to take certain actions, including incurring additional debt, and may require us to repay or refinance our indebtedness if we are unable to meet certain ratios. The ratios, its parameters and our performance are no longer applicable for the Company.

In April 2009, Tenda’s first debenture program was approved, under which we issued R$600.0 million in non-convertible debentures. The debentures provide for payment of annual interest at a rate of 9.25% + TR per annum, calculated from the subscription date. Proceeds from the issuance of the debentures will be used solely to finance

Table of Contents

real estate ventures focused exclusively on the affordable entry-level segment that meet certain eligibility criteria. Guarantees are comprised of assignments of receivables and bank accounts. The debentures are scheduled to mature in December 2016.

Additionally, certain covenants contained in the agreement governing Tenda's debenture program restrict its ability to take certain actions, including incurring additional debt, and may require Tenda to repay or refinance the debenture if it is unable to meet certain financial ratios. The ratios, its parameters and our performance against them are summarized below.

In August 2009, the CVM approved our sixth issuance, which consisted of non-convertible simple debentures in two series, secured by a general guarantee, maturing in four years and unit face value at the issuance date of R$10,000, totaling R$250 million. The debentures provide for the payment of annual interest corresponding to the CDI rate *plus* 2.00% to 3.25% per annum, calculated from the subscription date. Under the sixth issuance, we are obligated to acquire all outstanding debentures upon the request of debenture holders whenever we raise money through the issuance of non-debt securities in excess of R$500.0 million. We also have the right to repurchase the debentures in the occurrence of a liquidity event. In October 2010, the Company carried out the early redemption of the first series of this placement in the amount of R$150.0 million. On June 2, 2014, the Company redeemed all outstanding debentures under the sixth issuance in the amount of R$100.0 million.

In November 2009, the CVM approved our seventh issuance under which we received R$600 million in non-convertible debentures. The debentures provide for payment of annual interest at a rate of 8.25% to 10.25% plus TR per annum, calculated from the subscription date. Proceeds from the issuance of the debentures will be used solely to finance real estate ventures. The debentures are scheduled to mature in December 2017.

In September 2010, the CVM approved our eighth issuance which consisted of non-convertible debentures in two series maturing in five and six years, respectively the first and the second series, with a unit face value at the issuance date of R$1,000, for an aggregate of R$300 million. The debentures provide for the payment of annual interest corresponding to the CDI rate plus 1.95% in the first series and IPCA plus 7.96% in the second series, calculated from the subscription date. The first series of the debentures was redeemed by the Company in its entirety on October 15, 2015.

In July 2014, the CVM approved the private placement of our ninth issuance which consisted of non-convertible debentures in a single series maturing in July 2018, for an aggregate of R$130 million. The debentures provide for the payment of semi annual interest corresponding to the CDI rate plus 1.90%. The issuance is guaranteed by real estate receivables and a pledge of units of selected real estate ventures. Proceeds from the issuance will be used solely to

finance such selected real estate ventures. The debentures holders assigned their fiduciary rights in the real estate receivables in favor of a real estate securitization SPE, which issued CRIs backed by such real estate receivables.

In December 2014, the CVM approved the private placement of our tenth issuance which consisted of non-convertible debentures in a single series maturing in January 2020, for an aggregate of R$55 million. The private placement was concluded in January 2015. The debentures provide for the payment of semi annual interest corresponding to the IPCA plus 8.22%. The issuance is guaranteed by a pledge of units of selected real estate ventures. Proceeds from the issuance will be used solely to finance such selected real estate ventures.

We have various covenants relating to our debentures issuances described above. These mainly consist of (i) cross default provisions, whereby outstanding indebtedness will become immediately due and payable in the event that the Company or its subsidiaries do not comply with their obligations under any other credit facility for a value in excess of the amounts set forth therein; (ii) restrictions on transfer of control and merger and acquisition transactions; (iii) limitations on our ability to incur debt; (iv) limitations or creating liens on assets; (v) limitations on the distribution of dividends if we are under default and (vi) the following ratios and limits to be calculated on a quarterly basis. The table below sets forth these ratios and limits as amended.

Table of Contents

The actual ratios and minimum and maximum amounts stipulated by these restrictive covenants at December 31, 2015 are as follows:

	At December 31, 2015
Seventh placement	
Total account receivable plus inventory required to be below zero or 2.0 times over net debt less venture debt (3)	(14.12) times
Total debt less venture debt (3), less cash and cash equivalents and short-term investments (1), cannot exceed 75% of equity plus non-controlling interests	(12.19)%
Total account receivable plus unappropriated income plus total inventory of finished units required to be 1.5 time over the net debt plus payable for purchase of properties plus unappropriated cost	2.25 times
Eighth placement — first and second series, second issuance of Promissory Notes, first and second series	
Total accounts receivable plus inventory of finished units required to be below zero or 2.0 times greater than net debt less venture debt	(7.73) times
Total debt less venture debt, less cash and cash equivalents and short—term investments (1), cannot exceed 75% of equity plus non-controlling interests	(12.19)%
Ninth placement	
Total accounts receivable plus total inventory required to be below zero or greater than 2.0 times over net debt	3.71 times
Net debt cannot exceed 100% of equity plus non-controlling interests	46.44%
Tenth placement	
Total accounts receivable plus inventory required to be below zero or 2.0 times over net debt less venture debt (3)	(14.12) times
Total debt less venture debt (3), less cash and cash equivalents and short-term investments (1), cannot exceed 75% of equity plus non-controlling interests	(12.19)%
First placement – Tenda	
Total accounts receivable plus inventory required to be equal to or 2.0 times over net debt less debt with secured guarantee (3) or below zero, considering that TR(2) plus TE(4) is always above zero	(6.79) times
Net debt less debt with secured guarantee (3) shall not be in excess of 50% of equity	(21.47)%
Total account receivable plus unappropriated income plus total inventory of finished units required to be 1.5 times the net debt plus payable for purchase of properties plus unappropriated cost	2.47 times

(1) Cash and cash equivalents and short-term investments refer to cash and cash equivalents and marketable securities.

(2) Total receivables, whenever mentioned, refers to the amount reflected in the Balance Sheet plus the amount to be recognized according to the PoC and not yet shown in the Balance Sheet

(3) Venture debt and general guarantee debt refer to SFH debts, defined as the sum of all disbursed borrowing contracts which funds were provided by SFH, as well as the debt related to the seventh placement.

(4) Total inventory.

We expect to comply with the covenants in the agreements governing our outstanding indebtedness which may limit our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. See "Item 3. Key Information—D. Risk Factors—Our level of indebtedness could have an adverse effect on our financial health, diminish our ability to raise additional capital to fund our operations and limit our ability to react to changes in the economy or the real estate industry."

On December 31, 2015, the Company was in compliance with all of its covenants.

Financing through the Housing Finance System (SFH)

Most of our financing is incurred directly or through our subsidiaries or jointly-controlled entities from the principal banks that operate within SFH. As of December 31, 2015, the interest rates on these loans generally varied between 8.30% and 12.80% per annum, plus TR, and the loans generally mature through May 2016 and August 2020. This financing is secured by mortgages on property and by security interests on the receivables from clients. As of December 31, 2015, we had 63 loan agreements in effect, with a balance of R$1,162 million. At the same date

Table of Contents

we also had R$744 million in aggregate principal amount of financing agreements with SFH, the funds of which will be released through the date of completion as construction of the corresponding development's progress.

Securitization deals and Fund — FIDC

On March 31, 2009, we entered into a securitized receivables transaction, whereby we assigned a portfolio of select residential and commercial real estate receivables to "Gafisa FIDC" which issued senior and subordinated quotas. This first issuance of senior quotas was made through an offering restricted to qualified investors. Subordinated quotas were subscribed exclusively by Gafisa S.A. Gafisa FIDC acquired the present value of the portfolio based on an agreed discount rate. We provide Gafisa FIDC with administrative and accounting services including the reconciliation and analysis of receivables and collections and can be replaced by another collection agent in the event of non-fulfillment with contractual parameters. The senior and subordinated quotas are remunerated based on the IGP-M index plus interest of 12% per year. Because the subordinated quotas have a disproportional percentage of the expected losses, Gafisa FIDC was considered a variable interest entity and was fully consolidated in our financial statements as of December 31, 2012, 2011 and 2010. On May 28, 2013, the Company entered into an agreement to sell the subordinated quotas to seniors investors in exchange for R$5 million in cash and R$3 million of real estate receivables. The Company remained obligated to fully register the real estate pledge to investors.

In June 2009, we issued debt securities backed by CCI. The transaction consists of an assignment of a portfolio comprised of select residential real estate receivables from Gafisa and its subsidiaries. We assigned a receivables portfolio in the amount of R$89.1 million in exchange for cash at the transfer date, discounted to present value, totaling R$69.3 million, recorded as "Other accounts payable—Credit Assignments". Eight book CCIs were issued in this transaction, which are backed by receivables which installments fall due on and up to June 2014.

On June 27, 2011, the Company and its subsidiaries entered into a CCI transaction relating to a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$203.9 million (R$185.2 million – Gafisa's interest) in exchange for cash, at the transfer date, discounted to present value, for R$171.7 million (R$155.9 million – Gafisa's interest), recorded under "Obligations assumed on assignment of receivables".

On September 29, 2011, the Company and its subsidiaries entered into a Private Instrument for Assignment of Real Estate Receivables and Other Covenants which consist of an assignment of a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The amount of real estate receivables assignment paid by the Assignee amounts to R$238.4 million (R$221.4 million - Gafisa's interest). The assignment amount will be settled by the Assignee by offsetting the Housing Financial System (SFH) debt balance of the own bank. On July 6, 2012, the

remaining balance was settled by issuance of Bank Deposit Certificate (CDB) guaranteed in favor of the Company.

On December 22, 2011, Gafisa and its subsidiaries entered into a CCI transaction relating to a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$72.4 million in exchange for cash at the transfer date, discounted to present value, by R$60.1 million, classified as “Obligations with assignment of receivables”.

On May 9, 2012, Gafisa and its subsidiaries entered into a CCI transaction relating to a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$64.9 million in exchange for cash at the transfer date, discounted to present value, by R$45.2 million.

On July 6, 2012, Gafisa and its subsidiaries entered into a CCI transaction relating to a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$18.2 million in exchange for cash at the transfer date, discounted to present value, for R$11.5 million.

On December 27, 2012, Gafisa and its subsidiaries enter into a CCI transaction relating to a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$72.0 million in exchange for cash at the transfer date, discounted to present value, by R$61.6 million.

On November 29, 2013, a selected portfolio of sales receivables from Gafisa and its subsidiaries was transferred to investors. The assigned portfolio amounts to R$24.2 million in exchange of cash at the transfer date, discounted to present value, by R$19.6 million.

Table of Contents

On November 25, 2014, a selected portfolio of sales receivables from Gafisa and its subsidiaries was transferred to investors. The assigned portfolio amounts to R$15.2 million in exchange of cash at the transfer date, discounted to present value, by R$12.4 million.

On December 3, 2015, a selected portfolio of sales receivables from Gafisa and its subsidiaries was transferred to investors. The assigned portfolio amounts to R$32.2 million in exchange of cash at the transfer date, discounted to present value, by R$24.5 million.

Pursuant to Article 125 of the Brazilian Civil Code, the CCI-Investor carries general guarantees represented by statutory liens on real estate units, effective as soon as the conditional restrictions included in the registration are lifted, as reflected in the real estate deed on (i) the assignment of receivables from the assignors to SPEs, as provided for in Article 167, item II, (21) of Law No. 6,015, of December 31, 1973; and (ii) the issue of CCI-Investor by SPEs, as provided for in Article 18, paragraph 5 of Law No. 10,931/04.

We will be compensated for, among other things, the reconciliation of the receipt of receivables, guarantee the CCIs, and the collection of past due receivables. The transaction structure provides for the substitution of us as collection agent in the event of non-fulfillment of the responsibilities described in the collection service contract.

Working Capital

We believe that our current working capital is sufficient for our present requirements and that our sources of funds from financing activities are sufficient to meet the financing of our activities and cover our need for funds for at least the next twelve months.

U.S. GAAP Reconciliation

We prepare our consolidated financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Our net income attributable to owners of Gafisa, in accordance with Brazilian GAAP, was a net income of R$74.4 million, a net loss of R$42.5 million and a net income of R$867.4 million in 2015, 2014 and 2013, respectively. Under U.S. GAAP, our net loss was R$10.1 million, our net income was R$42.3 million and our net income was R$1,322.5 million in 2015, 2014 and 2013, respectively.

Our equity, in accordance with Brazilian GAAP, was R$3,097.2 million, R$3,058.4 million and R$3,214.5 million, as of December 31, 2015, 2014 and 2013, respectively. Under U.S. GAAP, we recorded total equity of R$2,704.9 million, R$2,750.9 million and R$2,822.2 million as of December 31, 2015, 2014 and 2013, respectively.

The following items generated the most significant differences between Brazilian GAAP and U.S. GAAP in determining net income and shareholders' equity:

- revenue recognition;
- business combinations;
- temporary equity;
- effects of deferred taxes on the differences above; and
- non-controlling interest.

For a discussion of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to our financial statements and a reconciliation of net income and equity see Note 31 to our consolidated financial statements included elsewhere in this annual report and "Item 3.A. Key Information—Selected Financial Data."

New Accounting Pronouncements, Interpretations and Guidance

Pronouncements (new or revised) and interpretation applicable to years beginning January 1, 2015

The Company adopted all of the pronouncements (new or revised) and interpretations issued by the CPC applicable to its operations which were effective as of December 31, 2015.

There are no other standards or interpretations that were issued and not yet adopted that could, in the opinion of our management, have a significant impact on the profit, loss or equity disclosed by the Company.

85

Table of Contents

On May 28, 2014, the IASB published IFRS 15, which establishes principles that will apply to the recognition of revenue under IFRS. IFRS 15 will require entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. When adopted, IFRS 15 will supersede most of the detailed guidance on the recognition of revenue that currently applies under IFRS. IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, and earlier application of IFRS 15 will be permitted for IFRS purposes. In Brazil, earlier application of IFRS 15 will be subject to the implementation of IFRS 15 in Brazil and the prior approval of the CPC and the CVM.

In July 2014, the IASB published IFRS 9, which establishes, among other principles, principles that will apply to the classification, measurement and recognition of financial assets and liabilities. IFRS 9 will replace (i) earlier versions of IFRS 9 and (ii) IAS 39. IFRS 9 is comprised of three phases:

Phase 1 - Classification and measurement of financial assets and liabilities: Phase 1 introduces an approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach will replace existing rule-based requirements. The new model will also result in a single impairment model being applied to all financial instruments.

Phase 2 - Impairment: Phase 2 introduces a new, expected loss impairment model that will require more timely recognition of expected credit losses. It will require entities to account for expected credit losses (as opposed to incurred credit losses) from when financial instruments are first recognized. It will also lower the threshold for recognition of full lifetime expected losses.

Phase 3 - Hedge Accounting: Phase 3 replaces the rule-based hedge accounting requirements in IAS 39. It will introduce a reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model will align the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

IFRS 9 will be effective for annual periods beginning on or after January 1, 2018. Earlier application of IFRS 9 will be permitted for IFRS purposes. In Brazil, earlier application of IFRS 9 will be subject to the implementation of IFRS 9 in Brazil and the prior approval of the CPC and the CVM.

On January 13, 2016, the IASB published IFRS 16 – Leases (“IFRS 16”), which establishes principles that will apply to the recognition, measurement, presentation and disclosure of leases in the financial statements of lessors and lessees. IFRS 16 will require lessors to recognize a lease liability reflecting future lease payments and a “right-of-use assets” for all lease contracts, except certain short-term leases and leases for low-value assets. The principles that apply to the recognition, measurement, presentation and disclosure of leases in the financial statements of lessees will remain substantially the same. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, and earlier application of IFRS 16 will be permitted for IFRS purposes. In Brazil, earlier application of IFRS 16 will be subject to the implementation of IFRS 16 in Brazil and the prior approval of the CPC and the CVM.

We are in the process of evaluating the impact of IFRS 9, IFRS 15 and IFRS 16 on our financial statements. As of the date of this annual report, we have not completed our analysis of IFRS 9, IFRS 15 and IFRS 16 and we have not determined the extent to which IFRS 9, IFRS 15 and IFRS 16 will impact our financial statements once they are adopted.

Recently Adopted and Issued U.S. GAAP Accounting Standards

Recently adopted US GAAP accounting standards

In January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU 2013-01 to Topic 210, Balance Sheet, clarify that the scope of Update 2011-11, Disclosures about Offsetting Assets and Liabilities, applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments were effective for the Company on January 01, 2013 and the disclosures are

Table of Contents

required to be retrospectively applied for all comparative periods presented. The effective date is the same as the effective date of Update 2011-11. The adoption of ASU 2013-01, which is related to disclosure only, did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in ASU 2013-02 to Topic 220, Other Comprehensive Income, update, supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 and 2011-12. ASU 2013-02 requires either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. The new guidance was effective prospectively for the Company on January 01, 2013. The adoption of ASU 2013-02 did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. The amendments in ASU 2013-04 to Topic 405, Liabilities, provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the update is fixed at the reporting date, except for obligations addressed with existing U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation, as well as other information about those obligations. The amendment is effective retrospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. The adoption of ASU 2013-04 did not have a material impact on our consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in ASU 2013-11 to Topic 740, Income Taxes, clarify that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets.

The amendments in ASU 2013-11 are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The adoption of ASU 2013-11 did not

have a material impact on our consolidated financial statements.

In January 2014, the FASB issued ASU 2014-01 - Investments - Equity Method and Joint Ventures (Topic 323). The amendments in ASU 2014-01 provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The amendments in ASU 2014-01 should be applied retrospectively to all periods presented and are effective for public business entities for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. The adoption of ASU 2014-01 did not have a material impact on our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08 - Presentation of financial statements (topic 205) and property, plant, and equipment (Topic 360). The amendments in ASU 2014-08 change the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity’s operations and financial results when some criteria occurs. Examples of a strategic shift that has (or will have) a major effect on an entity’s operations and financial results could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity. The amendments in ASU 2014-08 require an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position. The amendments in ASU 2014-08 require additional disclosures about discontinued operations. The amendments in ASU 2014-08 are effective to all

Table of Contents

disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of ASU 2014-08, which is related to disclosure only, did not have a material impact on our consolidated financial statements.

In November 2014, the FASB issued ASU 2014-17 - Business combinations (Topic 805) - Pushdown Accounting. The objective of ASU 2014-17 is to provide guidance for determining whether and at what threshold an acquiree (acquired entity) that is a business or nonprofit activity can reflect the acquirer's accounting and reporting basis (pushdown accounting) in its separate financial statements. Paragraphs 805-50-S99-1 through S99-4 of the Codification provide limited guidance for SEC registrants for determining whether and when a new accounting and reporting basis should be established in an acquiree's separate financial statements. However, because diversity in practice exists with respect to the application of pushdown accounting among entities that are not SEC registrants, the amendments provide guidance for entities that are SEC registrants and for those that are not. The amendments in ASU 2014-17 are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. The adoption of ASU 2014-17 did not have a material impact on our consolidated financial statements.

Recently issued US GAAP accounting standards

In May 2014, the FASB issued ASU 2014-09 - Revenue from contracts with customers (Topic 606). The amendments in ASU 2014-09 create revenue from contracts with customers (Topic 606), and supersede the revenue recognition requirements in revenue recognition (topic 605), including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in revenue recognition—construction-type and production-type contracts (subtopic 605-35), and create new subtopic 340-40, other assets and deferred costs—Contracts with Customers. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently evaluating the impacts of the adoption of ASU 2014-09 on our consolidated financial statements.

In June 2014, the FASB issued ASU 2014-12 - Compensation—stock compensation (Topic 718). Some share-based payment awards that require a specific performance target to be achieved before the employee can benefit from the award, also require an employee to render service until the performance target is achieved. In some cases, the terms of an award may provide that the performance target could be achieved after an employee completes the requisite service period. That is, the employee would be entitled to benefit from the award regardless of whether the employee is rendering service on the date the performance target is achieved. Some entities account for those performance targets

as performance conditions that affect the vesting of the award and, therefore, do not reflect the performance target in the estimate of the grant-date fair value. Others treat them as nonvesting conditions that affect the grant-date fair value of the award. The amendments apply to reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target can be achieved after the requisite service period. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. We are currently evaluating the impacts of the adoption of ASU 2014-12 on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15 - Presentation of financial statements—going concern (Subtopic 205-40). The amendments in ASU 2014-15 provide U.S. GAAP guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company's ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in ASU 2014-15 are effective for annual reporting periods ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. We are currently evaluating the impacts of the adoption of ASU 2014-15 on our consolidated financial statements.

In November 2014, the FASB issued ASU 2014-16 - Derivatives and hedging (Topic 815) - Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity. Certain classes of shares include features that entitle the holders to preferences and rights (such as conversion rights, redemption rights, voting powers, and liquidation and dividend payment preferences) over the other shareholders. Shares that include embedded derivative features are referred to as hybrid financial instruments, which must be separated from the host contract and accounted for as a derivative if certain criteria are met under

Table of Contents

Subtopic 815-10. One criterion requires evaluating whether the nature of the host contract is more akin to debt or to equity and whether the economic characteristics and risks of the embedded derivative feature are “clearly and closely related” to the host contract. In making that evaluation, an issuer or investor may consider all terms and features in a hybrid financial instrument including the embedded derivative feature that is being evaluated for separate accounting or may consider all terms and features in the hybrid financial instrument except for the embedded derivative feature that is being evaluated for separate accounting. The use of different methods can result in different accounting outcomes for economically similar hybrid financial instruments. Additionally, there is diversity in practice with respect to the consideration of redemption features in relation to other features when determining whether the nature of a host contract is more akin to debt or to equity. The amendments apply to all reporting entities that are issuers of, or investors in, hybrid financial instruments that are issued in the form of a share. The amendments in ASU 2014-16 are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption, including adoption in an interim period, is permitted. The adoption of ASU 2014-16 is not expected to have a material impact on our consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income statement - Extraordinary and unusual items (Subtopic 225-20). The objective of ASU 2015-01 is to simplify the income statement presentation requirements in Subtopic 225-20 by eliminating the concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary classification simplifies income statement presentation by altogether removing the concept of extraordinary items from consideration. The amendments in ASU 2015-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively and also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of ASU 2015-01 is not expected to have a material impact on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis. ASU 2015-02 affects the following areas: (i) Limited partnerships and similar legal entities, (ii) Evaluating fees paid to a decision maker or a service provider as a variable interest, (iii) The effect of fee arrangements on the primary beneficiary determination, (iv) The effect of related parties on the primary beneficiary determination and (v) Certain investment funds. The amendments in ASU 2015-02 affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Overall, the amendments in ASU 2015-02 are an improvement to current GAAP because they simplify the Codification and reduce the number of consolidation models through the elimination of the indefinite deferral of Statement 167 and because they place more emphasis on risk of loss when determining a controlling financial interest. The amendments in ASU 2015-02 are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The adoption of ASU 2015-02 is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 – Interest - Imputation of Interest (Subtopic 835-30). To simplify the presentation of debt issuance costs, ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by ASU 2015-03. For public business entities, ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of ASU 2015-03 is permitted for financial statements that have not been previously issued. The adoption of ASU 2015-03 is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-04 - Compensation - Retirement Benefits (Topic 715). For an entity with a fiscal year-end that does not coincide with a month-end, the amendments in ASU 2015-04 provide a practical expedient that permits the entity to measure defined benefit plan assets and obligations using the month-end that is closest to the entity’s fiscal year-end and apply that practical expedient consistently from year to year. The practical expedient should be applied consistently to all plans if an entity has more than one plan. An entity is required to disclose the accounting policy election and the date used to measure defined benefit plan assets and obligations in accordance with the amendments in ASU 2015-04. The amendments in ASU 2015-04 are effective for public business entities for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The adoption of ASU 2015-04 is not expected to have a material impact on our consolidated financial statements.

Table of Contents

In April 2015, the FASB issued ASU 2015-05 - Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40). The amendments in ASU 2015-05 provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. For public business entities, the amendments in ASU 2015-05 will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Earlier adoption is permitted. The adoption of ASU 2015-05 is not expected to have a material impact on our consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Pursuant to the amendments in ASU 2015-07, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. Removing those investments from the fair value hierarchy not only eliminates the diversity in practice resulting from the way in which investments measured at net asset value per share (or its equivalent) with future redemption dates are classified, but also ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. The amendments in ASU 2015-07 are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The adoption of ASU 2015-07 is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 - Simplifying the Measurement of Inventory. The amendments in ASU 2015-11 more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). An entity should measure inventory within the scope of ASU 2015-11 at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. For public business entities, the amendments in ASU 2015-11 are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Earlier application is permitted. The adoption of ASU 2015-11 is not expected to have a material impact on our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15 - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. ASU 2015-15 implements SEC guidance pursuant to the SEC Staff Announcement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. For public business entities, the amendments in ASU 2015-15 should be adopted concurrently with the adoption of ASU 2015-03. The adoption of ASU 2015-15 is not expected to have a material impact on our consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16 - Simplifying the Accounting for Measurement-Period Adjustments. The amendments in ASU 2015-16 require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in ASU 2015-16 require that the acquirer record, in the same period's financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. An entity should present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in ASU 2015-16 are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Earlier application is permitted. The adoption of ASU 2015-16 is not expected to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17 - Balance Sheet Classification of Deferred Taxes. To simplify the presentation of deferred income taxes, the amendments in ASU 2015-17 require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in ASU 2015-17 apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in ASU 2015-17. The amendments in ASU 2015-17 will align the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards (IFRS). For public business entities, the amendments in ASU 2015-17 are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is

Table of Contents

permitted. The adoption of the Update is not expected to have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 - Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in ASU 2016-01 address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. For public business entities, the amendments in ASU 2016-01 are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Earlier application is permitted. The adoption of ASU 2016-01 is not expected to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 - Leases (Topic 842). The FASB is issuing ASU 2016-02 to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification and creating Topic 842, Leases. ASU 2016-02, along with IFRS 16, are the result of the FASB's and the International Accounting Standards Board's (IASB's) efforts to meet that objective and improve financial reporting. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. For public business entities, the amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier application is permitted. We are currently evaluating the impacts of the adoption of ASU 2016-02 on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-06 - Contingent Put and Call Options in Debt Instruments. The amendments in ASU 2016-06 clarify what steps are required when assessing whether the economic characteristics and risks of call (put) options are clearly and closely related to the economic characteristics and risks of their debt hosts, which is one of the criteria for bifurcating an embedded derivative. Consequently, when a call (put) option is contingently exercisable, an entity does not have to assess whether the event that triggers the ability to exercise a call (put) option is related to interest rates or credit risks. For public business entities, the amendments in ASU 2016-06 are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Earlier application is permitted. The adoption of ASU 2016-06 is not expected to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07 - Simplifying the Transition to the Equity Method of Accounting. The amendments in ASU 2016-07 eliminate the requirement to retroactively adopt the equity method of accounting. For

public business entities, the amendments in ASU 2016-07 are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Earlier application is permitted. The adoption of ASU 2016-07 is not expected to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08 - Principal versus Agent Considerations (Reporting Revenue Gross versus Net). The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: 1. Identify the contract(s) with a customer; 2. Identify the performance obligations in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligations in the contract; and 5. Recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in ASU 2016-08 do not change the core principle of the guidance. The amendments clarify the implementation guidance on principal versus agent considerations. For public business entities, the amendments in ASU 2016-08 affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in ASU 2016-08 are the same as the effective date and transition requirements of Update 2014-09. Earlier application is permitted. We are currently evaluating the impacts of the adoption of ASU 2016-08 on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09 - Improvements to Employee Share-Based Payment Accounting. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this Update are effective for annual periods

Table of Contents

beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

C. Research and Development, Patents and Licenses, etc.

We have a research and development department for new products, processes and methodologies focused on reducing the construction cycle. As of December 31, 2015, 2014 and 2013, we had 6, 10 and 10 employees engaged in research and development activities, respectively. Our research and development expenditures in 2015, 2014 and 2013 were immaterial.

D. Trend Information

Elsewhere in this annual report, including under “Item 3. Key Information—D. Risk Factors” and “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Brazilian Real Estate Sector,” we discuss trends, uncertainties, demands, commitments or events which could have a material effect upon our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that could cause reported financial information to not necessarily be indicative of future operating results or financial condition.

In addition, while we believe the long term prospects for the Brazilian housing market have not changed, during 2013, 2014 and 2015, we recognized that we needed to adjust how we have approached the demand for high growth and diversification in the market in order to achieve sustainable, profitable growth. In the Brazilian housing market, demand has outstripped supply on all fronts, from units and availability of skilled labor, to reliable and experienced suppliers and building partners, to financing, and to the ability to rapidly issue permits and obtain the necessary approvals to deliver units under the *Minha Casa Minha Vida* program.

In the second half of 2011, our management team conducted a detailed analysis of our operations and profitability by project, region and brand and has developed certain strategies to address the market trends that we have identified. As part of our revised strategies, we plan to continue to simplify and streamline our organizational and operational structure to reinforce the fundamental strengths of each of our brands. In particular, we determined the specific geographic markets where each of our brands has the strongest prospects for performance and where we enjoy supply chain efficiencies, and will focus our efforts for each brand in its respective geographic markets. We also implemented a new management structure that, among other things, assigns each brand manager direct responsibility for the operating performance of each brand. In addition, we are implementing a corporate culture shift within our Tenda brand focused on the transfer of receivables and on aligning incentives across the organization (including from senior management to individual project engineers) to encourage project execution based on high-quality, on-time,

under-budget performance.

In 2013 Gafisa completed its strategic repositioning, which commenced in early 2012. Our goal was to reduce the level of debt, restrict the Company's exposure to unprofitable businesses and markets and improve in margins and cash generation. One of the several initiatives we adopted to achieve this goal was the sale of a 70% interest in Alphaville, which contributed to a decrease in our leverage.

By the end of 2013 we finalized our five-year business plan for the period from 2014 to 2018. We set guidelines for our business including the expected size of Gafisa and Tenda operations, appropriate leverage, profitability guidelines, and our commitment to capital discipline and shareholder value generation, which are reflected in the guidance released to the market at the end of 2013.

We also expect to continue to build on the progress we have made in consolidating our back office and establishing shared operations among our three brands. With the implementation of the SAP enterprise application software platform across all of our divisions, we believe we will have the appropriate tools and data to make more effective management and supply decisions. We believe the successful implementation of these initiatives will help produce more stable cash flow and contribute toward a return to sustainable growth.

On February 2, 2014, Gafisa’s board of directors authorized management to initiate studies for a potential spin-off of Gafisa and Tenda business units into two independent publicly traded companies. Our management initiated the studies in the first quarter of 2014. The main objectives of the proposed spin-off are to:

- enable shareholders to allocate resources between Gafisa and Tenda in line with their interests and investment strategies;

Table of Contents

- enable Gafisa and Tenda to respond faster to the opportunities in their target markets;

- establish sustainable capital structures for each of Gafisa and Tenda, based on each company's risk profile and strategic priorities;

- give greater visibility to the market on the individual performance of each of Gafisa and Tenda, enabling better assessment of intrinsic value; and

- increase the ability of Gafisa and Tenda to attract and retain talent, through the development of appropriate cultures and compensation structures consistent with the specific results of each business.

As part of the studies, we (i) separated several joint departments of Gafisa and Tenda, including, among others, the services, personnel and management department and the legal department, (ii) converted Tenda's issuer registration with the CVM from category B to category A, (iii) entered into negotiations with several banks and insurance companies to open lines of credit for Tenda that are independent of Gafisa, and (iv) reviewed our contracts with our third party counterparties and evaluated the potential impact of a spin-off on those contracts. In parallel, we continue to assess separation alternatives for the Gafisa and Tenda business units.

The implementation of these strategic initiatives could have a material effect upon our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or could cause reported financial information to not necessarily be indicative of future operating results or financial condition.

In 2015, the government announced the third phase of the program "*Minha Casa, Minha Vida*". The program aims to reduce the housing deficit in Brazil, which as of 2014 was estimated to be 5.2 million houses. The program's "MCMV I" and "MCMV II" phases call for total government investment of up to R$230 billion, to be made available through financing from the CEF and BB, and aim to build approximately 4.1 million houses for families with monthly incomes of up to ten times the minimum wage. This program offers, among other things, long-term financing, lower interest rates, greater share of the property financed to the client, subsidies based on income level, lower insurance costs and the creation of a guarantor fund to refinance debt in case of unemployment. On March 30, 2016, the Brazilian government launched "MCMVIII", the third phase of the program, which aims to build approximately 2 million houses in the next three years, with a total investment of approximately R$210.6 billion. As of the date of this annual report, the Brazilian government has not released any further details regarding the implementation of the third phase of the program.

During 2015, the Company continued to evaluate the potential spin-off of the Gafisa and Tenda business units into two separate entities. During 2015, as part of the spin-off studies, we (i) separated several joint departments of Gafisa and Tenda, including, among others, the services, personnel and management department and the legal department, (ii) converted Tenda's issuer registration with the CVM from category B to category A, (iii) entered into negotiations with several banks and insurance companies to open lines of credit for Tenda that are independent of Gafisa, and (iv) reviewed our contracts with our third party counterparties and evaluated the potential impact of a spin-off on those contracts. As of the date of this annual report, we are also evaluating potential capital structure options for each of the Gafisa and Tenda business units should we conclude the potential spin-off, taking into account the business cycle of each business unit. In parallel, we continue to assess separation alternatives for the Gafisa and Tenda business units. As communicated in the material fact dated April 29, 2015, the spin-off studies are ongoing and will take longer to be concluded than had been initially expected. Accordingly, as of the date of this annual report, we cannot estimate when the potential spin-off of the Gafisa and Tenda business units may be concluded.

E. Off Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements or significant transactions with unconsolidated entities not reflected in our consolidated financial statements. All of our interests in and/or relationships with our subsidiaries or jointly-controlled entities are recorded in our consolidated financial statements.

F. Tabular Disclosure of Contractual Obligations

The table below presents the maturity of our significant contractual obligations as of December 31, 2015. The table does not include deferred income tax liability.

Table of Contents

	Maturity Schedule				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(*in millions of reais*)				
Loans and financing	1,292.9	672.4	619.5	1.0	—
Debentures	858.0	389.6	448.3	20.1	—
Interest (1)	355.1	198.0	143.6	13.5	—
Real estate development obligations (2)	1,247.5	909.9	337.0	0.6	—
Obligations for land purchase	570.1	321.6	235.4	13.1	—
Payables to venture partners (3)	4.9	3.8	1.1	—	—
Credit assignments	59.3	23.5	21.5	14.3	—
Obligations from operating leases	84.9	14.7	32.7	37.5	—
Other accounts payable	196.6	163.4	33.2	—	—
Total	**4,669.3**	**2,696.9**	**1,872.3**	**100.1**	**—**

(1) Estimated interest payments are determined using the interest rate as of December 31, 2015. However, our long-term debt is subject to variable interest rates and inflation indices, and these estimated payments may differ significantly from payments actually made.

(2) Including commitments not reflected in the balance—CFC Resolution No. 963. Pursuant to Brazilian GAAP, and since the adoption of CFC Resolution No. 963, the total costs to be incurred on the units launched but not sold are not recorded on our balance sheet. As of December 31, 2015, the amount of "real estate development obligations" related to units launched but not sold was R$739.6 million.

(3) Payables to venture partners accrue a minimum annual dividend equivalent to the variation in CDI, which is not included in the table above.

On June 8, 2012, according to the material fact then disclosed, the third phase of the Investment Agreement and Other Covenants entered into on October 2, 2006 ("Investment Agreement"), established the rules and conditions for Gafisa related to the acquisition of the remaining 20% interest in the capital stock of Alphaville not held by the Company. While the valuation of the capital stock had been agreed by both parties, the number of shares that should be issued by the Company to settle this transaction was being decided in arbitration proceedings initiated by the noncontrolling holders of Alphaville, which was concluded in July 2013. Therefore, there was an embedded derivative component to the Investment Agreement, relating to the Company's obligation to purchase the Alphaville shares held by the non-controlling interest. As the fair value of this embedded derivative for all reporting periods had no significant value, since the settlement of the derivative would be based on the fair value of Alphaville's capital stock, no derivative asset or liability had been recorded. The settlement that was to be made in cash or shares represented an

amount of R$359.0 million as of December 31, 2012. In case of issuance of 70,251,551 common shares of Gafisa to the other shareholders of Alphaville, these shareholders of Alphaville would receive 13.96% of Gafisa's total capital stock and would become relevant shareholders of Gafisa.

We also recorded provisions for contingencies in relation to labor, tax and civil lawsuits in the amounts of R$100.3 million and R$142.7 million in current and non-current liabilities, respectively, as of December 31, 2015.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management Board of Directors

The table below shows the names, positions, and terms of office of the members of our board of directors:

Name	Age	Position	Election Date	Term of Office(1)
Odair Garcia Senra(2)(3)	69	Chairman	April 25, 2016	Annual Shareholders' General Meeting in 2018
Guilherme Affonso Ferreira(2)(3)	65	Director	April 25, 2016	Annual Shareholders' General Meeting in 2018
Maurício Marcellini Pereira(2)(3)	42	Director	April 25, 2016	Annual Shareholders' General Meeting in 2018
Cláudio José Carvalho de Andrade(2)(3)	44	Director	April 25, 2016	Annual Shareholders' General Meeting in 2018

Table of Contents

Name	Age	Position	Election Date	Term of Office(1)
José Écio Pereira da Costa Junior(2)(3)	64	Director	April 25, 2016	Annual Shareholders' General Meeting in 2018
Rodolpho Amboss(2)(3)	52	Director	April 25, 2016	Annual Shareholders' General Meeting in 2018
Francisco Vidal Luna (2)(3)	69	Director	April 25, 2016	Annual Shareholders' General Meeting in 2018

(1) Under Brazilian corporate law, an annual general shareholders' meeting must take place within the first four months of the calendar year.

(2) Independent member pursuant to NYSE rules.

(3) Independent member pursuant to Brazilian Law. According to Brazilian Law, a director is considered independent when: (1) he/she has no relationship with the company, except for holding shares; (2) he/she is not a controlling shareholder, spouse or relative of the controlling shareholder, has not been in the past three years linked to any company or entity related to the controlling shareholder; (3) he/she has not been in the past three years an employee nor an executive of the company, of the controlling shareholder or of any subsidiary of the company; (4) he/she is not a supplier or buyer, direct or indirect, of the company where the arrangement exceeds a certain amount; (5) he/she is not an employee or manager of any company which renders services to the company or which uses services or products from the company; (6) he/she is not a spouse or relative of any member of the company's management; and (7) he/she does not receive any compensation from the company, except for the compensation related to its position as a board member.

Our directors are not subject to mandatory retirement due to age.

The following is a summary of the business experience and principal outside business interests of the current members of our board of directors.

Odair Garcia Senra. Mr. Garcia Senra is currently the chairman of our board of directors. He started as an intern at former Gomes de Almeida Fernandes and occupied positions in the Company as construction engineer, general manager of construction, construction officer, and institutional relations officer. Currently he also holds the following positions: member of the board of directors of Tenda; member of the board of directors of Alphaville Urbanismo S.A.;

Officer of SECOVI SP – Sindicato das Empresas de Compra, Venda, Locação e Administração de Imóveis Residenciais e Comerciais de São Paulo, union for the companies involved in buying, selling and administrating Real Estate in São Paulo; Vice President of SINDUSCON SP – Sindicato da Indústria da Construção Civil do Estado de São Paulo, union for the construction companies in São Paulo; member of the board of directors of Instituto Mauá de Tecnologia, appointed as a representative of SINDUSCON SP; member of the Consulting Counsel of FIABCI/Brasil – Federação Internacional das Profissões Imobiliárias; and Officer of BRIO Investimentos Imobiliários S.A., a Real Estate asset management.

In the past 5 years, he has held, among others, the following positions: Operational Officer of Construtora Tenda S.A., and member of the board of directors of São Carlos Empreendimentos e Participações S.A., a company specialized in asset management of commercial Real Estate He holds a bachelor's degree in civil engineering from the Civil Engineering School of Mauá and was also a professor at the Civil Engineering School of Mauá in 1972.

Guilherme Affonso Ferreira. Mr. Ferreira is currently a member of our board of directors and the CEO of Bahema Participações S.A., a financial investment company. Currently he also holds the following positions: member of the board of directors of Tenda, member of the board of directors and Finance and Strategic Committees of Petrobras S.A., an oil and gas company; member of the board of directors of SulAmérica S.A., an insurance company; member of the board of directors of Valid Soluções e Serviços de Segurança em Meios de Pagamento e Identificação S.A.; a company that specializes in payment facilitation program, system identification and telecommunication; member of the board of directors and Audit Committee of Arezzo Indústria e Comércio S.A., a shoes retailer; member of the board of directors of T$F Entretenimento S.A.; and member of the board of directors of Entidades Benemerentes, Instituto de Cidadania Empresarial, Esporte Solidário e AACD, all third sector entities. In the past 5 years he was also, among others, member of the following board of directors: Companhia Brasileira de Distribuição (Pão de Açucar), a retail company; Tavex Algodonera S.A., a textile company; Ideiasnet S.A., a technology, media and telecommunications company, Banco Indusval, a financial institution and B2W S.A., an electronic commerce company. He holds a production engineering degree from the University of São Paulo and a master's degree in economics and political science from Macalester College.

Table of Contents

Maurício Marcellini Pereira. Mr. Pereira is currently a member of our board of directors. Currently he is also a member of the board of directors of Tenda and Investment Officer of *Fundação dos Economiários Federais – FUNCEF*, a pension fund for the employees of Caixa Econômica Federal.

In the past 5 years he has held, among others, the following positions: Executive Officer of New Business of Caixa Participações S.A. – CAIXAPAR, a company specialized in strategic corporate stakes a member of the board of directors of Elo Serviços S.A., a debit and credit card administrator member of the board of directors of Telemar Participações S.A., a telecommunication company, member of the board of directors of Brasil Ferrovias S.A. and Ferronorte S.A., railway companies; and a member of the fiscal council of Tim Participações S.A., a telecom company. He holds a degree in business administration from Minas Gerais Federal University, an MBA in Finance from Ibmec Business School and is getting his master's degree in pension economics from Brasília University (UnB).

Cláudio José Carvalho de Andrade. Mr. Andrade is currently a member of our board of directors, and partner of Polo Capital Gestão de Recursos and several other real estate asset and management companies that form part of the Polo group of companies. He is also member of the board of directors of Tenda and a member of the board of directors of Casa e Video Rio de Janeiro S.A., an electronic retail company.

In the past 5 years, he has held, among others, the following positions: member of the board of directors of Telefônica Data Holding, a telecommunication company alternate member of the fiscal councils of Banco Panamericano S.A., and Banco Sofisa S.A., both financial institutions, and alternate member of the fiscal council of Copel – Companhia Paranaense de Energia, an energy development company. He holds a degree in Business Administration from EAESP Getulio Vargas Foundation University.

José Écio Pereira da Costa Júnior. Mr. Pereira da Costa is a member of our board of directors and a partner at JEPereira Consultoria em Gestão de Negócios S/S Ltda., a consulting company. He also holds the following positions: member of the board of directors of Tenda and Princecampos Participações S.A., a public transportation company; alternate member of the board of directors and member of audit committee of Fibria S.A. and Votorantim Cimentos S.A.; member of the audit committee of Votorantim Metais S.A. and Citrosuco S.A.

He has also been an auditing partner of Deloitte Touche Tohmatsu Auditores Independentes S/C Ltda., and in the past 5 years he has also been a member of BRMALLS S.A., a shopping mall management company. He holds a bachelor's degree in business administration from *Fundação Getúlio Vargas* and a bachelor's degree in accounting from Faculdade São Judas Tadeu.

Rodolpho Amboss. Mr. Amboss is a member of our board of directors. He also holds the following positions: member of the board of directors of Tenda; founding partner and managing director of Silverpeak Real Estate Partners LP, Real Estate asset management and fund; member of board of directors of BR Properties, a construction company specializing in industrial sheds and large commercial buildings He holds a degree in civil engineering from Rio de Janeiro Federal University and an MBA from the Booth School of Business of the University of Chicago.

Francisco Vidal Luna. Mr. Luna is a member of our board of directors and the board of directors of Tenda. He currently is on the board of directors of several Municipal owned or related companies and foundations, such as Sabesp, Desenvolve São Paulo, Museu da Língua Portuguesa, Museu do Futebol, Fundação Faculdade de Medicina – FFM and he has been member of Board of Directors of several others such as SP Urbanismo, SP Obras, SP Tur, SP Trans, CET and Prodam. In the past 5 years, he has also held, among others, the following positions: member of board of officers of Banco Tokyo-Mitsubishi UFJ do Brasil and a member of management of other banks, such as Banco InterAmerican Express (former Banco SRL), Banco Nossa Caixa Desenvolvimento and Banco Nacional de Desenvolvimento Econômico – BNDES. Mr. Luna has an economics degree and post-graduate degree from the University of São Paulo.

The table below shows the names, positions, and terms of office of our executive officers:

Name	Age	Position	Election Date	Term of Office
Sandro Rogério da Silva Gamba	40	Chief Executive Officer	May 05, 2014	May 04, 2017
Andre Bergstein	45	Chief Financial Officer and Investor Relations Officer	May 05, 2014	May 04, 2017
Luiz Carlos Siciliano	51	Operational Executive Officer	May 05, 2014	May 04, 2017
Octavio Marques Flores	41	Operational Executive Officer	May 05, 2014	May 04, 2017
Katia Varalla Levy	42	Operational Executive Officer	May 05, 2014	May 04, 2017

Table of Contents

The business address of each of our executive officers is Av. Nações Unidas No. 8,501, 19th floor , 05425-070 – São Paulo, SP – Brazil.

The following is a summary of the business experience and principal outside business interests of the current members of our board of executive officers.

Sandro Rogério da Silva Gamba. Mr. Gamba is currently our chief executive officer and his current term commenced in May 2014, with a term of office through May 4, 2017. With over 15 years at Gafisa, having worked as head of business development for Gafisa and Tenda in the São Paulo region, he has significant institutional knowledge and oversaw the growth of our business in São Paulo, our largest region. Previously, he served us in a number of senior roles in the São Paulo region, including head of business development for Gafisa and director and manager of land prospecting. Mr. Gamba holds a degree in civil engineering from Mackenzie University, advanced degrees in engineering and real estate management from the University of São Paulo and *Fundação Armando Alvares Penteado*, and an executive master's in business administration from IBMEC.

Andre Bergstein. Mr. Bergstein is currently our chief financial officer and investor relations officer, and his current term commenced in May 2014, with a term of office through May 4, 2017. He is also a member of the board of directors of Alphaville Urbanismo S.A. In the past five years he has also occupied the following positions: (i) Real Estate Executive of Plural Capital Gestora de Recursos Ltda., an asset management company; (ii) CFO of Brazilian Securities Cia de Securitização S.A., a securitization of financial credits company; (iii) CFO and Investor Relations Officer of Brazilian Finance & Real Estate S.A., holding company of Brazilian Securities Cia de Securitização S.A.

Luiz Carlos Siciliano. Mr. Siciliano is currently one of our operational executive officers, responsible internally for business development in the state of Rio de Janeiro, and his current term commenced in May 2014, with a term of office through May 04, 2017. Mr. Siciliano brings considerable sales and marketing managerial expertise to his newly expanded role from both his tenure at Gafisa as well as from his prior professional experience. He has worked for us since 2005 and, previously, he was director of sales and marketing and head of the supply chain, IT, legal department and shared services center. Prior to joining us, Mr. Siciliano worked at AmBev from 1992 to 2004 in positions of increasing responsibility, and he holds a master's degree in business administration degrees from IBMEC and Pontifícia Universidade Católica (PUC) in Rio de Janeiro.

Octavio Marques Flores. Mr. Flores is currently one of our operational executive officers, responsible internally for several development and construction departments. Mr. Flores joined us in 2007 and in the last five years he served as prospection manager, business owner and business officer.

Katia Varalla Levy. Mrs. Levy is currently one of our operational executive officers, responsible internally for responsible internally for several development and construction departments. Mrs. Levy joined us in 1992 as intern, and in the last five years she served as product development manager and product development officer.

Our Relationship with our Executive Officers and Directors

As of December 31, 2015, our board of officers in the aggregate held 0.5% of our share capital and our board of directors in the aggregate held a 0.2% direct or indirect interest in our share capital. As of December 31, 2015, there were no contracts of any type or any other material agreements entered into by us with the members of our board of directors and our board of officers. As of December 31, 2015, some of our executive officers held interests in our subsidiaries as directors and/or executive officers. In none of these cases, as of the referenced date, were the interests held material.

As of December 31, 2014, our board of officers in the aggregate held 0.4% of our share capital and our board of directors in the aggregate held a 0.2% direct or indirect interest in our share capital.

As of December 31, 2013, our board of officers in the aggregate held 0.3% of our share capital and our board of directors in the aggregate held less than a 0.1% direct or indirect interest in our share capital.

Table of Contents

B. Compensation

For each of 2015, 2014 and 2013

Under Brazilian corporate law, the company's shareholders are responsible for establishing the aggregate amount paid to members of the board of directors, the executive officers and the members of the fiscal council. Once the shareholders establish an aggregate amount of compensation, the members of the board of directors are then responsible for setting individual compensation levels.

For each of 2015, 2014 and 2013, the aggregate compensation we paid to the members of the board of directors was R$2.0 million, R$1.8 million and R$1.9 million, respectively, considering Gafisa and Tenda for the years ended December 31, 2015 and 2014 and Gafisa, Tenda and Alphaville for the year ended December 31, 2013.

For each of 2015, 2014 and 2013, the aggregate compensation we paid to the members of the fiscal council was R$255 thousand, R$244 thousand and R$55.3 thousand, respectively, considering Gafisa and Tenda for the years ended December 31, 2015 and 2014 and Gafisa, Tenda and Alphaville for the year ended December 31, 2013.

For each of 2015, 2014 and 2013, the aggregate compensation we paid to the executive officers was R$9.6 million (net of bonuses for Gafisa and Tenda executive officers), R$8.7 million (net of bonuses for Gafisa executive officers), and R$49.6 million, respectively, which includes, unless otherwise indicated, fixed compensation, annual bonus amounts and the costs related to Stock Options Programs, considering Gafisa and Tenda for the years ended December 31, 2015 and 2014 and Gafisa, Tenda and Alphaville for the year ended December 31, 2013.

Approximately 59% of the total compensation paid to Gafisa officers and 8% of the total compensation paid to Tenda officers is variable. The amounts related to short-term bonuses paid for our officers were, for each of 2015, 2014 and 2013, R$3.2 million, R$3.4 million and R$4.7 million, respectively.

For each of 2015, 2014 and 2013, the individual compensation we paid to members of our board of directors (fixed compensation in 2013, fixed compensation in 2014 and fixed compensation in 2015), fiscal council (fixed compensation) and officers (fixed compensation, short-term bonus and costs related to Stock Options Programs) is set forth in the tables below.

Gafisa

2015	Board of Directors	Fiscal Council	Executive Officers
Number of members (1)	7.00	3.00	5.00
Annual highest individual compensation (in R$)	304,284	66,000	3,393,078
Annual lowest individual compensation (in R$)(2)	195,048	66,000	980,516
Annual average individual compensation (in R$)	241,863	66,000	2,128,272

(1) Based on the average number of members during the period.

(2) Annual lowest individual compensation includes only the members of board of directors, fiscal council and executive officers who served an entire year and does not include members who are also executive officers (if a member is an executive officer, he or she is paid as an executive officer).

2014	Board of Directors	Fiscal Council	Executive Officers
Number of members (1)	7.67	3.00	5.17
Annual highest individual compensation (in R$)	308,868	63,500	3,732,593
Annual lowest individual compensation (in R$)(2)	185,778	63,500	2,691,098
Annual average individual compensation (in R$)	226,852	63,007	3,321,336

(1) Based on the average number of members during the period.

(2) Annual lowest individual compensation includes only the members of board of directors, fiscal council and executive officers who served an entire year and does not include members who are also executive officers (if a member is an executive officer, he or she is paid as an executive officer).

2013	Board of Directors	Fiscal Council	Executive Officers
Number of members (1)	9.00	3.00	6.00
Annual highest individual compensation (in R$)	316,079	55,200	5,957,562
Annual lowest individual compensation (in R$)(2)	172,800	55,200	2,681,366
Annual average individual compensation (in R$)	210,992	55,200	3,632,792

(1) Based on the average number of members during the period.

(2) Annual lowest individual compensation includes only the members of board of directors, fiscal council and executive officers who served an entire year and does not include members who are also executive officers (if a member is an executive officer, he or she is paid as an executive officer).

Table of Contents

Tenda

2015	Board of Directors	Fiscal Council	Executive Officers
Number of members (1)	10.00	3.00	10.33
Annual highest individual compensation (in R$)	126,254	38,400	1,969,515
Annual lowest individual compensation (in R$)(2)	100,000	9,456	47,892
Annual average individual compensation (in R$)	112,084	19,104	753,090

(1) Based on the average number of members during the period.

(2) Annual lowest individual compensation includes only the members of board of directors, fiscal council and executive officers who served an entire year and does not include members who are also executive officers (if a member is an executive officer, he or she is paid as an executive officer).

(3) Members of the Board of Directors at Tenda were also Executive Officers at Gafisa and therefore received compensation for this position.

2014	Board of Directors	Fiscal Council	Executive Officers
Number of members (1)	5.75	3.00	8.83
Annual highest individual compensation (in R$)	126,324	38,400	2,821,951
Annual lowest individual compensation (in R$)(2)	—	8,688	886,515
Annual average individual compensation (in R$)	126,324	13,829	924,046

(1) Based on the average number of members during the period.

(2) Annual lowest individual compensation includes only the members of board of directors, fiscal council and executive officers who served an entire year and does not include members who are also executive officers (if a member is an executive officer, he or she is paid as an executive officer).

(3) Members of the Board of Directors at Tenda were also Executive Officers at Gafisa and therefore received compensation for this position.

2013	Board of Directors (3)	Fiscal Council	Executive Officers
Number of members(1)	4.00	3.00	8.58
Annual highest individual compensation (in R$)	—	38,400	3,763,649
Annual lowest individual compensation (in R$)(2)	—	8,136	524,867
Annual average individual compensation (in R$)	—	18,224	1,299,961

(1) Based on the average number of members during the period.

(2) Annual lowest individual compensation includes only the members of board of directors, fiscal council and executive officers who served an entire year and does not include members who are also executive officers (if a member is an executive officer, he or she is paid as an executive officer).

(3) Members of the Board of Directors at Tenda were also Executive Officers at Gafisa and therefore received compensation for this position.

Alphaville

As set forth in item “4. Information on the Company—A.History and Development of the Company”, we completed the sale of a controlling interest in Alphaville, on December 9, 2013. As a result, Alphaville was no longer consolidated in the financial statements of the Company as of that date. In this annual report, while financial

Table of Contents

information related to Alphaville is treated as discontinued operations, all operating information related to our business includes full operating information for Alphaville through December 9, 2013.

2013	Board of Directors (3)	Fiscal Council(4)	Executive Officers
Number of members (1)	5.00	1.25	6.00
Annual highest individual compensation (in R$) (5)	—	16,300	9,741,730
Annual lowest individual compensation (in R$)(2)	—	16,300	540,229
Annual average individual compensation (in R$)(5)	—	16,300	3,232,127

(1) Based on the average number of members during the period.

(2) Annual lowest individual compensation includes only the members of board of directors, fiscal council and executive officers who served an entire year and does not include members who are also executive officers (if a member is an executive officer, he or she is paid as an executive officer).

(3) Members of the Board of Directors at Alphaville were also Executive Officers at Gafisa and do not received compensation for this position.

(4) The Fiscal Council was dissolved in June 2013.

(5) This amount includes the stock options consideration related to the sale of 70% of Alphaville.

C. Board Practices

General Information

We are managed by a board of directors consisting of at least five and up to nine directors and at least two and up to eight executive officers. Our directors are elected for a two-year term and our executive officers are elected for a three-year term. Reelection of officers and directors is permitted. We also have (1) a fiscal council, which under Brazilian Law is not a permanent body, although currently installed; (2) permanent advisory committees created in

accordance with our bylaws, namely: an audit committee, a compensation committee and a nominating and corporate governance committee; and (iii) executive committees established by the Board of Directors, namely: an investment executive committee, a finance executive committee, and an ethics executive committee. See "—A. Directors and Senior Management."

Board of Directors

Our board of directors is our decision-making body responsible for formulating general guidelines and policies for our business, including our long term strategies. Among other things, our board of directors is responsible for appointing and supervising our executive officers.

Our board of directors meets at least once every two months and at any other time when a meeting is called by its chairman or by at least two other effective members. The decisions of our board of directors are taken by the majority vote of those members present at the respective meeting and constituting a quorum of at least four members. In the event of a tie vote, the chairman of our board of directors has, in addition to his personal vote, the right to cast a tie-breaking vote. In addition, pursuant to Brazilian corporate law, a member of our board of directors is prevented from voting in any shareholders' or board of directors' meeting, or from acting in any business or transaction, in which he may have a conflict of interest with our company.

Under Brazilian corporate law, a company's board of directors must have at least three members. Our bylaws provide for a board of directors of up to nine members, from which at least 20% shall be independent members, as determined by the Listing Rules of the *Novo Mercado*. Our directors are elected at our annual general shareholders' meeting for a two-year term of office, with reelection permitted, and are subject to removal at any time by our shareholders at a shareholders' general meeting. Although the Listing Rules of the *Novo Mercado* require at least 20% independent members, our board of directors currently has six independent members, out of a total of seven members.

Article 141 of Brazilian corporate law provides that shareholders with at least 10% of a company's total capital stock may request the adoption of the multiple voting procedure for the election of the board of directors, even where there is no provision for this in the company's bylaws. The multiple voting procedure grants each share as

Table of Contents

many votes as the number of board members, and allows shareholders to allocate either all of their votes to a single candidate or to distribute their votes among several candidates.

All the voting proceedings discussed in the previous paragraphs currently apply to our company.

As prescribed by CVM Instruction No. 282, of June 26, 1998, the minimum voting capital percentage required for the adoption of the multiple voting procedure in publicly-held companies may be reduced as a result of the amount of its capital stock. Based on the current amount of our capital stock, shareholders representing 5% of our total capital stock may request the adoption of the multiple voting procedure in order to elect the members to our board of directors. The referred minimum percentage may vary from 5% to 10% depending on the amount of our capital stock, as prescribed in the aforementioned CVM Instruction No. 282, of June 26, 1998. If the adoption of the multiple voting procedure is not requested, directors are elected by a majority vote of our shareholders, and such shareholders who, individually or collectively, represent at least 10% of our shares, are entitled to appoint, in a separate vote, a director and its alternate.

The Listing Rules of the *Novo Mercado* also provide that all members of our board of directors and our board of officers must comply, by means of the execution of a management compliance statement, with obligations set forth under the *Novo Mercado* Listing Agreement, the Market Arbitration Chamber Rules and the Listing Rules of the *Novo Mercado*, including, but not limited, to: (1) any shareholder that becomes our controlling shareholder, or becomes part of our controlling group, must comply, by means of executing of the controlling shareholder compliance statement, with the obligations set forth under the *Novo Mercado* Listing Agreement, the Market Arbitration Chamber Rules and the Listing Rules of the *Novo Mercado*; (2) any indirect controlling shareholder of our company must fully comply with the obligations established in the *Novo Mercado* Listing Agreement, the Market Arbitration Chamber Rules, the Listing Rules of the *Novo Mercado*, Brazilian corporate law, Brazilian Securities Regulations and our bylaws; (3) use best efforts to ensure that our shares are widely held through public share offerings; (4) re-establish the minimum percentage of outstanding floating stock, in case additional shares are issued or the controlling power over our company is transferred; (5) inform BM&FBOVESPA with respect to the trading of the securities held by our controlling shareholders; (4) comply with the rules imposed on our directors in the event our public company registration with the CVM is cancelled; and (7) comply with rules and regulations applicable in the event of the delisting of our company from the *Novo Mercado*.

Executive Officers

Under Brazilian corporate law, a company's board of executive officers must have at least two members, and each of such members must be a resident in Brazil. Furthermore, no more than one-third of our directors may serve as members of our board of officers at any given time. In addition, under the Listing Rules of the *Novo Mercado*, the

chief executive officer of our company shall not serve as the chairman of the board of directors.

Our executive officers are our legal representatives and are primarily responsible for managing our day-to-day operations and implementing the general policies and guidelines set forth in our shareholders' general meetings and by our board of directors. Our bylaws require that our board of officers be composed of at least two members and a maximum of eight members. The members of our board of officers are appointed by our board of directors for a term of three-years, and may be reelected or removed by our board of directors at any time. Our bylaws and our board of directors determine the role of our executive officers. Currently, we have a board of officers comprised of four members: (1) Mr. Sandro Rogerio da Silva Gamba, who is the chief executive officer, (2) Mr. Andre Bergstein, who is the chief financial officer and investor relations officer, (3) Mr. Luiz Carlos Siciliano, who is an operational executive officer, (4) Mr. Octavio Marques Flores, who is an operational executive officer, and (4) Mrs. Katia Varalla Levy, who is an operational executive officer.

The chief executive officer submits the business plan, annual budget, investment plans and new expansion plans for Gafisa and our subsidiaries to the approval of the board of directors. The chief executive officer enacts these plans and develops our strategy and operational plan, including the manner in which we will execute the resolutions approved at the shareholders' meeting and by the board of directors. Together with the other officers, he also supervises and coordinates our activities. The officer in charge of investor relations supplies our financial information to investors, the CVM and the BM&FBOVESPA, and is also responsible for keeping an updated register based on the applicable regulations.

Fiscal Council

Under Brazilian corporate law, the fiscal council is a corporate body independent from the management of the company and its external auditors. The fiscal council is not a permanent body, and whenever installed, must consist

Table of Contents

of no less than three and no more than five members. The primary responsibility of the fiscal council is to review management's activities and the company's financial statements and to report its findings to the shareholders of the company. The fiscal council is not equivalent to an audit committee as contemplated by the Securities Exchange Act, as amended. Under Brazilian corporate law, a fiscal council must be established at a shareholders' general meeting upon request of shareholders representing at least 10% of the shares with voting rights, or 5% of the shares with no voting rights, and its members shall remain in office until the annual general shareholders' meeting of the year following their election. Each member of the fiscal council is entitled to receive compensation in an amount equal to at least 10% of the average amount paid to each executive officer (excluding benefits and profit sharing).

As prescribed by CVM Instruction No. 324, of January 19, 2000, the minimum voting capital percentage required to request the fiscal council to be installed may be reduced as a result of the amount of the company's capital stock. Based on the current amount of our capital stock, shareholders representing 2% of our voting capital stock may request the fiscal council to be installed. The referred minimum percentage may vary from 2% to 8% depending on the amount of our capital stock, as prescribed in the aforementioned CVM instruction.

Individuals who are also employees or members of the administrative bodies of our company, of companies controlled by us, or of companies forming a group of companies with us (pursuant to Chapter XXI of Law No. 6,404/76), as well as spouses or parents of our management, cannot serve on the fiscal council.

Our by-laws provide for a non-permanent fiscal council composed of at least three and up to five members, which can be formed and have its members elected at the shareholders' general meeting, as requested by the shareholders, in the events set forth by Brazilian corporate law. When in operation, the compensation of our fiscal council is set at the shareholders' general meeting that elects it.

Our fiscal council has three members (Olavo Fortes Campos Rodrigues Junior, Peter Edward Cortes Marsden Wilson and Laiza Fabiola Martins de Santa Rosa) and three alternates (Marcello Mascotto Iannalfo, Marcelo Martins Louro and Alessandro de Oliveira Nascimento).

We also have established a permanent audit committee. See "Item 6.C. Directors, Senior Management and Employees—Board Practices—Audit Committee."

Audit Committee

Our bylaws provide for an Audit Committee that convenes regularly, as often as it determines is appropriate to carry out its responsibilities. The Audit Committee must be comprised of at least three members, all of which must be independent members of our Board of Directors. The Audit Committee is currently comprised by Jose Ecio Pereira da Costa Junior, who is also the chairman, Maurício Marcellini Pereira and Francisco Vidal Luna,. Our board of directors has determined that Jose Ecio Pereira da Costa Junior, Maurício Marcellini Pereira and Francisco Vidal Luna are each independent as set forth in the NYSE Listed Companies Manual as well as being independent for the purpose of Rule 10A-3 of the Exchange Act. Our board of directors has determined that Jose Ecio Pereira da Costa Junior is an audit committee financial expert within the meaning of the regulations promulgated by the United States Securities and Exchange Commission.

This committee has responsibility for, among others, planning and reviewing our annual and quarterly reports and accounts with the involvement of our auditors, focusing particularly on compliance with legal requirements and accounting standards, and ensuring that an effective system of internal financial controls is maintained, as set forth in the Company's by-laws. The ultimate responsibility for reviewing and approving our annual and quarterly reports and accounts remains with our directors.

Compensation Committee

Our bylaws provide for a Compensation Committee that convenes regularly, as often as it determines is appropriate to carry out its responsibilities. The Compensation Committee must be comprised of at least three members, all of which must be independent members of our Board of Directors. The Compensation Committee is currently comprised by Cláudio José Carvalho de Andrade, who is also the chairman, Guilherme Affonso Ferreira and Rodolpho Amboss. This committee, among other things, reviews and makes recommendations to our directors regarding its compensation policies and all forms of compensation to be provided to our executive officers and other employees.

Table of Contents

Nominating and Corporate Governance Committee

Our bylaws provide for a Nominating and Corporate Governance Committee that convenes regularly, as often as it determines is appropriate to carry out its responsibilities. The Nominating and Corporate Governance Committee must be comprised of at least three members, all of which must be independent members of our Board of Directors. The Nominating and Corporate Governance Committee is currently comprised by Cláudio José Carvalho de Andrade, who is also the chairman, Guilherme Affonso Ferreira and Rodolpho Amboss. This committee, among other things, considers and periodically reports on matters relating to the size, identification, selection and qualification of the board of directors, executive officers and candidates nominated for the board of directors and its committees and is responsible for overseeing compliance with the corporate governance principles applicable to us under our bylaws and other policies, as well as for proposing improvements and changes to such applicable principles.

Investment Executive Committee

On January 13, 2006, our board of directors modified the structure of our incorporation and new businesses committee, renaming it the Investment Committee and on September 9, 2010 it was renamed to Investment Executive Committee, in order to clarify that this is a collegiate body to provide advice and guidance to the Board of Directors, composed solely by members of the Board of Officers (statutory or otherwise). Our Investment Executive Committee is a non-permanent body and its duties are, among others, to: (1) analyze, discuss and recommend land acquisitions and new real estate developments; (2) advise our executive officers during the negotiation of new deals and the structuring of new developments; (3) supervise the beginning of new projects and their related cash flows; and (4) in special cases, assist in the negotiation and structuring of new types of business. Each decision by our investment committee to acquire land is made by ensuring that the investment meets the minimum return threshold set by us and comparing it with other potential investments. Such decision is made independent of the geographical location of the investment in order to maximize return on our capital allocation as a whole.

Currently, our Investment Executive Committee is in operation and is comprised by Sandro Rogério da Silva Gamba (also the Coordinator of the Committee), Andre Bergstein, Luiz Carlos Siciliano, Octavio Marques Flores and Katia Varalla Levy.

Finance Executive Committee

Our directors have established a Finance Executive Committee composed by André Bergstein (also the Coordinator of the Committee), Sandro Rogério da Silva Gamba, and Gustavo Moscatelli. This committee, among others, evaluates and makes periodic recommendations to our board of directors regarding risk and financial investments policies.

Ethics Executive Committee

On September 9, 2010, our board of directors renamed the Ethics Committee, created on February 17, 2006, the Ethics Executive Committee. The Ethics Executive Committee is a collegiate body tasked with providing advice and guidance to the board of directors, elected by the board of directors, and is composed primarily of members of the board of officers (statutory or otherwise). Currently, it is composed of the following members: Sandro Rogério da Silva Gamba (Coordinator of the Committee), André Bergstein, Luiz Carlos Siciliano, Norival Zanata Junior and Adriana Farhat. This committee is responsible, among others, for the actions related to violation of our Code of Business Conduct and Ethics, solving ethics conflicts and evaluating the adequacy of amendments to the Code of Business Conduct and Ethics and proposing them to the board of directors.

Summary of Significant Differences of Corporate Governance Practices

NYSE Corporate Governance Rules provide that we are required to disclose any significant differences on our corporate governance practices from those required to be followed by U.S. companies under NYSE listing standard. We have summarized these significant differences below.

We are permitted to follow practice in Brazil in lieu of the provisions of the NYSE Corporate Governance Rules, except that we will be required to have a qualifying audit committee under Section 303A.06 of the Rules, or avail ourselves of an appropriate exemption. In addition, Section 303A.12(b) provides that our chief executive officer is obligated to promptly notify the NYSE in writing after any of our executive officers becomes aware of any material non-compliance with any applicable provisions of the NYSE Corporate Governance Rules.

Table of Contents

Majority of Independent Directors

NYSE Rule 303A.01 provides that each NYSE-listed company must have a majority of independent directors. Neither Brazilian corporate law nor our by-laws require that we have a majority of independent members. Notwithstanding this, the majority of our board members qualify as independent directors under NYSE rules.

Separate Meetings of Non-Management Directors

NYSE Rule 303A.03 provides that the non-management directors of each NYSE-listed company must meet at regularly scheduled executive sessions without management. According to the Listing Rules of the *Novo Mercado*, the chief executive officer may not serve as the chairman of the Board of Directors. In addition, under Brazilian corporate law, up to one-third of the members of the board of directors can also hold management positions. Under Brazilian corporate law, there is no specific requirement that non-management directors meet regularly without management. Notwithstanding the foregoing, our board of directors consists entirely of non-management directors and holds regular meetings without the management and as such we believe we are in compliance with the NYSE Rule 303A.03.

Nominating and Corporate Governance Committee

NYSE Rule 303A.04 provides that each U.S. listed company must have a nominating and corporate governance committee composed entirely of independent directors. We are required to have such a committee under our bylaws, which is nevertheless not required under Brazilian law. Therefore, we have a Nominating and Corporate Governance Committee responsible for considering and periodically reporting on matters relating to the size, identification, selection and qualification of the board of directors and candidates nominated for the board of directors and its committees; and for overseeing compliance with the corporate governance principles applicable to us under our bylaws and other policies, as well as for proposing improvements and changes to such applicable principles.

Compensation Committee

NYSE Rule 303A.05 provides that each U.S. listed company must have a compensation committee composed entirely of independent directors. We are required to have such a committee under our bylaws, which is nevertheless not required under Brazilian law. Therefore, we have a Compensation Committee responsible for reviewing and making

recommendations to our directors regarding our compensation policies and all forms of compensation to be provided to our executive officers and other employees. With respect to compensation, under Brazilian corporate law, the shareholders determine the total or individual compensation of our board members and executive officers, including benefits and allowances, at a general shareholders' meeting. If the shareholders only determine the total compensation, it is incumbent upon the board of directors to establish the individual amounts. The Compensation Committee, is responsible for advising the board of directors in such task. See "Item 6.B. Directors, Senior Management and Employees—Compensation."

Audit Committee

NYSE Rule 303A.06 and the requirements of Rule 10A-3 of the SEC provide that each U.S. listed company is required to have an audit committee consisting entirely of independent members that comply with the requirements of Rule 10A-3. In addition, the audit committee must have a written charter compliant with the requirements of NYSE Rule 303.A.07(c), have an internal audit position and otherwise fulfill all other requirements of the NYSE and Rule 10A-3. The SEC recognized that due to the local legislation for foreign private issuers, some of the responsibilities of the audit committee could be subordinated by local laws to our other bodies.

We are required to have such a committee under our bylaws, which is nevertheless not required under Brazilian law. Therefore, we have an Audit Committee with the following responsibilities:

- Pre-approving services to be provided by our independent auditor;
- Choosing and overseeing the work of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing any other service;
- Reviewing auditor independence issues and rotation policy;
- Supervising the appointment of our independent auditors;

Table of Contents

- Discussing with management and auditors major audit issues;
- Reviewing financial statements prior to their publication, including the related notes, management's report and auditor's opinion;
- Reviewing our annual report and financial statements;
- Providing recommendations to the board of directors on the audit committee's policies and practices;
- Reviewing recommendations given by our independent auditor and internal audits and management's responses;
- Evaluating the performance, responsibilities, budget and staffing of our internal audit function and review the internal audit plan;
- Providing recommendations on the audit committee's bylaws; and
- Reviewing our Code of Business Conduct and Ethics and the procedures for monitoring compliance with it.

Equity Compensation Plans

NYSE Rule 303A.08 provides that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions thereto, with certain limited exemptions as described in the rule. Under Brazilian corporate law, shareholder pre-approval is required for the adoption of equity compensation plans and any material revision thereto.

Corporate Governance Guidelines

NYSE Rule 303A.09 provides that each U.S. listed company must adopt and disclose their corporate governance guidelines. Although we do not have a similar requirement under Brazilian law, our bylaws contain a comprehensive list of principles that must be complied with at all times by all of our directors and officers. Our Nominating and Corporate Governance Committee may also propose new principles and amendments to existing principles. In

addition, we have listed our common shares in the *Novo Mercado* (New Market) of the São Paulo Stock Exchange (BM&FBOVESPA), which requires adherence to the corporate governance standards established under the Listing Rules of the *Novo Mercado*, as described under "Item 10. Additional Information—B. Memorandum and Bylaws." Finally, we have adopted a written policy of trading of securities and disclosure matters.

Code of Business Conduct and Ethics

NYSE Rule 303A.10 provides that each U.S. listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. We are required to have a Code of Business Conduct and Ethics under our bylaws and under the Listing Rules of the *Novo Mercado*. We have adopted such a Code on July 10, 2007 and the last review of the Code was approved on July 17, 2014. See "Item 16B. Code of Business Conduct and Ethics."

D. Employees

As of December 31, 2015, we had 2,350 employees at Gafisa Group across the following states:

States	Number of Employees
Bahia	236
Distrito Federal	1
Goiás	2
Maranhão	2
Minas Gerais	116
Pará	30
Paraná	3
Pernambuco	130
Rio de Janeiro	355
Rio Grande do Sul	135
São Paulo	1,340
Total	2,350

Table of Contents

The table below shows the number of employees for the periods presented, within the macro areas of the company:

Period	Operations	Administration & Finance	Business Development	Sales	Total
2015	1,297	499	167	387	2,350
2014	1,134	527	191	310	2,162
2013(1)	2,008	722	404	212	3,346
2012	2,551	811	395	267	4,024
2011	3,459	695	301	332	4,787

Note: The numbers presented in the tables above for the year of 2013 refer to the employees of Gafisa Group (Gafisa's Business Unit, Tenda's Business Unit, Alphaville's Business Unit as well as the corporate areas, including the shared services center).

(1) Total number includes 529 Alphaville's employees, of which 290 are allocated in Operations, 95 in Administration and Finance, 135 in Business Development and 9 in Sales.

Our administrative employees carry out management, finance, information technology, legal and human resources activities among others. Our construction site employees focus on management and oversight of our construction workers, the majority being outsourced. The outsourced professionals are hired by the contractors to carry out various tasks on the construction sites. As of the date of this annual report, we estimate that around 6,481 outsourced professionals are providing services to Gafisa and Tenda across the following regions:

Region	Outsourced Professionals
North/Central West	-
Northeast	740
South	142
Southeast	5,599
Total	**6,481**

We offer training programs to our employees, subcontractors and outsourced employees. All of our professionals involved in the construction of our developments are trained prior to the beginning of their work and are supervised directly by our engineers.

The majority of our employees and outsourced professionals of the State of São Paulo are enrolled with the Civil Construction Industries Workers' Union (SINTRACON). As a rule, the Civil Construction of Large Building Industry in the State of São Paulo (SINDUSCON-SP) annually negotiates with SINTRACON collective bargaining agreements applicable to our employees. The most recent collective bargaining agreement for our employees and outsourced professionals in the State of São Paulo was executed in May 2015, establishing a salary adjustment of between 6% (administrative areas) and 8% (operations) as of May 2015. This collective bargaining agreement became effective in May 2015 and will expire in April 2016. The majority of our employees and outsourced professionals of the State of Rio de Janeiro are members of the Civil Construction, Tiles, Cement, Marble and Granite Products, Road Construction, Paving, and Land Moving and Industrial Maintenance and Assembly Industries' Workers Union of the Rio de Janeiro Municipality (SINTRACONST-RIO). As a rule, the Civil Construction of Large Building Industry in the State of Rio de Janeiro (SINDUSCON-RIO) annually negotiates with SINTRACONST-RIO the collective bargaining agreements applicable to our employees. The most recent collective bargaining agreement for our employees and outsourced professionals in the State of Rio de Janeiro was executed in May 2015, establishing a salary adjustment of 7% as of March 2015. This collective bargaining agreement became effective in March 2015 and will expire in February 2016.

Table of Contents

We believe that our relationship with our employees and workers' unions is good. In all the regions where we operate, we maintain a stable relationship with the workers unions, which generally decreases the risk of strikes.

The benefits we offer to our permanent employees include life insurance, dental plan, health insurance, meal tickets and profit sharing.

Health and Safety

We are committed to preventing work-related accidents and diseases. Accordingly, we maintain a risk prevention program which seeks to maintain and enhance the health and physical conditions of our employees, by anticipating, recognizing, evaluating and controlling any existing or potential environmental risks in the workplace.

In addition, we have an internal committee for the avoidance of accidents, which seeks to prevent diseases and accidents from occurring in the workplace. We make significant investments in this area, providing frequent training programs for our construction employees as well as for our subcontractors' employees, and we require our subcontractors to follow strict guidelines.

E. Share Ownership

As of the date of this annual report, our directors and executive officers do not hold, on an aggregate basis, any direct or indirect interest of greater than 0.635% of our total share capital or of the share capital of any of our subsidiaries or jointly-controlled entities. As of December 31, 2015, some of our executive officers held interests in our subsidiaries and jointly-controlled entities as directors and executive officers. In none of these cases, as of the date of this annual report, were the interests held material.

The table below sets forth the number of our total shares beneficially owned by each of our directors and executive officers as of the date of this annual report:

Name Position

		Number of Shares Owned
Sandro Rogério da Silva Gamba	Chief Executive Officer	742,326
Andre Bergstein	Chief Financial Officer and Investor Relations Officer	554,831
Luiz Carlos Siciliano	Officer	296,683
Cláudio José Carvalho de Andrade	Director	349,000
Odair Garcia Senra	Director	243,505
Katia Varalla Ley	Officer	139,778
Octavio Marques Flores	Officer	73,502
Guilherme Affonso Ferreira	Director	102
José Écio Pereira da Costa Junior	Director	2
Francisco Vidal Lunda	Director	0
Maurício Marcellini Pereira	Director	0
Rodolpho Amboss	Director	0
Total		2,399,729

Stock Option Plans

Gafisa's stock option plans seek to: (1) encourage our expansion and success by allowing our executives and key employees to acquire shares of our capital stock in order to encourage their integration with the company; (2) allow us to obtain and retain the services of executives and key employees by offering them the benefit of becoming one of our shareholders; and (3) align the interests of our executives and key employees with the interests of our shareholders.

Tenda's stock option plans seek to: (1) allow Tenda to hire and retain the services of executives and key employees by offering them the benefit of becoming one of our shareholders; and (2) align the interests of Tenda executives and key employees with the interests of our shareholders.

We have individual agreements with our key employees and executives for both Gafisa and Tenda, under which they are entitled to purchase shares of our capital stock pursuant to the terms and conditions of the stock option plans and the specific conditions set forth in their agreements.

In 2002, our shareholders ratified the terms and conditions of our stock option plan. A standard stock option program to grant subscription rights related to our preferred shares was approved by our board of directors at a meeting held on April 3, 2000. As a result of our entry in the *Novo Mercado* segment of BM&FBOVESPA, our

Table of Contents

preferred shares were converted into common shares, and therefore all options relating to this plan grant subscription rights related to our common shares. Currently, we do not have any stock option grants related to this plan.

On February 3, 2006, our shareholders approved a new stock option plan. Under the 2006 stock option plan, our board of directors may release further programs on a regular basis of options to purchase up to 5% of the total outstanding shares of our company, as set forth in the 2006 stock option plan. Such new programs would grant our executives and key employees the right to subscribe and/or acquire our shares for a set price, under terms and conditions according to the agreements set for each participant. Currently, we do not have any stock option grants related to this plan.

Our most recent stock option plan was approved on May 18, 2008 during a special shareholders' general meeting. Under this new stock option plan, our board of directors may create additional programs on a regular basis for options to purchase up to 5% of the total outstanding shares of our company, as set forth in the 2008 stock option plan.

Under this stock option plan, the board of directors may also grant different types of options to certain beneficiaries, namely "A options", which are regular options, and "B options," for the exercise price of R$0.01. The exercise of B options, if granted, is subject to the proportional purchase of common shares or exercise of a regular option under this 2008 plan, according to the terms and conditions set forth in each program, and to lapse two years from the common share purchase date.

On August 11, 2014, our shareholders approved Tenda's first stock option plan. Under this stock option plan, our board of directors may release further programs on a regular basis of options to purchase up to 10% of the total outstanding shares of our company. Such new programs would grant our executives and key employees the right to subscribe and/or acquire our shares for a set price, under terms and conditions according to the agreements set for each participant.

As of December 31, 2015, all active stock option Programs follow the Plan approved in 2008.

2012 Programs

Two stock option programs were approved in 2012 for executives and key employees.

The first is a standard stock option program granting subscription rights related to our common shares. Under this program, the board of directors may grant to certain beneficiaries the right to subscribe and/or acquire our shares for a set price, under the terms and conditions set forth in the stock option plan agreement entered into with each participant.

As of December 31, 2015, 3,560,000 options to purchase shares of our common shares have been granted to executive officers pursuant to this program. Out of the amount granted, 2,141,372 have been acquired or expired pursuant to such program.

Under the second program, the board of directors may grant different types of B options for the exercise price of R$0.01 per share. The exercise of B options, if granted, is subject to the proportional exercise of regular options at market price, granted under this second program, according to the terms and conditions set forth in such second program, and to lapse one year from the grant date.

As of December 31, 2015, options to purchase 4,079,048 shares of our common shares have been granted to employees and executives pursuant to this second program. The options granted included 3,005,532 “B” options. Out of the total options granted, 3,564,698 have been acquired or expired pursuant to such second program.

2013 Programs

Two stock option programs were approved in 2013 for executives and key employees.

The first is a standard stock option program granting subscription rights related to our common shares. Under this program, the board of directors may grant to certain beneficiaries the right to subscribe and/or acquire our shares for a set price, under the terms and conditions set forth in the stock option plan agreement entered into with each participant.

Table of Contents

As of December 31, 2015, 1,370,037 options to purchase shares of our common shares have been granted to executive officers pursuant to this agreement and none has been acquired. Out of the amount granted, 692,099 have been expired pursuant to such agreements.

Under the second program, the board of directors may grant different types of B options for the exercise price of R$0.01 per share. The exercise of B options, if granted, is subject to the proportional exercise of regular options at market price, granted under this program, according to the terms and conditions set forth in this second program, and to lapse one year from the grant date.

As of December 31, 2015, options to purchase 4,013,590 shares of our common shares have been granted to employees and executives pursuant to this second program. The options granted included 2,928,810 “B” options. Out of the total options granted, 2,521,091 have been acquired or expired pursuant to such second program.

2014 Programs

One stock option program was approved in 2014 for executives and key employees.

Under this program, the board of directors may grant different types of B options for the exercise price of R$0.01 per share. The exercise of B options, if granted, is subject to the proportional exercise of regular options at market price, granted under this program, according to the terms and conditions set forth in each program, and to lapse one year from the grant date.

As of the date of this annual report, options to purchase 4,361,763 shares of our common shares have been granted to employees and executives pursuant to this agreement. The options granted included 1,680,670 “B” options. Out of the total options granted, none have been acquired. Out of the amount granted, 289,000 have been cancelled pursuant to such agreements, in connection with an executive that is no longer employed by us.

2015 Programs

One stock option program was approved in 2015 for executives and key employees.

This program is a standard stock option program granting subscription rights related to our common shares. Under this program, the board of directors may grant to certain beneficiaries the right to subscribe and/or acquire our shares for a set price, under the terms and conditions set forth in the stock option plan agreement entered into with each participant.

As of the date of this annual report, options to purchase 3,567,201 shares of our common shares have been granted to employees and executives pursuant to this agreement. Out of the total options granted, none have been acquired or expired pursuant to such agreement.

In addition to the above stock option program, the board of directors approved a “Phantom Shares” program, payable in cash in accordance with the amount of options exercisable by the executives and key employees during the exercise period under 2015 stock option program.

Tenda programs

2014 Programs

One stock option program was approved in 2014 by the board of directors of Tenda for executives and key employees of Tenda.

The program is a standard stock option program granting subscription rights related to Tenda’s common shares. Under this program, the board of directors may grant to certain beneficiaries the right to subscribe and/or acquire Tenda’s shares for a set price, under the terms and conditions set forth in the stock option plan agreement entered into with each participant.

As of the date of this annual report, options to purchase 42,259,687 shares of Tenda’s common shares have been granted to employees and executives pursuant to this agreement. Out of the total options granted, none have been acquired or expired pursuant to such agreement.

Table of Contents

Active Programs	Number of Stock Options granted	Number of Stock Options Outstanding (Not Expired or exercised) as of the date of this annual report	Exercise Price per Stock Option	Expiration
August 2012 (Standard SOP) (1)	3,560,000	1,418,628	R$2.73	August 2025
August 2012 (Restricted Type B) (1)	3,005,532	514,350	R$0.01	August 2016
May 2013 (Standard SOP) (1)	1,370,037	677,938	R$3.66	May 2017
May 2013 (Restricted Type B) (1)	2,928,810	1,492,499	R$0.01	May 2017
March 2014 (Restricted Type A) (1)	2,681,093	2,456,093	R$3.13	March 2020
March 2014 (Restricted Type B) (1)	1,680,670	1,616,670	R$0.01	March 2020
August 2014 (Standard SOP) (Tenda)	42,259,687	42,259,687	R$0.77	March 2024
April 2015 (Standard SOP) (Gafisa)	3,567,201	3,567,201	R$2.24	April 2021
Total		**54,003,066**		

(1) Options unvested or vested and not yet exercised.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

As of the date of this annual report, the following shareholders held more than 5.0% of our common shares. The following table sets forth information of our directors and officers as a group, as well as common shares held in treasury and other shares in the public float. Each holder of common shares has the same rights.

Shareholders	Shares	(%)
Polo Capital Gestão de Recursos Ltda. And Polo Capital Internacional Gestão de Recursos Ltda	69,108,486	18.28
Fundação dos Economiarios Federais (“FUNCEF”)	23,835,800	6.30
Pátria Investimentos Ltda.	21,171,700	5.60

Public Float	253,365,419	67.02
Treasury shares	10,584,757	2.80
Total	**378,066,162**	**100.0**

We had a total of 91 record shareholders located in the United States, 75% of which hold shares traded at BM&FBOVESPA and 25% of which hold ADSs traded on the NYSE. We are not aware of any shareholders' agreement currently in force with our main shareholder.

On December 9, 2013, we completed the sale of a majority interest in Alphaville to Private Equity AE Investimentos e Participações ("Fundo AE"), a company controlled by Pátria Investimentos Ltda. and Blackstone Real Estate Advisor L.P., which was previously announced on June 7, 2013. All conditions precedent to the completion of the transaction were met, including governmental approval. The transaction was concluded with a sale of 50% interest by Gafisa and 20% interest by Tenda, with Gafisa retaining the remaining 30% of Alphaville capital stock. The proceeds from the transaction, post adjustments agreed to in the Share and Purchase Agreement, were R$1.54 billion, consisting of R$1.25 billion from Fundo AE for the acquisition of Alphaville shares, and an R$290 million dividend distribution by Alphaville.

B. Related Party Transactions

Other than arrangements which are described in "Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management— Our Relationship with our Executive Officers and Directors" and the transaction described below, since January 1, 2007, there has not been, and there is not currently proposed, any material transaction or series of similar transactions to which we were or will be a party in which any director, executive officer, holder of 5% of our capital stock or any member of their immediate family had or will have a direct or indirect interest.

Table of Contents

Under Brazilian corporate law, our directors and executive officers cannot vote on any matter in which they have a conflict of interest and such transactions can only be approved on reasonable and fair terms and under conditions that are no more favorable than the terms and conditions prevailing in the market or offered by third parties.

We participate in the development of real estate ventures with other partners, directly or through related parties, based on the constitutive documents of condominiums and/or consortia. The management structure of these enterprises and the cash management are centralized in the lead partner of the enterprise, which manages the construction schedule and budgets. Thus, the lead partner ensures that the investments of the necessary funds are made and allocated as planned. The sources and uses of resources of the venture are reflected in the balance sheet of the ventures, reflecting the respective participation percentages of the partners, which are not subject to inflation adjustments or financial charges and do not have a predetermined maturity date. The average term for the development and completion of the projects in which the resources are invested is between 24 and 30 months. As of December 31, 2015, 2014 and 2013, we had current accounts receivable from related parties related to real estate ventures of R$95.1 million, R$142.7 million and R$82.5 million, respectively, and we had current accounts payable from related parties related to real estate ventures of R$87.1 million, R$156.5 million and R$133.7 million, respectively.

As of and for the years ended December 31, 2015, 2014 and 2013, we have not entered into any loan or other type of financing agreement with our directors or executive officers.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

For our consolidated financial statements and notes thereto see “Item 18. Financial Statements.”

Legal Proceedings

We are currently party to several legal and administrative proceedings arising from the normal course of our business, principally relating to civil, environmental, tax and labor claims. We establish provisions in our balance sheets relating to potential losses from litigation based on estimates of probable losses. Brazilian GAAP requires us to establish provisions in connection with probable losses and we record a provision when, in the opinion of our management, we feel that an adverse outcome in a litigation is probable and a loss can be estimated. The determination of the amounts provisioned is based on the amounts involved in the claims and the opinion of our management.

Civil Claims

As of December 31, 2015, we were a party to 5,271 civil actions, totaling R$611 million. Of these actions, we were the plaintiff in 316 actions and the defendant in 4,955 actions, with aggregate amounts of R$157 million and R$454 million, respectively.

Most of these civil claims involve ordinary course matters relating to the development of our properties, including annulment of contractual clauses and termination of agreements with the reimbursement of the amounts paid. We also have a few civil claims where we discuss the resolution of the construction partnership.

As of December 31, 2015, the provisions related to civil claims include R$42 million related to lawsuits in which the Company is included as successor in enforcement actions for judicial and extrajudicial debts, in which the original debtor is a former shareholder of Gafisa, Cimob Companhia Imobiliária (“Cimob”) or companies that are part of the economic group of Cimob. The plaintiff alleges that the Company should be liable for the debts of Cimob. We have made judicial deposits amounting to R$44.1 million in connection with these claims. The Company is filing appeals against all decisions, as it considers that the inclusion of Gafisa in the claims to be legally unreasonable; these appeals aim at releasing amounts and obtaining the recognition that it cannot be held liable for the debt of a company that does not have any relationship with Gafisa. The Company has obtained both favourable and unfavourable decisions on appeal, and the final decision of each pending appeal cannot be predicted at present.

Table of Contents

The Company is a plaintiff in proceedings against Cimob and its former and current controlling shareholders. The Company is seeking (i) restitution of amounts already paid by the Company in connection with the lawsuits in which the Company is included as successor in enforcement actions for judicial and extrajudicial debts proceedings in which the original debtor is Cimob and (ii) the recognition of the court that it does not have any relationship with Cimob and cannot therefore be held liable for the debt of Cimob. The final decision is on appeal, and cannot be predicted at present.

As of December 31, 2015, the provision for our civil claims amounted to R$119 million.

Environmental Claims

As of December 31, 2015, we were the defendants in certain environmental claims alleging damage to a permanent conservation area and we are currently not able to estimate the aggregate amount of such claims.

In addition, we are occasionally party to other administrative environmental inquiries or claims by the Public Prosecution Offices or by other governmental agencies or third parties. These inquiries may result in public environmental claims against us and the findings in these inquires may give rise to other administrative and criminal claims. However, based on currently available information, we do not believe these matters are, or are likely to be in the future, material to our business or financial condition.

In Case No. 0022897-84.2010.4.03.6100, federal prosecutors (*Ministério Público Federal*) argue that due to restrictions on urban and landscape rights, the approval of the Paulista Corporate Building project would have been unduly issued by the authorities. The value attributed to the case by federal prosecutors was R$320.0 million. This process was intended to prevent the conclusion of construction, but the judiciary, according to our defense, denied the request and the building has already been finalized. An appeal was filed by the federal prosecutors. The court hearing the appeal ruled in favor of the Company, and the claim was subsequently extinguished and filed.

In Case No. 20654-60.2011.4.01.3200, federal prosecutors (Ministério Público Federal) argue that the company has built one of the towers of “Riviera da Ponta Building” on Federal Government property, next to a riverbank. The federal prosecutors claimed R$88.3 million in damages, comprising both environmental liability for construction in an allegedly “protected area” and payoff for the property. We estimate the probability of the Company to be sentenced to pay R$88.3 million as remote because we believe that the federal prosecutors’ computations to get this number are unreasonable, since they neither the value nor the extension of the area supposedly invaded are accurate.

As of December 31, 2015, we have made no provisions for environmental claims.

Tax Claims

As of December 31, 2015, we were party to several tax proceedings involving tax liabilities in the aggregate amount of R$80 million. As of December 31, 2015, the provision for tax liabilities amounted to R$0.2 million. In addition, we have deposited R$14.7 million with the court in connection with some of these proceedings. These amounts take into consideration the tax liabilities of our subsidiaries, in proportion to our interest in their share capital. The main tax proceedings to which we are a party are described below.

On November 30, 2009, we and our subsidiaries Tenda, Alphaville and Gafisa Vendas joined the program for cash and installment payment of debits with the Federal Revenue Service and the Attorney-General Office of the National Treasury. The Company joined the tax amnesty and refinancing program and opted for the cash payment of tax debits amounting to R$17.3 million, of which R$10.4 million was in cash and R$6.9 million offset tax losses. Tenda, Alphaville and Gafisa Vendas opted for the installment payment of tax debits amounting to R$6.6 million, R$980 thousand and R$192 thousand, respectively, recognizing gains of R$568 thousand, R$360 thousand and R$70 thousand, respectively, relating to the offset of tax losses.

In September 2015, the Company adhered to the Tax Refinance program (REFIS), originally introduced by Law No. 11,941/2009 and reopened by virtue of Law No. 12,996/2014, which provided new conditions for lump sum or installment payment of tax-related debits with the Federal Revenue Service or the Office of Attorney-General of the National Treasury. The Company opted to pay the tax debits of certain SPEs which it controls in monthly installments of R$6,291.

Alphaville is a party to legal and administrative claims related to Federal VAT (IPI) and State VAT (ICMS) on two imports of aircraft in 2001 and 2005, respectively, under leasing agreements without purchase options. The likelihood of loss in the ICMS case is rated by legal counsel as remote. According to the negotiation of the sale of

Table of Contents

controlling interest of 70% in Alphaville, it was agreed in the purchase and sale contract that Gafisa is responsible in the event of an unfavorable decision.

Several municipalities charge a municipal tax on construction services on an arbitrated basis, which varies depending on the characteristic of the construction. We have filed lawsuits against the municipalities of São Paulo and São Caetano do Sul to challenge the calculation of the arbitrated basis on several of our developments under construction. In these proceedings, we deposited R$11.3 million with the courts and we are awaiting the final decision. In addition, the municipalities of Rio de Janeiro, Niterói, São Paulo and Santo Andre have issued tax assessments against us. We have filed administrative defenses and are awaiting the final administrative decisions. The total amount involved in these proceedings is R$11.3 million.

Labor Claims

As of December 31, 2015, we were a defendant in 2,746 labor claims resulting from our ordinary course of business, of which approximately 82% were filed by outsourced workers and approximately 13% were filed by our former employees. The alleged legal bases for these claims mainly relate to termination benefits, overtime hours, employee relationship and dismissal rights. As of December 31, 2015, the total value involved in the labor claims filed against us was approximately R$125 million. As of December 31, 2015, the provision for labor claims amounted to R$63 million.

In addition, we are periodically party to other administrative labor inquiries or claims by the Public Prosecution Offices or by other governmental agencies or third parties. These inquiries may result in public labor claims against us and the findings in these inquires may give rise to other claims. However, based on currently available information, we do not believe these matters are, or are likely to be in the future, material to our business or financial condition.

We have adopted certain measures to audit third party contractors. The objective of these measures is to evaluate compliance by third party contractors with labor obligations to their employees. We believe this will help us minimize the risks of potential labor liabilities.

Arbitration

We are also involved in 5 arbitrations proceedings: 4 of them by partners seeking to discuss and terminate the partnership to develop a few real estate projects and 1 of them commenced by us against a partner seeking to discuss damages suffered in connection with the development of certain real estate projects.

As of December 31, 2015, we have made no provisions for arbitration claims.

Other Developments

On June 14, 2012, we received a subpoena from the SEC Division of Enforcement related to the Matter of Certain 20-F Filer Home Builders (HO-11760). The subpoena requests that we produce all documents from January 1, 2010 to the present related to the preparation of our financial statements, including, among other things, copies of our financial policies and procedures, board and audit committee and operations committee minutes, monthly closing reports and financial packages, any documents relating to possible financial or accounting irregularities or improprieties and internal audit reports. The SEC's investigation is a non-public, fact-finding inquiry and it is not clear what action, if any, the SEC intends to take with respect to the information it gathers. The SEC subpoena does not specify any charges. The Company has already submitted all the information requested by SEC, which as of the publication of these financial statements has not issued any opinion. We have not received any further notice from the SEC after delivering the requested information in the first half of 2012.

On July 31, 2012, we received a letter from the CVM: CVM/SEP/GEA-5/ Letter No. 208/2012, requesting information related to criteria for measurement and recognition of revenue and enhancement in the disclosure of some notes to our financial information. We have already provided all the information requested by the CVM. In addition, on February 19, 2013, we received a letter from the CVM: CVM/SEP/GEA-5/ Letter No. 040/2013 recommending enhancements to the notes to our financial statements regarding the percentage of assets by venture that is included in the structures of equity segregation of the purchase.

On July 11, 2013, the Company received CVM/SEP/GEA-5 Letter No. 240/2013, which requested information on the criteria for measuring and recognizing revenues. The Company has already provided all the information requested by CVM . On November 2013, we received a letter from the CVM: SEP/GEA-5/no 362/2013, requesting information related to some control deficiencies. We have already provided all the information requested by the CVM.

Table of Contents

The CVM letters listed above led to administrative proceeding "*Processo Administrativo Sancionador Nº RJ2014-9034*" involving Wilson Amaral de Oliveira and Alceu Duilio Calciolari, former executive officers of the Company, and André Bergstein, current chief financial officer of the Company. The former executive officers presented their defense to the alleged facts on December 8, 2014, regarding the lack of disclosure of some control deficiencies. This administrative proceeding is pending judgment by the CVM.

Dividend Policy

The amount of any of our distributions of dividends and/or interest on shareholders' equity will depend on a series of factors, such as our financial conditions, prospects, macroeconomic conditions, tariff adjustments, regulatory changes, growth strategies and other issues our board of directors and our shareholders may consider relevant, as discussed below.

Amounts Available for Distribution

At each annual general shareholders' meeting, our board of directors is required to propose to our shareholders how our earnings of the preceding fiscal year are to be allocated. For purposes of Brazilian corporate law, a company's income after federal income tax for such fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to debentures, employees' and management's participation in earnings and founders' shares, represents its "net income" for such fiscal year. In accordance with Brazilian corporate law, an amount equal to the company's "net income" may be affected by the following:

- reduced by amounts allocated to the legal reserve;
- reduced by amounts allocated to any statutory reserve;
- reduced by amounts allocated to the contingency reserve, if any;
- reduced by amounts allocated to the tax incentives reserve;

- reduced by amounts allocated to the investment reserve;

- increased by reversals of contingency reserves recorded in prior years; and

- increased by amounts allocated to the investment reserve, when realized and if not absorbed by losses.

Our calculation of net income and allocation of funds to our reserves for any fiscal year are determined on the basis of our audited unconsolidated financial statements for the immediately preceding fiscal year.

Allocation of Net Income

According to Brazilian corporate law, we have two types of reserve accounts: (1) profit reserves and (2) capital reserve.

Profit Reserves

Our profit reserves consist of the following:

- *Legal Reserve*. Under Brazilian corporate law and our by-laws, we are required to maintain a legal reserve to which we must allocate 5% of our net income for each fiscal year until the aggregate amount of such reserve equals 20% of our share capital. However, we are not required to make any allocations to our legal reserve in a fiscal year in which the legal reserve, when added to our other established capital reserves, exceeds 30% of our total share capital. The portion of our net income allocated to our legal reserve must be approved by our annual general shareholders' meeting and the balance of such reserve may only be used to increase our share capital or to absorb losses, but is unavailable for the payment of dividends. As of December 31, 2015, our legal reserve amounted to R$35.3 million.

Table of Contents

- *Statutory Reserve*. Under Brazilian corporate law, we are permitted to provide for the allocation of part of our net income to discretionary reserve accounts that may be established in accordance with our bylaws. The allocation of our net income to discretionary reserve accounts may not be made if it serves to prevent distribution of the mandatory distributable amount. According to our bylaws, up to 71.25% of our net income may be allocated to an investment reserve to finance the expansion of our activities and the activities of our controlled companies by subscribing for capital increases, creating new projects or participating in consortia or any other type of association to achieve our corporate purpose. This statutory reserve is established in accordance with our bylaws as an "investment reserve, and such reserve may not exceed 80% of our share capital. As of December 31, 2015, our statutory reserve amounted to R$268.7 million

- *Contingency Reserve*. Under Brazilian corporate law, a percentage of our net income may be allocated to a contingency reserve for anticipated losses that are deemed probable in future years. Management must indicate the cause of the anticipated loss and justify the establishment of the reserve for allocation of a percentage of our net income. Any amount so allocated in a prior year either must be reversed in the year in which the justification for the loss ceases to exist or charged off in the event that the anticipated loss occurs. The allocations to the contingency reserve are subject to the approval of our shareholders in a general shareholders' meeting. As of December 31, 2015, there was no amount allocated to a contingency reserve.

- *Unrealized Profit Reserve*. Under Brazilian corporate law, the amount by which the mandatory distributable amount exceeds the "realized" net income in a given fiscal year, as proposed by the board of directors, may be allocated to the investment reserve. Brazilian corporate law defines "realized" net profits as the amount by which net profits exceed the sum of (1) the net positive results, if any, from the equity method of accounting and (2) the net profits, net gains or net returns resulting from transactions or the accounting of assets and liabilities based on their market value, to be received after the end of the following fiscal year. All amounts allocated to the unrealized profit reserve must be paid as mandatory dividends when those "unrealized" profits are realized if they have not been designated to absorb losses in subsequent periods. As of December 31, 2015, there was no amount allocated to an unrealized profit reserve.

- *Retained Earnings Reserve*. Under Brazilian corporate law, a portion of our net income may be reserved for investment projects in an amount based on a capital expenditure budget approved by our shareholders. If such budget covers more than one fiscal year, it might be reviewed annually at the general shareholders' meeting. The allocation of this reserve cannot jeopardize the payment of the mandatory dividends. As of December 31, 2015, there was no amount allocated to our retained earnings reserve.

Capital Reserves

The capital reserve is formed by (a) amounts received by shareholders in excess of the par value of shares issued (premium on capital stock), as well as the part of the issue price of the shares with no par value that exceeds the amount intended to form the capital stock; and (b) proceeds from the sale of founders' shares and warrants. Under Brazilian corporate law, capital reserve may only be applied to: (1) absorb losses that exceed accumulated earnings

and revenue reserves; (2) redeem, reimburse or buy our own shares; and (3) increase our share capital.

Mandatory Distribution of Dividends

Brazilian corporate law generally requires that the bylaws of each Brazilian company specify a minimum percentage of the amounts available for distribution by such company for each fiscal year that must be distributed to shareholders as dividends or as interest on shareholders' equity, also known as the mandatory dividend.

The mandatory dividend is based on a percentage of adjusted net income, rather than a fixed monetary amount per share. Under our bylaws, at least 25% of our net income, as calculated under Brazilian GAAP and adjusted under Brazilian corporate law (which differs significantly from net income as calculated under U.S. GAAP), for the preceding fiscal year must be distributed as a mandatory dividend. Adjusted net income means the distributable amount before any deductions for profit retention and statutory reserves.

Under Brazilian corporate law, however, we are allowed to suspend the distribution of the mandatory dividends in any year in which our board of directors report to our general shareholders' meeting that the distribution would be inadvisable in view of our financial condition. Such suspension is subject to the approval at the shareholders' meeting and review by members of the fiscal council. In the case of publicly held companies, the board of directors

Table of Contents

must file a justification for such suspension with the CVM within five days of the relevant general shareholders' meeting. If the mandatory dividend is not paid, the unpaid amount shall be attributed to a special reserve account. If not absorbed by subsequent losses, those funds shall be paid out as dividends as soon as the financial condition of the company permits.

The mandatory dividend may also be paid in the form of interest attributable to shareholders' equity, being considered as a deductible financial expense for purpose of calculating our income and social contribution tax obligations, provided that certain requirements are met. See " Item 10. Additional Information – E. Taxation" for further information.

Payment of Dividends

We are required by Brazilian corporate law and our bylaws to hold an annual general shareholders' meeting within the first four months following the end of each fiscal year, at which time, among other things, the shareholders have to decide on the allocation of the results from the preceding year and on the payment of dividends based on our financial results from the previous fiscal year.

Under Brazilian corporate law, dividends are generally required to be paid to the holder of record on the date of the dividend declaration date within 60 days following the date the dividend was declared, unless a shareholders' resolution sets forth another date of payment, which, in either case, must occur within the fiscal year in which such dividend was declared. A shareholder has a three-year period from the date of the dividend payment to claim dividends, which do not bear interest and are not monetarily restated, after which the aggregate amount of any unclaimed dividends shall legally revert to us.

Our board of directors may declare interim dividends to be deducted from the retained earnings or profit reserves in our semi-annual or annual financial statements. In addition, our board of directors may pay dividends from our net income based on our net income registered on semi-annual or quarterly balance sheet. The dividends paid in each semester may not exceed the amounts accounted for in our capital reserve accounts. Any payment of interim dividends may be set off against the amount of mandatory dividend relating to the net profit earned in the year in which the interim dividends were paid.

In general, shareholders who are not residents of Brazil must register their equity investment with the Central Bank to have dividends, sales proceeds or other amounts with respect to their shares eligible to be remitted outside of Brazil. The common shares underlying the ADSs are held in Brazil by Banco Itaú S.A., also known as the custodian, as agent

for the depositary, who is the registered owner on the records of the registrar for our shares. The depositary registers the common shares underlying the ADSs with the Central Bank and, therefore, it is possible to have dividends, sales proceeds or other amounts with respect to the common shares remitted outside Brazil.

Payments of cash dividends and distributions, if any, are made in *reais* to the custodian on behalf of the depositary, which then converts such proceeds into U.S. dollars and causes such U.S. dollars to be delivered to the depositary for distribution to holders of ADSs. In the event that the custodian is unable to convert immediately the *reais* received as dividends into U.S. dollars, the amount of U.S. dollars payable to holders of ADSs may be adversely affected by any depreciation of the real that occurs before the dividends are converted. Under the current Brazilian tax law, dividends paid to persons who are not Brazilian residents, including holders of ADSs, will not be subject to Brazilian withholding tax, except for dividends declared based on profits generated prior to December 31, 1995, which will be subject to Brazilian withholding income tax at varying tax rates. See “Item 10. Additional Information—E. Taxation.”

Holders of ADSs have the benefit of the electronic registration obtained from the Central Bank, which permits the depositary and the custodian to convert dividends and other distributions or sales proceeds with respect to the common shares represented by ADSs into foreign currency and remit the proceeds outside of Brazil. In the event the holder exchanges the ADSs for common shares, the holder will be entitled to continue to rely on the depositary’s certificate of registration for five business days after the exchange. Thereafter, in order to convert foreign currency and remit outside of Brazil the sales proceeds or distributions with respect to the common shares, the holder must obtain a new certificate of registration in its own name that will permit the conversion and remittance of such payments through the commercial exchange rate market.

Under current Brazilian legislation, the Brazilian government may impose temporary restrictions of foreign capital abroad in the event of a serious imbalance or an anticipated serious imbalance of Brazil’s balance of payments. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Common Shares and the ADSs.”

Table of Contents

Interest on Equity

Under the Brazilian tax legislation effective January 1, 1996, Brazilian companies are permitted to pay "interest" to holders of equity securities and treat such payments as a deductible financial expense for Brazilian income tax purposes and, from 1997, for social contribution on net profit purposes. The purpose of the tax law change is to encourage the use of equity investment, as opposed to debt, to finance corporate activities. Payment of such interest may be made at the discretion of our board of directors. The amount of any such notional "interest" payment to holders of equity securities is generally limited in respect of any particular year to the greater of:

- 50% of net income (after the deduction of the provisions for social contribution on net profits but before taking into account the provision for corporate income tax and the interest attributable to shareholders' equity) for the period in respect of which the payment is made; or

- 50% of the sum of retained earnings and profit reserves as of the beginning of the year in respect to which such payment is made.

For tax deduction purposes, the rate applied in calculating interest attributable to shareholders' equity cannot exceed the *pro rata die* variation of the Long Term Interest Rate (*Taxa de Juros de Longo Prazo*), or TJLP, as determined by the Central Bank from time to time.

For accounting purposes, although the interest should be reflected in the statement of operations for tax deduction, the charge is reversed before the calculation of the net income in the statutory financial statements and deducted from the shareholders' equity in the same way as the dividend. Any payment of interest with respect to the common shares is subject to withholding income tax at the rate of 15% or 25% if a holder that is not domiciled in Brazil for purposes of Brazilian taxation is domiciled in a country or location defined as a "tax favorable jurisdiction." The definition of "tax favorable jurisdiction" includes countries and locations (a) that do not impose income tax, (b) that impose income tax at a rate of 20% or less, or (c) where local laws do not allow access to information related to shareholding composition, ownership of investments, or the identity of the ultimate beneficiary of earnings that are attributed to non-residents. On November 28, 2014, the Brazilian Revenue Service issued Rule No. 488, which reduces the threshold income tax rate for determining a "tax favorable jurisdiction" from 20% to 17%. Please refer to "Item 10. Additional Information—E. Taxation—Brazilian Tax Considerations—Gains" below for a discussion that the definition of "tax favorable jurisdiction" may be broadened by an interpretation of Law No. 11,727.

The amount distributed to shareholders as interest attributable to equity, net of any withholding tax, may be included as part of the minimum mandatory dividend. In accordance with applicable law, we are required to pay to shareholders

an amount sufficient to ensure that the net amount they receive in respect of interest attributable to shareholders' equity, after payment of the applicable withholding tax, plus the amount of declared dividends, is at least equivalent to the amount of the minimum mandatory dividend. A shareholder has a three-year period from the date of the interest payment to claim interest attributable to equity, after which the aggregate amount of any unclaimed interest shall legally revert to us.

If a payment of interest on equity is recorded at net value as part of a mandatory dividend, we will pay the income tax on behalf of our shareholders at the time the payment is distributed. Otherwise, the income tax will be paid by the shareholders, subject to our obligation to retain and collect taxes on the payment.

History of Payment of Dividends and Interest on Equity

In 2010, we distributed dividends in the total amount of R$50.7 million, or R$0.12 per share (after giving effect to the stock split of one existing share into two newly issued shares approved at our shareholders' meeting on February 22, 2010), for fiscal year 2009. In 2011, we distributed dividends in the total amount of R$98.8 million, or R$0.2991 per share, for fiscal year 2010.

In 2012, we did not distribute any dividends, related to fiscal year 2011. In 2013, we did not distribute any dividends, related to fiscal year 2012.

On December 20, 2013, we approved the distribution of interest on equity, charging the account of net income for the current fiscal year, according to the extraordinary balance sheet of December 3, 2013 and deducted from the mandatory minimum dividends of 2013 fiscal year, as set forth on §7, Article 9, Law 9,249/95 and CVM Deliberation No. 207/96, in the gross amount of R$130.2 million, corresponding to R$0.3111 per outstanding share.

Table of Contents

On April 25, 2014, we approved the payment of dividends in the total amount of R$32.9 million, or R$0.082 per share (excluding treasury shares) for fiscal year 2013. The dividends were distributed on December 11, 2014, as approved by a meeting of the board of directors held on December 1, 2014.

On April 25, 2014, we approved the distribution of interest on equity, charging the account of net income for the current fiscal year, according to the extraordinary balance sheet of December 3, 2013 and deducted from the mandatory minimum dividends of 2013 fiscal year, as set forth on §7, Article 9, Law 9,249/95 and CVM Deliberation No. 207/96, in the gross amount of R$130.2 million, corresponding to R$0.3111 per outstanding share. The interest on equity was distributed on December 11, 2014, as approved by a meeting of the board of directors held on December 1, 2014.

In 2015, we did not distribute any dividends related to fiscal year 2014.

B. Significant Changes

None.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our common shares started trading on the BM&FBOVESPA on February 17, 2006 and the ADSs started trading on the NYSE on March 16, 2007. The table below sets forth, for the indicated periods, the high and low closing prices of the ADSs on the NYSE, in U.S. dollars, and the common shares on the BM&FBOVESPA, in *reais*:

	New York Stock Exchange			São Paulo Stock Exchange		
	High	Low	Volume(1)	High	Low	Volume(1)
	(in US$ per ADS)			(in *reais* per common shares)		
Year Ended December 31, 2011	12.25	4.10	3,548,148	15.17	4.30	8,082,453

December 31, 2012	5.47	2.09	2,911,582	6.78	2.05	14,660,144
December 31, 2013	5.13	2.22	1,853,011	5.23	2.62	10,648,389
December 31, 2014	3.58	1.33	1,184,125	3.90	1.86	5,990,816
December 31, 2015	1.89	0.88	483,148	2.95	1.78	3,784,043
Quarter						
First quarter 2014	3.20	2.38	1,419,632	3.72	2.81	8,831,330
Second quarter 2014	3.58	2.82	1,047,098	3.90	3.12	5,831,732
Third quarter 2014	3.30	2.20	1,269,670	3.70	2.72	3,895,209
Fourth quarter 2014	2.57	1.33	1,008,996	3.14	1.86	5,547,077
First quarter 2015	1.70	1.07	753,723	2.35	1.78	4,547,867
Second quarter 2015	1.89	1.30	507,015	2.95	2.15	3,607,857
Third quarter 2015	1.70	0.88	441,346	2.73	1.91	3,995,428
Fourth quarter 2015	1.43	0.93	243,567	2.80	1.95	2,961,135
Month						
October 2015	1.34	0.93	236,268	2.70	1.95	3,886,667
November 2015	1.43	1.22	217,566	2.80	2.46	2,560,605
December 2015	1.38	1.08	274,502	2.63	2.28	2,369,830
January 2016	1.17	0.95	196,819	2.42	2.07	2,553,347
February 2016	1.30	1.06	117,989	2.71	2.23	2,285,963
March 2016	1.53	1.23	270,017	2.99	2.38	3,022,514
April 2016 (through April 26, 2016)	1.52	1.23	217,405	2.82	2.38	2,550,431

(1) Average number of shares traded per day.

In September 2007, we joined the BM&FBOVESPA Index, or "IBM&FBOVESPA," the main indicator of the Brazilian stock market's average performance. We are part of the IBrX-100, an index measuring the total return on a theoretical portfolio composed of 100 stocks selected among BM&FBOVESPA's most actively traded securities. Additionally, we are part of the MSCI Emerging Markets Index, which is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Through the inclusion on these indices, our stock has expanded opportunity for increased liquidity. Prior to joining the indices, we traded at a daily average of R$38.1 million (or 1.3 million shares), and after joining the indices, trading in our shares increased to a daily average of R$57.1 million (or 11.3 million shares). We are also part of the following indices of the Brazilian stock market:

Table of Contents

- IbrA: This index comprises all stocks actively traded on the cash market operated by BM&FBOVESPA that have a certain minimum liquidity and active trading criteria;

- IMOB: The IMOB is a real estate sector index covering BM&FBOVESPA's most actively traded securities;

- IGCX: The IGCX comprises all stocks trading on the *Novo Mercado* and Levels 1 and 2 of the BM&FBOVESPA;

- IGCT: The stocks that comprise this index are selected as constituents of the Special Corporate Governance Equity Index (IGC) to the extent they meet certain additional membership criteria;

- IGC-NM: This index comprises stocks listed for trading on the Novo Mercado segment of the BM&FBOVESPA;

- ITAG: This index comprises stocks which give minority shareholders enhanced tag-along rights protection in addition to the protection required by law in the event of a change of control;

- SMLL: This index comprises small capitalization stocks; and

- IDIV: This index comprises higher dividend-yielding stocks.

B. Plan of Distribution

Not applicable.

C. Markets

Our common shares are listed on the BM&FBOVESPA under the symbol "GFSA3" and the ADSs are listed on the NYSE under the symbol "GFA."

Trading on the BM&FBOVESPA

Trading on the São Paulo Stock Exchange is conducted every business day, from 10:00 a.m. to 5:00 p.m., on an electronic trading system called the PUMA Trading System ("PUMA"). Trading is also conducted between 5:30 p.m. and 6:00 p.m., on an online system connected to PUMA and Internet brokers called the "after market" The "after-market" trading is scheduled after the close of principal trading sessions, when investors may send purchase and sell orders and trade through the home broker system. This after-market trading is subject to regulatory limits on price volatility of securities traded by investors operating on the Internet.

The CVM and the BM&FBOVESPA have discretionary authority to suspend trading in shares of a particular issuer under certain circumstances. Trading in securities listed on the BM&FBOVESPA, including the *Novo Mercado, Bovespa Mais, Bovespa Mais Nível 2* and Levels 1 and 2 segments, may be effected off the exchanges in the unorganized over-the-counter market in certain circumstances.

The shares of all companies listed on the BM&FBOVESPA, including the *Novo Mercado, Bovespa Mais, Bovespa Mais Nível 2* and Level 1 and Level 2 companies, are traded together.

Settlement of transactions occurs three business days after the trade date, without adjustments to the purchase price. Delivery of and payment for shares are made through the facilities of separate clearing houses for each exchange, which maintain accounts for brokerage firms, the BM&FBOVESPA Brazilian Securities Depositary (*Central Depositária da BM&FBOVESPA*), formerly the BM&FBOVESPA Securities Clearinghouse (*Companhia Brasileira de Liquidação e Custódia*). The seller is ordinarily required to deliver the shares to the BM&FBOVESPA clearing house on the second business day following the trade date.

In order to maintain control over the fluctuation of the BM&FBOVESPA index, the BM&FBOVESPA has adopted a "circuit breaker" system pursuant to which trading sessions may be suspended for a period of 30 minutes or one hour whenever specified indices of the BM&FBOVESPA fall below the limits of approximately 10% and 15%, respectively, in relation to the closing index levels for the previous trading session.

Table of Contents

Although the Brazilian equity market is the largest in Latin America in terms of capitalization, it is smaller and less liquid than the major U.S. and European securities markets. The BM&FBOVESPA is significantly less liquid than the NYSE, or other major exchanges in the world. The BM&FBOVESPA, had a market capitalization of US$489.7 billion as of December 31, 2015 and an average daily trading volume of US$2.1 billion for 2015. In comparison, the NYSE had a market capitalization of US$18.4 trillion as of December 31, 2015 and an average daily trading volume of approximately US$44.1 billion for 2015. Although any of the outstanding shares of a listed company may trade on the BM&FBOVESPA, in most cases fewer than half of the listed shares are actually available for trading by the public, the remainder being held by small groups of controlling persons, by government entities or by one main shareholder. The relative volatility and illiquidity of the Brazilian securities markets may substantially limit your ability to sell the common shares at the time and price you desire and, as a result, could negatively impact the market price of these securities.

Trading on Brazilian stock exchanges by non-residents of Brazil is subject to registration procedures. See "—Investment in Our Common Shares by Non-Residents of Brazil."

Regulation of Brazilian Securities Markets

The Brazilian securities markets are mainly governed by Law No. 6,385, of December 7, 1976, Law No. 4,728, of July 14, 1965 and Brazilian corporate law, each as amended and supplemented, and by regulations issued by the CVM, which has authority over stock exchanges and the securities markets generally; the CMN; and the Central Bank, which has, among other powers, licensing authority over brokerage firms and regulates foreign investment and foreign exchange transactions.

These laws and regulations, among others, provide for licensing and oversight of brokerage firms, governance of the Brazilian stock exchanges, disclosure requirements applicable to issuers of traded securities, restrictions on price manipulation and protection of minority shareholders. They also provide for restrictions on insider trading. However, the Brazilian securities markets may not be considered to be as highly regulated and supervised as the U.S. securities markets or securities markets in some other jurisdictions. Accordingly, any trades or transfers of our equity securities by our officers and directors, our controlling shareholders or any of the officers and directors of our controlling shareholders must comply with the regulations issued by the CVM. See "Item 10. Additional Information—B. Memorandum and Bylaws—Disclosure Requirements."

We have the option to ask that trading in our securities on the BM&FBOVESPA be suspended in anticipation of a material announcement. Trading may also be suspended on the initiative of the BM&FBOVESPA or the CVM, based on or due to, among other reasons, a belief that a company has provided inadequate information regarding a material

event or has provided inadequate responses to inquiries by the CVM or the BM&FBOVESPA.

Under Brazilian corporate law, a corporation is either public, as we are, or closely held. All public companies are registered with the CVM and are subject to reporting requirements. A company registered with the CVM may trade its securities either on the BM&FBOVESPA, if it has registered to have its securities traded at the BM&FBOVESPA, or on the Brazilian over-the-counter market. The shares of a listed company may also be traded privately, subject to several limitations. Our common shares are listed on *Novo Mercado* segment of the BM&FBOVESPA.

The Brazilian over-the-counter market consists of direct trades between individuals in which a financial institution registered with the CVM (and in the relevant over the counter market) serves as intermediary. The Brazilian over-the-counter market is divided into two categories: (i) an organized over the counter market, in which the transactions are supervised by self-regulating entities authorized by the CVM; and (ii) a non-organized over the counter market, in which the transactions are not supervised by self-regulating entities authorized by the CVM. In either case, transactions are directly traded outside of the stock exchange market, through a financial institution authorized by the CVM. No special application, other than registration with the CVM, is necessary for securities of a public company to be traded in this market. The CVM requires that it be given notice of all trades carried out in the Brazilian over-the-counter market by the respective intermediaries.

Investment in Our Common Shares by Non-Residents of Brazil

Portfolio Investment

Investors residing outside Brazil are authorized to purchase equity instruments, including our common shares, in the form of foreign portfolio investments on the BM&FBOVESPA, provided that they comply with the

Table of Contents

registration requirements set forth in (i) CVM Instruction No. 560, published on March 25, 2015, which revoked CVM Instruction No. 325 and (ii) Resolution No. 4,373 of September 29, 2014 ("Resolution No. 4,373").

With certain exceptions, Resolution No. 4,373/14 investors are permitted to carry out any type of transaction in the Brazilian financial capital market involving a security traded on a stock, futures or organized over-the-counter market authorized by the CVM. Investments and remittances outside Brazil of gains, dividends, profits or other payments under our common shares are made through the foreign exchange market. See "Item 10. Additional Information—D. Exchange Controls."

In order to become a Resolution No. 4,373/14 investor, an investor residing outside Brazil must:

- appoint a representative in Brazil with powers to take actions relating to the investment;
- appoint an authorized custodian in Brazil for the investments, which must be a financial institution duly authorized by the Central Bank and CVM;
- appoint a tax representative in Brazil;
- through its representative in Brazil, register itself as a foreign investor with the CVM and the Central Bank; and
- through its representative in Brazil, register itself with the Brazilian Internal Revenue (Receita Federal) pursuant to Regulatory Instruction No. 1,470 of May 30, 2014, and Regulatory Instruction No. 1,548 of February 13, 2015, as the case may be.

Securities and other financial assets held by foreign investors pursuant to Resolution No. 4,373/14 must be registered or maintained in deposit accounts or under the custody of an entity duly licensed by the Central Bank or the CVM. In addition, securities trading by foreign investors is generally restricted to transactions carried out in the Brazilian stock exchanges or in organized over-the-counter markets licensed by the CVM. Therefore, as a general rule, no private sale of securities and other financial assets held by foreign investors pursuant to Resolution No. 4,373/14 are permitted.

Foreign Direct Investment

Foreign direct investors under Law No. 4,131/62 may sell their shares in both private or open market transactions, but these investors will generally be subject to less favorable tax treatment on gains as compared to foreign portfolio investors.

A foreign direct investor under Law No. 4,131/62 must:

- register itself as a foreign direct investor and the investment with the Central Bank;
- obtain a taxpayer identification number from the Brazilian tax authorities;
- appoint a tax representative in Brazil; and
- appoint a representative in Brazil for service of process in respect of suits based on Brazilian corporate law.

Depositary Receipts

Resolution No. 4,373/14, which revoked Resolutions No. 1,927/92 and 3,845/10 of the CMN, regulates the issuance of depositary receipts in foreign markets in connection with shares of Brazilian issuers. Our ADSs program was approved by the CVM on March 8, 2007.

If a holder of ADSs decides to exchange ADSs for the underlying common shares, the holder may (1) sell the common shares on the BM&FBOVESPA and rely on the depositary's electronic registration for five business days from the date of the exchange to obtain and remit U.S. dollars abroad upon the holder's sale of our common shares; (2) convert its investment into a foreign portfolio investment under Resolution No.4,373/14, subject to simultaneous foreign exchange transactions (without actual inflow or outflow of funds); or (3) convert its investment into a foreign direct investment under Law No. 4,131/62, subject to simultaneous foreign exchange transactions.

Table of Contents

If a holder of ADSs wishes to convert its investment into either a foreign portfolio investment under Resolution No. 4,373/14 or a foreign direct investment under Law No. 4,131/62, it should first comply with such regulations, obtaining his own foreign investor registration with the Central Bank or with the CVM as the case may be, in advance of exchanging the ADSs for common shares and of executing the simultaneous foreign exchange agreements.

The custodian is permitted to update the depositary's electronic registration to reflect conversions of foreign portfolio investments under Resolution No. 4,373/14 into ADSs. If a foreign direct investor under Law No. 4,131/62 wishes to deposit its shares into the ADR program in exchange for ADSs, such holder will be required to execute simultaneous foreign exchange transactions and to present to the custodian evidence of payment of the applicable taxes. Please refer to "Item 10. Additional Information—E. Taxation—Brazilian Tax Considerations" for a description of the tax consequences to an investor residing outside Brazil of investing in our common shares in Brazil.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Bylaws

Registration

We are currently a publicly-held company incorporated under the laws of Brazil, registered with the Board of Trade of the State of São Paulo (JUCESP) under NIRE 35300147952 and with the CVM under No. 01610-1, and enrolled with the Brazilian Taxpayer's Authorities under CNPJ/MF No. 01,545,826/0001-07.

Corporate Purposes

Article 3 of our bylaws provides that our corporate purpose is to: (1) promote and develop any type of real estate project, whether our own or that of a third party, in the latter case as a contractor and agent; (2) purchase and sell any type of real estate; (3) perform civil construction and provide civil engineering services; and (4) develop and implement marketing strategies for any type of real estate project, whether our own or that of a third party.

Issued Share Capital

As of December 31, 2015, our share capital was R$2,740,661,187.74, all of which was fully subscribed and paid-in. Our share capital is comprised of 378,066,162 registered, book-entry common shares, without par value. Under our bylaws, our board of directors may increase our share capital to the limit of our authorized capital by issuing up to 600,000,000 common shares without the need of specific shareholder approval. Our shareholders must approve any capital increase above that amount at a shareholders' general meeting. Pursuant to the agreement entered into with the BM&FBOVESPA for the listing of our shares on the *Novo Mercado*, we are not permitted to issue preferred shares.

Novo Mercado

Our shares were accepted for trading on the *Novo Mercado* on February 17, 2006. In order to delist our shares from the *Novo Mercado* and since we currently do not have a controlling shareholder, the general shareholders' meeting that decides upon the delisting shall appoint among those presents the person that, upon its express

Table of Contents

acceptance, must conduct a tender offer for the purchase of the shares of our capital stock outstanding in the market. See "—Delisting from the *Novo Mercado*." In the *Novo Mercado*, listed companies are required to, among others, (1) only issue common shares, (2) maintain a minimum free float equal to at least 25% of the company's capital, (3) detail and include additional information in the quarterly information and (4) make available the annual financial statements in English and based on international accounting standards.

The rules imposed by the *Novo Mercado* aim at providing transparency in relation to the activities and economic situation of the companies to the market, as well as more power to the minority shareholders in the management of the companies, among other rights. The main rules relating to the *Novo Mercado*, to which the company is subject, are summarized below.

According to CMN Resolution No. 3,792 of September 24, 2009, which governs the closed complementary social security entities' investment policy (*Entidades Fechadas de Previdência Complementar* — EFPC), such pension funds may invest up to 70% of its variable income investment portfolio (in which are included corporate stakes) in publicly held companies listed in the *Novo Mercado*, which may, therefore, improve the development of this corporate governance segment, benefiting the companies listed therein, taking into account the immense financial equity held by such pension funds in Brazil.

Authorization for Trading in the Novo Mercado

Firstly, the company that is authorized to list its securities on the *Novo Mercado* of BM&FBOVESPA shall keep its listed company register with the CVM updated, which allows the trading of the company's common shares at the stock market. The Listing Rules of the *Novo Mercado* were revised in 2011 and the new rules are in full force and effect since May 10, 2011. By June 9, 2011, we had already adapted our bylaws to the new rules of the *Novo Mercado.*

According to the Listing Rules of the *Novo Mercado*, the company willing to negotiate its securities on the *Novo Mercado* shall, among other conditions: (1) along with its controlling shareholder (if any), execute a Listing Agreement in the *Novo Mercado*, (2) adapt its bylaws to comply with the minimum requirements determined in the Listing Rules of the *Novo Mercado* and (3) file the Management Compliance Statements and the Fiscal Council Compliance Statements (if applicable) with BM&FBOVESPA, duly executed by all managers and members of the fiscal council, respectively. The capital of the company shall be exclusively divided into common shares and a minimum free float equal to 25% of the capital stock shall be maintained by the company. The existence of founders' shares by the companies listed on the *Novo Mercado* is prohibited.

In addition to the previous requirements, the company's bylaws may not (1) establish any provision which restricts the number of votes of any shareholder or group of shareholders (as defined in the Listing Rules of the *Novo Mercado*) to a percentage inferior to 5% of the company's corporate capital, (2) determine qualified quorums for matters submitted for the approval of the shareholders' general meetings, except as provided by law, nor (3) restrict or establish any encumbrance to shareholders who vote favorably to the suppression or amendment of any provision of the company's bylaws.

Board of Directors

The board of directors of companies authorized to have their shares traded on the *Novo Mercado* shall be comprised of at least five members, of which at least 20% shall be independent, as defined in the Listing Rules of the *Novo Mercado*. The members of the board of directors shall be elected by a shareholders' general meeting for a maximum two-year term of office, and are eligible for reelection. All new members of the board of directors and of the board of officers shall sign a Management Compliance Statement which shall be filed with BM&FBOVESPA within 15 days of the date such members take office. Through such Compliance Statement, the company's directors and officers are personally responsible for complying with the Listing Agreement in the *Novo Mercado*, the Rules of the Market Arbitration Chamber, the Listing Rules of the *Novo Mercado* and any other rule issued by BM&FBOVESPA regarding the *Novo Mercado*.

The positions of chairman of the board of directors and of chief executive officer may not be cumulated by the same person, except in the event of (1) a transition period (limited to 3 years as of the date the company was authorized to negotiate on the *Novo Mercado*, except if BM&FBOVESPA authorizes otherwise); or (2) vacancy, for a maximum period of 180 days.

Table of Contents

Directors shall inform the company of any other board of directors, executive committee, fiscal council or any other office occupied by them in other companies or entities, which information will be sent by the company to BM&FBOVESPA pursuant to the terms established in the Listing Rules of the *Novo Mercado*.

The board of directors shall always disclose to the market an opinion regarding any tender offer of the company's shares, informing, among others, their position on the convenience and consequences of such offer in respect to the interests (a) of the shareholders and regarding the liquidity of such securities held by the shareholders and (b) of the company, stating their reasons for being favorable or against the offer. Additionally, the board of directors shall always emphasize that each shareholder is responsible for the final decision regarding the acceptance or not of such tender offer.

Other Novo Mercado Characteristics

Novo Mercado rules cover other areas designed to foster high levels of corporate governance and market transparency. Companies are required to keep the minimum stock percentage floating in the market in order to foster dispersion of share ownership. In addition, companies are obliged to assign tag-along rights to their shareholders in order to ensure equal treatment if a controlling shareholder sells its controlling stake.

The *Novo Mercado* rules require companies to provide quarterly information on the number of shares held by the controlling shareholder, if any, in addition to other information required by the Listing Rules of the *Novo Mercado*. We provide such required information on a quarterly basis and voluntarily on a monthly basis. Companies are also required to give more disclosure regarding related party transactions in which a company may be involved. The Listing Rules of the *Novo Mercado* also require companies to prepare and disclose to BM&FBOVESPA and to the market a Securities Negotiation Policy applicable at least to the company, its controlling shareholders, directors, officers, members of the fiscal council and members of other committees, as well as a Code of Conduct establishing the company's principles and values regarding its relationship with its management, employees, service providers and any person or entity with which the company maintains any relation.

Finally, controlling shareholders, other shareholders, directors, officers and members of a company's fiscal council are required to submit to arbitration any disputes or conflicts related to or arising from the Listing Rules of the *Novo Mercado*, the Listing Agreement in the *Novo Mercado*, the Penalties Regulation and the Arbitration Clause, specifically with regard to their application, validity, effectiveness and interpretation. The arbitrations shall take place before the Market Arbitration Chamber established by the BM&FBOVESPA and shall be conducted in accordance with the Rules of the Market Arbitration Chamber.

Company Management

We are managed by a board of directors (*Conselho de Administração*) and a board of officers (*Diretoria*). See “Item 6. Directors, Senior Management and Employees—C. Board Practices.”

The members of the board of directors and of the board of officers must be individuals, provided that the latter must also be Brazilian residents.

Conflict of Interests

According to the Brazilian corporate law a director or an officer shall not take part in any corporate transaction in which he/she has an interest which conflicts with the interest of the company. In this case, he/she shall disclose his/her disqualification to the other directors or officers and shall cause the nature and extent of his/her interest to be recorded in the minutes of the board of directors or board of officers’ meeting, as the case may be.

With due compliance with the rules above relating to conflict of interests, a director or an officer may only contract with the company under reasonable and fair conditions, identical to those which prevail in the market or under which the corporation would contract with third parties. Any business contracted otherwise is voidable and the director or the officer concerned shall be obliged to transfer to the corporation all benefits which he/she may have obtained in such business.

According to Brazilian corporate law, a director or officer may not:

- perform any act of generosity to the detriment of the company;

Table of Contents

- without prior approval of the shareholders' general meeting or the board of directors, borrow money or property from the company or use its property, services or take advantage of its standing for his/her own benefit, for the benefit of a company in which he/she has an interest or for the benefit of a third party; and

- by virtue of his or her position, receive any type of direct or indirect personal advantage from third parties, without authorization in the bylaws or from a shareholders' general meeting.

According to our bylaws, any business or agreement between the company and any director or officer must be previously approved by the board of directors, except if specified in our annual budget or business plan.

Rules for Retirement

There is no retirement age relating to directors or officers pursuant to the Brazilian law and our bylaws.

Policy for the Trading of Our Securities

On, August 10, 2015, our board of directors approved the second amendment of our Conduct Manual on Information Disclosure and Use and Securities Trading Policy passed on July 15, 2009, which establishes the following procedures regarding the policy for the trading of our securities:

- the company and all of our directors, executive officers, employees, members of the other bodies with technical or consultant duties, our possible controlling shareholders, and whoever by virtue of his/her position, job, or post at our company or our subsidiaries and affiliates, and who have signed the compliance statement and became aware of information of a material transaction or event involving our company, are restricted from trading in our securities until such material transaction or event is disclosed to the market as a material fact, except as regards treasury stock transactions, through private trading, the exercise of options to purchase shares of our capital stock, with stock option plan approved by the shareholders, or a possible buyback, also through private trading, carried out by us, provided that such buyback program is carried due to the exercise of stock options in connection with the plan or program. This restriction is extended to periods prior to the announcement of such information or annual or interim financial statements or prior to disclosure of a material fact in accordance with applicable law;

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trading of our securities or transactions related to our securities carried out by the aforementioned persons pursuant to an Individual Investment Program, consisting of long-term investments, as defined in the Trading Policy, is not subject to the aforementioned restrictions; provided that the Individual Investment Program is filed with the investors relations officer at least 30 days in advance;

- the restrictions of the Trading Policy also apply to our former directors and executive officers who resigned prior to the public disclosure of a transaction or fact that began during their administration (a) for the six month period following the end of their duties with the company, or (b) until the disclosure of the material event or the related financial statements, whichever occurs first; and

- the abovementioned restrictions also apply to indirect trading carried out by such persons, except those conducted by investment funds, provided that the investment funds are not exclusive and the transaction decisions taken by the investment fund officers cannot be influenced by its unit holders.

Rights of Common Shares

Each of our common shares entitles its holder to one vote at an annual or special shareholders' general meeting. A holder of ADSs has the right under the deposit agreement to instruct the depositary to exercise the voting rights for the common shares represented by his/hers ADSs. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Common Shares and the ADSs." Pursuant to our bylaws, Brazilian corporate law and the *Novo Mercado* rules, owners of common shares are entitled to dividends, or other distributions made in respect of common shares, in proportion to their ownership of outstanding shares. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy" and "Item 9. The Offer and Listing—C. Markets— Investment in Our Common Shares by Non-Residents of Brazil" for a more complete description of payment of dividends and other distributions on our common shares. In addition, upon our liquidation, holders of our shares are entitled to share all our remaining assets, after payment of all our liabilities, ratably in accordance with their respective participation in the total amount of our issued and outstanding shares. Holders of our common shares are entitled to participate on a *pro rata* basis in future capital calls by our company except in some specific circumstances under Brazilian law, as described in "—Preemptive Rights." Our common shares have tag along

Table of Contents

rights, which enable their holders to, upon the sale of a controlling interest in us, receive 100% of the price paid per common share of the controlling block by a single or series of transaction.

Options

According to our bylaws, we may, within our authorized share capital and upon resolution of the shareholders' general meeting, grant stock options to (1) our directors, executive officers and employees, or (2) individuals who provide services to us or to companies we control.

Appraisal Rights

Shareholders who are absent, dissent or abstain from voting on certain actions taken during a shareholders' general meeting have the right under Brazilian corporate law to withdraw from our company and to receive the value of their shares.

According to Brazilian corporate law, shareholder appraisal rights may be exercised in the following circumstances, among others:

- a reduction in the percentage of our mandatory dividends;
- a change in our corporate purpose;
- an acquisition, by our company, of a controlling stake in another company if the acquisition price is outside of the limits established by Brazilian corporate law;
- a merger of shares involving our company, a merger of our company into another company, if we are not the surviving entity, or our consolidation with another company; or
- an approval of our participation in a group of companies (as defined in Brazilian corporate law).

Brazilian corporate law further provides that any resolution regarding a spin-off will also entitle shareholders to withdraw if the spin-off:

- causes a change in our corporate purpose, except if the equity is spun-off to a company whose primary activities are consistent with our corporate purposes;
- reduces our mandatory dividends; or
- causes us to join a group of companies (as defined in Brazilian corporate law).

In cases where (1) our company merges with another company where we are not the surviving company, or (2) we are consolidated with another company, or (3) we participate in a group of companies (as defined in Brazilian corporate law), our shareholders will not be entitled to withdraw from our company if their respective shares are (a) liquid, i.e. part of the BM&FBOVESPA index or other stock exchange index in Brazil or abroad, (as defined by the CVM), and (b) widely held, such that less than 50% of our shares are held by a controlling shareholder or by companies a controlling shareholder controls. We are currently part of the IBOVESPA (the BM&FBOVESPA index) and have no controlling shareholder. Therefore, our shares are, at present, considered liquid and widely held for the purposes of this paragraph.

The right to withdraw expires 30 days after publication of the minutes of the relevant shareholders' general meeting. We are entitled to reconsider any action giving rise to withdrawal rights for within 10 days after the expiration of the 30-day period if the redemption of shares of absent, dissenting or non-voting shareholders would jeopardize our financial stability. If shareholders exercise withdrawal rights, they are entitled to receive the economic value of the company's shares, as determined by a valuation report issued by a specialized firm. If the resolution giving rise to the appraisal rights is made later than 60 days after the date of the last approved balance sheet, the shareholder may demand that his or her shares be valued according to a new balance sheet dated no less than 60 days before the resolution date. In this case, we must immediately pay 80% of the equity value of the shares according to the most recent balance sheet approved by our shareholders, and the remaining balance must be paid within 120 days after the date of the resolution of the shareholders' general meeting.

Table of Contents

Redemption of Shares

According to Brazilian corporate law, we may redeem our shares by a decision taken in a special shareholders' general meeting by shareholders representing at least 50% of our share capital. The share redemption may be paid with our profit, profit reserves or capital reserves. If the share redemption is not applicable to all shares, the redemption will be made by lottery. If custody shares are picked in the lottery and there are no rules established in the custody agreement, the financial institution will specify on a *pro rata* basis, the shares to be redeemed.

Registration of Shares

Our shares are held in book-entry form with Itaú Unibanco Corretora S.A., which will act as the custodian agent for our shares. Transfer of our shares will be carried out by means of book entry by Itaú Unibanco S.A., debiting the share account of the seller and crediting the share account of the buyer, with the presentation of a written order of the transferor or a judicial authorization or order to effect such transfers.

Preemptive Rights

Except as provided below, our shareholders have a general preemptive right to participate in any issuance of new shares, convertible debentures and warrants, in proportion to their respective shareholding at such time, but the conversion of debentures and subscription warrants into shares, the granting of options to purchase shares and the issuance of shares as a result of its exercise, are not subject to preemptive rights. In addition, Brazilian corporate law allows for companies' bylaws to give the board of directors the power to exclude preemptive rights or reduce the exercise period of such rights with respect to the issuance of new shares, debentures convertible into shares and subscription warrants up to the limit of the authorized share capital if the distribution of those shares, debentures or subscription warrants is effected through a sale on a stock exchange, through a public offering or through an exchange of shares in a tender offer the purpose of which is to acquire control of another company. Shareholders are allowed to exercise the preemptive rights for a period of at least 30 days following the publication of notice of the issuance of shares, convertible debentures and warrants, and the right may be transferred or disposed of for consideration.

Holders of ADSs may be unable to exercise preemptive rights with respect to our common shares underlying the ADSs. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Common Shares and the ADSs—Holders of ADSs may be unable to exercise preemptive rights with respect to our common shares underlying the ADSs."

Shareholders' General Meetings

Under Brazilian corporate law, at our shareholders' meetings, shareholders are empowered to take any action relating to our corporate purpose and to pass any such resolutions as they deem necessary. The approval of our financial statements and the determination of the allocation of our net profits with respect to each fiscal year take place at our annual general shareholders' meeting immediately following such fiscal year. The election of our directors and, if requested by shareholders, of members of our fiscal council typically takes place at the annual general shareholders' meeting, although under Brazilian law it may also occur at a special shareholders' general meeting.

A special shareholders' general meeting may be held concurrently with the annual general shareholders' meeting. Pursuant to our bylaws and Brazilian corporate law, the following actions, among others, may only be taken at a general shareholders' meeting:

- amendment of our bylaws, including amendment of our corporate purpose;
- election and dismissal, at any time, of our directors and members of our fiscal council;
- determination of the aggregate compensation of our board of directors and board of officers, as well as the fiscal council's compensation;
- approval of stock splits and reverse stock splits;
- approval of a stock option plan;
- approval of the company's financial statements;

Table of Contents

- resolution upon the destination of our net profits and distribution of dividends;
- election of the fiscal council to function in the event of our dissolution;
- cancellation of our registration with the CVM as a publicly-held company;
- suspension of the rights of a shareholder who has violated Brazilian corporate law or our bylaws;
- acceptance or rejection of the valuation of in-kind contributions offered by a shareholder in consideration for shares of our capital stock;
- approval of our transformation into a limited liability company or any other corporate form;
- delisting of our common shares from the *Novo Mercado*;
- appointment of a financial institution responsible for our valuation, in the event of a mandatory tender offer, specifically in the event that a tender offer for our common shares is carried out in connection with the delisting of our common shares from the *Novo Mercado* or cancellation of our registration as a publicly-held company;
- reduction in the percentage of mandatory dividends;
- participation in a group of companies (as defined in Brazilian corporate law);
- approval of any merger, consolidation with another company or spin-off;
- approval of our dissolution or liquidation, the appointment and dismissal of the respective liquidator and the official review of the reports prepared by him or her; and
- authorization to petition for bankruptcy or request for judicial or extrajudicial restructuring.

According to Brazilian corporate law, neither a company's bylaws nor actions taken at a shareholders' meeting may deprive a shareholder of specific rights, such as:

- the right to participate in the distribution of profits;

- the right to participate equally and ratably in any remaining residual assets in the event of liquidation of the company;

- preemptive rights in the event of subscription of shares, convertible debentures or subscription warrants, except in some specific circumstances under Brazilian law described in "—Preemptive Rights;"

- the right to inspect and monitor the management of the company's business in accordance with Brazilian corporate law; and

- the right to withdraw from the company in the cases specified in Brazilian corporate law, described in "—Appraisal Rights."

Quorum for our Shareholders' General Meetings

As a general rule, Brazilian corporate law provides that a quorum at a shareholders' general meeting consists of shareholders representing at least 25% of a company's voting capital on the first call and, if that quorum is not reached, any percentage on the second call. A quorum for the purposes of amending our bylaws consists of shareholders representing at least two-thirds of voting capital on the first call and any percentage on the second call.

As a general rule, the affirmative vote of shareholders representing at least the majority of our issued and outstanding common shares present in person or represented by proxy at a shareholders' general meeting is required to ratify any proposed action, with abstentions not taken into account. However, the affirmative vote of shareholders representing one-half of our issued and outstanding voting capital is required to:

- reduce the percentage of mandatory dividends;

Table of Contents

- change our corporate purpose;
- merge or consolidate our company with another company;
- spin-off a portion of our assets or liabilities;
- approve our participation in a group of companies (as defined in Brazilian corporate law);
- apply for cancellation of any voluntary liquidation;
- approve our dissolution; and
- approve the merger of all our shares into another company.

A quorum smaller than one-half of our issued and outstanding voting capital may be authorized by the CVM for a publicly-held company with widely-traded and widespread shares that has had less than half of the holders of its voting shares in attendance at its last three shareholders' meetings. In such case, resolutions may only be taken on a third call.

According to our bylaws and for so long as we are listed on the *Novo Mercado*, we may not issue preferred shares or founders' shares and we will have to conduct a tender offer in order to delist ourselves from the *Novo Mercado*.

Notice of our Shareholders' General Meetings

According to Brazilian corporate law, notice of our shareholders' general meetings must be published at least three times in the *Diário Oficial do Estado de São Paulo*, the official newspaper of the State of São Paulo, and in another widely circulated newspaper in the same State, previously chosen at an annual shareholders meeting, which, in our case is *O Estado de São Paulo*. The first notice must be published no later than 15 days before the date of the meeting on the first call, and no later than eight days before the date of the meeting on the second call. However, in certain circumstances, upon the request of any shareholder, the CVM may require that the first notice be published 30 days in advance of the meeting if the meeting relates to complex transactions and, accordingly, shareholders need more time to be familiarized with and analyze such transactions. In addition, the CVM may suspend for up to 15 days the

required prior notice of the special shareholders' general meeting so that it may further analyze the proposal to be voted upon at such meeting. Such call notice in all circumstances shall contain the date, time, place and agenda for the meeting and a list of the documents that will be required from our shareholders to be admitted at the meetings, and in case of amendments to the bylaws, the indication of the relevant matters. CVM Instruction No. 481 of December 17, 2009 also requires that additional information be disclosed in the call notice for certain matters. For example, in the event of an election of directors, the call notice shall also disclose the minimum percentage of equity participation required from a shareholder to request the adoption of cumulative voting procedures. All documents pertaining to the matters to be discussed at the shareholders' general meeting shall be made available to the shareholders upon publication of the first call notice, except if the law or CVM regulations provide otherwise.

Location of our Shareholders' General Meetings

Our shareholders' meetings shall take place at our head offices at Av. Nações Unidas No. 8,501, 19th floor, 05425-070 – São Paulo, SP – Brazil. Brazilian corporate law allows our shareholders to hold meetings outside our head offices in the event of force majeure, provided that the relevant notice contains a clear indication of the place where the meeting will occur, which, in any case, shall never be held outside the city where the company's headquarters are located.

Who May Call our Shareholders' General Meetings

According to Brazilian corporate law, our board of directors may call a shareholders' general meeting. Shareholders' general meetings may also be called by:

- any shareholder, if our directors fail to call a shareholders' general meeting within 60 days after the date they were required to do so under applicable laws and our bylaws;

Table of Contents

- shareholders holding at least 5% of our share capital if our directors fail to call a meeting within eight days after receipt of a request to call the meeting by those shareholders, and such request must indicate the proposed agenda;

- shareholders holding at least 5% of voting share capital or 5% of non-voting share capital if our directors fail to call a meeting within eight days after receipt of a request to call the meeting to convene a fiscal council; and

- our fiscal council (if installed), in the event our board of directors delays calling an annual shareholders' meeting for more than one month. The fiscal council may also call a special general shareholders' meeting at any time if it believes that there are significant or urgent matters to be addressed.

There is an obligation of the chairman of our board of directors to call a shareholders' general meeting if: (1) we are not under control of a shareholder holding more than 50% of our voting capital, and (2) BM&FBOVESPA determines that the price of our shares shall be quoted separately or that the trading of our shares on the *Novo Mercado* shall be suspended by reason of non-compliance with the listing rules of *Novo Mercado*. At such a meeting all members of our board of directors must be replaced. In the event the shareholders' general meeting is not called by the chairman of the board of directors within the time period established in our bylaws, the meeting may be called by any shareholder of the company.

Conditions for Admission at our Shareholders' General Meetings

A shareholder may be represented at a shareholders' general meeting by a proxy, as long as the proxy is appointed less than a year before such shareholders' general meeting. The proxy must be either a shareholder, an executive officer or a director of our company, a lawyer or a financial institution. An investment fund must be represented by its investment fund officer.

Shareholders attending a shareholders' general meeting must deliver proof of their status as shareholders and proof that they hold the shares they intend to vote by delivery of proper identification and a receipt issued by the custodian agent of our shares.

Arbitration

Any disputes or controversies involving our company, our shareholders, members of our management or our fiscal council relating to or arising from the Listing Agreement on the *Novo Mercado*, Listing Rules, our bylaws, Brazilian corporate law, the rules published by the CMN, the Central Bank, the CVM, any shareholders' agreement filed at our headquarters, and other rules applicable to the Brazilian capital markets in general, must be submitted to arbitration conducted in accordance with the Rules of the Market Arbitration Chamber established by the BM&FBOVESPA.

Going Private Process

We may become a private company by the decision of our shareholders only if we conduct a public tender offer to acquire all of our outstanding shares in accordance with the rules and regulations of Brazilian corporate law, the CVM and the *Novo Mercado* regulations which requires:

- a fair bid price at least equal to the value estimated of the company; and
- shareholders holding more than two thirds of the outstanding shares have specifically approved the process or accepted the offer.

The minimum price offered for the shares in the public tender offer will correspond to the economic value of such shares, as determined by a valuation report issued by a specialized firm, and we may only purchase shares from shareholders that have voted in favor of us becoming a private company after purchasing all shares from the other shareholders that did not vote in favor of such deliberation and that have accepted the public tender offer.

The valuation report must be prepared by a specialized and independent firm of recognized experience chosen by the shareholders representing the majority of the outstanding shares present at the relevant shareholders' meeting (excluding, for such purposes, treasury shares, shares held by our affiliates and by other companies that are a part of our economic group, as well as blank votes) from a list of three institutions presented by our board of directors. All

Table of Contents

the expenses and costs incurred in connection with the preparation of the valuation report must be paid for by the person making the tender offer.

Shareholders holding at least 10% of our outstanding shares may require our management to call a special shareholders' general meeting to determine whether to perform another valuation using the same or a different valuation method. This request must be made within 15 days following the disclosure of the price to be paid for the shares in the public offering. The shareholders who make such request as well as those who vote in its favor must reimburse us for any costs involved in preparing the new valuation, if the new valuation price is not higher than the original valuation price. If the new valuation price is higher than the original valuation price, the public offering must be made at the higher price.

Delisting from the *Novo Mercado*

We may, at any time, delist our common shares from the *Novo Mercado*, provided that shareholders approve the decision and that the BM&FBOVESPA is notified in writing at least 30 days in advance. Delisting of shares from the *Novo Mercado* does not require delisting from the BM&FBOVESPA.

If our common shares are delisted from the *Novo Mercado*, our controlling shareholders, if any, will be required to conduct a tender offer for the acquisition of our outstanding common shares. In case there are no controlling shareholders, the shareholders' general meeting deciding on the delisting must also appoint who will be responsible for the mandatory tender offer. The minimum price offered for the shares in the public tender offer will correspond to the economic value of the shares, as determined by a valuation report issued by a specialized firm chosen by the shareholders representing a majority of the outstanding shares (excluding, for such purposes, shares held by the controlling shareholders, if any, and their affiliates, treasury shares, shares held by our affiliates, and blank votes) from a list of three institutions presented by our board of directors. All the expenses and costs incurred in connection with the preparation of the valuation report must be paid for by the controlling shareholder, if any, or by us.

If our delisting from the *Novo Mercado* occurs due to the cancellation of our registration as a publicly held company, all the other requirements established by such delisting shall be followed. See "—Going Private Process."

In the event that we delist due to a corporate reorganization where the surviving company is not admitted for listing on the *Novo Mercado* within one hundred and twenty days as of the date of the shareholders' general meeting that resolved on the corporate reorganization, the then-controlling shareholders will need to carry out a public tender offer

for the acquisition of the shares held by the other shareholders, and the minimum price offered per share shall be the economic value of the shares. In case the company does not have controlling shareholders, the shareholders' general meeting that decided on the delisting must also determine who will be responsible for the mandatory tender offer, and in case the shareholders' general meeting fails to do so, the shareholders who approved the corporate reorganization will be responsible for the tender offer. The notice of public tender offer shall be given to the BM&FBOVESPA and released to the market immediately after the shareholders' general meeting that has approved the corporate reorganization.

If our share control is sold within twelve months of our delisting from the *Novo Mercado*, the selling controlling shareholder and the acquirer shall offer to acquire the shares of all other shareholders under the same conditions offered to the selling controlling shareholder.

Sale of a Controlling Stake in our Company

Under the Listing Rules of the *Novo Mercado*, the sale of a controlling interest in our company, either through a single transaction or through successive transactions, takes place under a suspension or resolution condition, where the acquirer agrees to, within the time and pursuant to the conditions specified under Brazilian corporate law and the Listing Rules of the *Novo Mercado*, make a tender offer of the remaining shares of the other shareholders under the same terms and conditions granted to the selling controlling shareholder.

A tender offer is also required under the following conditions:

- when rights are assigned for a subscription of shares and other securities or rights related to securities convertible into shares that results in the sale of the company's controlling stake;

- when, if the controlling shareholder is an entity, the control of such controlling entity is transferred; and

Table of Contents

- when a controlling stake is acquired through an agreement for the purchase of shares. In this case, the acquirer is obligated to make a tender offer under the same terms and conditions granted to the selling shareholders and reimburse the shareholders from whom he/she had purchased the shares traded on stock exchanges within the six months before the sale date of the company's share control. The reimbursement value is the difference between the price paid to the selling controlling shareholder and the amount traded on stock exchanges per share, during this period, adjusted by the inflation in the period. Such amount shall be distributed among all persons who sold shares issued by the company in the stock market trading session in which the acquirer made its acquisitions, proportionally to the daily net selling balance of each acquisition, being BM&FBOVESPA responsible for processing such distribution according to its regulations.

The buyer, when necessary, must take the necessary measures to recompose the minimum 25% of outstanding shares in the market within the subsequent six months.

Mandatory Tender Offer in Case of Acquisition of a 30% Stake

Under the rules of our bylaws, if any person acquires our shares, or any securities or rights related to such shares, in an amount representing 30% or more of our corporate capital, such acquirer has to carry out a mandatory tender offer for the acquisition of all shares issued by the Company. The minimum price offered for the shares in the public tender offer will correspond to the economic value of such shares, as determined by a valuation report issued by a specialized firm.

The valuation report must be prepared by a specialized and independent firm of recognized experience chosen by the shareholders representing the majority of the outstanding shares present at the relevant shareholders' meeting (excluding, for such purposes, shares held by the controlling shareholder, if any, by the members of the board of directors and officers appointed, directly or indirectly, by the controlling shareholder, if any, treasury shares, as well as abstentions) from a list of three institutions presented by our board of directors. All the expenses and costs incurred in connection with the preparation of the valuation report must be paid for by the person making the tender offer.

Shareholders holding at least 10% of our outstanding shares may require our management to call a special shareholders' general meeting to determine whether to perform another valuation using the same or a different valuation method. This request must be made within 15 days following the disclosure of the price to be paid for the shares in the public offering. The shareholders who make such request as well as those who vote in its favor must reimburse us for any costs involved in preparing the new valuation, if the new valuation price is not higher than the original valuation price. If the new valuation price is higher than the original valuation price, the acquirer may either increase the offer price or withdraw the tender offer, in the latter case provided that it shall dispose of the shares in excess of 30% of our corporate capital within 3 months counted from the special general meeting mentioned in this

paragraph.

A tender offer as a result of an acquisition of a 30% equity stake is not mandatory in any of the following cases: (1) if after the acquisition of such 30% equity stake, the same shareholder who held more than 50% of our shares remains as controlling shareholder; (2) if a 30% equity stake is obtained as a result of purchases made under another public tender offer for the acquisition of our shares by their economic value, made in accordance with the *Novo Mercado* Listing Rules or with the applicable law; provided that the offer was made for all shares of the company and at least the minimum price has been paid; (3) if a 30% equity stake is obtained involuntarily as a result of a corporate reorganizations, cancellation of shares in treasury, share redemption, capital reduction, or of a subscription of shares made under a primary public offer for distribution of our shares where the preemptive rights were not exercised by all shareholders who had it or which did not have as subscribers as expected; or (4) in the case of a sale of a controlling stake, which is subject to the rules described above for such case.

Purchases by us of our own Shares

Our bylaws entitle our board of directors to approve the acquisition of our own shares. The decision to acquire our shares for purposes of maintaining the acquired shares in treasury or of cancelling them may not, among other things:

- result in the reduction of our share capital;
- require the use of resources greater than our profit reserves and other available reserves, as provided in our financial statements;

Table of Contents

- create, as a result of any action or inaction, directly or indirectly, any artificial demand, supply or condition relating to share price;
- involve any unfair practice;
- be used for the acquisition of unpaid shares or shares held by our controlling shareholders; or
- when a public offer for acquisition of the shares of the company is being made.

We may not keep in treasury more than 10% of our outstanding common shares, including the shares held by our subsidiaries and affiliates.

On February 26, 2014, the Board of Directors of Tenda approved the closing of Tenda's repurchase of shares program as approved on December 9, 2013. During the course of this program, Tenda purchased 15,500,000 common shares issued by Gafisa to be kept in treasury and future disposal.

On the same date, the Board of Directors of Gafisa approved the repurchase of its common shares to be kept in treasury and future cancellation or disposal up to 17,456,434, which corresponded to 10% of the then outstanding common shares. The purchase of shares by Gafisa under this program was conditioned on the maintenance of Gafisa's consolidated net debt to equity ratio at or below 60%. This program ended on February 25, 2015.

On February 2, 2015, our Board of Directors approved the closing of a repurchase of shares program as approved on December 3, 2014. During the course of this program, we purchased 30,207,130 of Gafisa's common shares to be kept in treasury and future disposal.

On the same date, the Board of Directors of Gafisa approved the repurchase of its common shares to be kept in treasury and future cancellation or disposal up to 27,000,000, which corresponded to 10% of the then outstanding common shares.

On March 3, 2016, the Board of Directors of Gafisa approved the closing of the repurchase of shares program as approved on February 2, 2015. During the course of this program, we purchased 1,000,000 of Gafisa's common shares

to be kept in treasury and future disposal.

On the same date, the Board of Directors of Gafisa approved the creation of a repurchase program of its common shares to be kept in treasury and future cancellation or disposal up to 8,198,565 common shares, which corresponded to 5% of the then outstanding common shares. The objective of this program is to acquire shares in order to effectively use the Company's available funds, aiming at medium-term and long-term profitability. Additionally, a portion of the shares to be acquired might be reserved for the exercise of options and/or shares to be granted in the Stock Option Plan previously approved by the Company's shareholders at the Company's general meeting. The purchase of shares by Gafisa under this program was conditioned on the maintenance of Gafisa's consolidated net debt to equity ratio at or below 60%. This program ends on September 2, 2017.

On March 3, 2016, the Board of Directors of Gafisa approved the creation of a repurchase program of its common shares, up to a maximum of 8.2 million common shares which, when added to the 10.6 million shares currently kept in treasury, correspond to 5% of the total common shares issued by the Company. The objective of this program is to acquire shares in order to effectively use the Company's available funds, aiming at medium-term and long-term profitability. Additionally, a portion of the shares to be acquired might be reserved for the exercise of options and/or shares to be granted in the Stock Option Plan previously approved by the Company's shareholders at the Company's general meeting. The purchase of shares by Gafisa under this program is conditioned on the maintenance of Gafisa's Consolidated Net Debt to Equity ratio in a level equal or lower than 60% at the time of the shares' purchase. This program ends on September 2, 2017

Under our current shares repurchase program, any acquisition by us of our own shares must be made on a stock exchange and cannot be made in a private transaction.

Disclosure Requirements

We are subject to the reporting requirements established by Brazilian corporate law and the CVM. Furthermore, because we are listed with the *Novo Mercado*, we must also follow the disclosure requirements provided for in the Listing Rules of the *Novo Mercado*.

Table of Contents

Disclosure of Information

The Brazilian securities regulations require that a publicly-held corporation provide the CVM and the relevant stock exchanges with periodic information that includes annual information statements, quarterly financial statements, quarterly management reports, independent auditor reports, notices and minutes of shareholders' meetings, among others. In addition, we also must disclose any material development related to our business to the CVM and the BM&FBOVESPA.

We observe the *Novo Mercado* disclosure standards and are required to, among other things:

- present the company's financial statements, standard financial statements form (DFP), quarterly information form (ITR) and Reference Form (*Formulário de Referência*);
- include a note in the quarterly information form (ITR) regarding all operations with related parties;
- disclose and maintain updated the information presented in the Reference Form regarding any shareholder holding, directly or indirectly, at least 5% of the company's capital stock, considering the information received by company from the relevant shareholders;
- disclose, monthly, the individual and consolidated amount and characteristics of our securities held directly or indirectly by controlling shareholders (if this is the case); and
- disclose, monthly, the individual and consolidated changes in the amount of securities held by controlling shareholders (if this is the case), as well as their respective spouses or dependents, as per their income tax statements, as the case may be.

Disclosure of Trading by Insiders

Pursuant to the rules of the *Novo Mercado*, each of our possible controlling shareholders must disclose to the BM&FBOVESPA information in connection with the total amount and characteristics of securities owned, directly or indirectly, by them and issued by us, or any derivatives referenced in such securities, as well as any subsequent trading of such securities and derivatives. In the case of individuals, such information shall also include securities held

by the spouse, companion or dependents of such persons, included in the annual income tax statement of such controlling shareholder. This information must be communicated to the BM&FBOVESPA within 10 days following the end of each month.

CVM regulations require our directors, executive officers, members of the fiscal council, and members of any other technical or advisory body to disclose to us, to the CVM and to the BM&FBOVESPA, the total amount, the characteristics and form of acquisition of securities issued by us, listed companies under our control or the control of our listed controlling shareholders, including derivatives referenced in such securities that are held by each of them, as well as any change in such investments within 10 days after the end of the month when the securities were traded. In the case of individuals, such information shall also include securities held by the spouse, companion or dependents of such persons, included in the annual income tax statement and companies controlled directly or indirectly by such person.

As of September 2015, pursuant to changes introduced by CVM Rule No. 568/15 to CVM Rule No. 358/02, we are required to disclose to the CVM and to the BM&FBOVESPA the total amount and the characteristics of securities issued by us, which are held by us or any of our affiliates, as well as any change in such investments, within 10 days after the end of the month in which the relevant securities were traded.

In addition, CVM Rule No. 568/15 also amended CVM Rule No. 358/02 regarding, among other things, (1) the change in the form of calculation of trades of relevant equity interests to determine when a disclosure obligation of those trades is triggered, and (2) the regulation of individual investment plans, as described below.

In addition, our controlling shareholders, our shareholders who have caused the election of members of our board of directors or fiscal council, as well as any individual, legal entity or group of persons acting jointly whose direct or indirect participation reaches 5% of our shares, must provide to us, and we shall transmit to the CVM and the BM&FBOVESPA, the following information:

- the name and qualification of the person providing the information;

Table of Contents

- reason and purpose for the acquisition and amount of securities to be acquired, including, as the case may be, a representation of the acquirer stating that the acquisition does not aim at modifying the management or the controlling structure of the company;

- amount of shares, subscription bonuses, as well as other share subscription rights and call options, by type and/or class, already owned, directly or indirectly, by the acquirer or any person related with the acquirer;

- amount of debentures convertible in shares, already owned, directly or indirectly, by the acquirer or person related to the acquirer, displaying the amount of shares object of the possible conversion by type and class; and

- information on any agreement regarding the exercise of voting rights or the purchase and sale of our securities.

The disclosure requirement referred to above will also apply to any person or group acting jointly, holding participation equal to or in excess of 5%, each time such person increases or decreases its participation in our shares by an amount equal to 5% of our shares.

Finally, pursuant to the individual investment plans introduced by CVM Rule No. 568/15, direct or indirect controlling shareholders, members of any statutory governing bodies of a publicly-held corporation, as well as any persons who, due to their responsibility, function or position in a listed company, its controlling company, subsidiaries or affiliates have potential access to insider information, are now allowed, subject to certain requirements, to trade in the company's shares in certain periods during which such trading would otherwise be prohibited.

Disclosure of Material Developments

According to Law No. 6,385 of December 7, 1976, and subsequent amendments, and CVM Instruction No. 358 of January 3, 2002, and subsequent amendments, we must disclose any material development related to our business to the CVM and to the BM&FBOVESPA and must publish a notice of the material development. A development is deemed to be material if it has a material impact on the price of our securities, on the decision of investors to trade in our securities or on the decision of investors to exercise any rights as holders of any of our securities.

Under special circumstances, we may request confidential treatment of certain material developments from the CVM, when our management believes that public disclosure could result in adverse consequences to us.

C. Material Contracts

On December 30, 2009, the shareholders of Gafisa and Tenda approved a corporate restructuring to consolidate Gafisa's non-controlling share ownership in Tenda. The restructuring was accomplished by exchanging all of the remaining Tenda shares not held by Gafisa into Gafisa shares. As a result of the restructuring, Tenda became a wholly-owned subsidiary of Gafisa.

On May 27, 2010, the shareholders of Gafisa approved the acquisition of 20% of Alphaville's shares, by means of a merger of the totality of shares issued by Shertis Empreendimentos e Participações S.A. or "Shertis", which main asset are shares representing 20% of Alphaville's shares, in the total amount of R$126.5 million. As a consequence of such merger, Gafisa issued 9,797,792 common shares, paid to the former shareholders of Shertis. On July 3, 2013, we acquired the remaining shares of Alphaville, corresponding to 20% of its capital stock, by means of the acquisition by Tenda of all the shares of EVP Participações SA, a holding company that had Renato de Albuquerque and Nuno Luís de Carvalho Lopes Alves as shareholders and the holder of the remaining shares of Alphaville. Gafisa paid R$366,661,985.11 in Brazilian national currency to the former owners of the shares.

On December 9, 2013, we completed the sale of a majority stake in Alphaville to Private Equity AE Investimentos e Participações ("Fundo AE"), a company controlled by Pátria Investimentos Ltda. and Blackstone Real Estate Advisor L.P., which was previously announced on June 7, 2013. All precedent conditions were met including governmental approval, to the completion of the transaction. The transaction was concluded with a sale of 50% stake by Gafisa and 20% stake by Tenda, with Gafisa retaining the remaining 30% of Alphaville capital stock. The proceeds from the transaction, post adjustments agreed to in the Share and Purchase Agreement, were R$1.54 billion, consisting of R$1.25 billion from Fundo AE for the acquisition of Alphaville shares, and an R$290 million dividend distribution by Alphaville.

Table of Contents

D. Exchange Controls

There are no restrictions on ownership of our common shares by individual or legal entities domiciled outside Brazil. However, the right to convert dividend payments and proceeds from the sale of our shares into foreign currency and to remit such amounts abroad is subject to requirements under foreign investment legislation which generally establish that the relevant investment be registered with the Central Bank and/or the CVM. Subject to certain procedures and specific regulatory provisions, the purchase and sale of foreign currency and the international transfer of *reais* by a person or legal entity resident, domiciled or headquartered in Brazil, as the case may be, is allowed, without limitation as to amount, provided that the underlying transaction is legal, legitimate and has economic substance, as evidenced by the applicable supporting documentation submitted to the financial institution in charge of the foreign exchange transaction. In addition, foreign currencies may only be purchased through duly authorized financial institutions headquartered in Brazil. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Brazil—Restrictions on the movement of capital out of Brazil may adversely affect your ability to receive dividends and distributions on the ADSs and on our common shares, or the proceeds of any sale of our common shares" and "Item 9. The Offer and Listing—C. Markets—Investment in Our Common Shares by Non-Residents of Brazil."

In the past, the Brazilian Central Bank has intervened occasionally to control unstable movements in foreign exchange rates. We cannot predict whether the Brazilian Central Bank or the Brazilian government will continue to let the *real* float freely or will intervene in the exchange rate market through the return of a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially.

Brazilian law provides that, whenever there is a serious imbalance in Brazil's balance of payments or there are serious reasons to foresee a serious imbalance, temporary restrictions may be imposed on remittances of funds abroad. We cannot assure you that such measures will not be taken by the Brazilian government in the future. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Brazil—Restrictions on the movement of capital out of Brazil may adversely affect your ability to receive dividends and distributions on the ADSs and on our common shares, or the proceeds of any sale of our common shares" and "Item 9. The Offer and Listing—C. Markets—Investment in Our Common Shares by Non-Residents of Brazil."

E. Taxation

The following discussion contains a description of material Brazilian and U.S. federal income tax consequences of the acquisition, ownership and disposition of common shares or ADSs. The discussion is based upon the tax laws of Brazil and regulations thereunder and on the tax laws of the United States and regulations thereunder as of the date hereof, which are subject to change.

Although there is at present no income tax treaty between Brazil and the United States, the tax authorities of the two countries have entered into a Tax Information Exchange Agreement and have had discussions that may culminate in an income tax treaty. No assurance can be given, however, as to whether or when an income tax treaty will enter into force or how it will affect the U.S. Holders (as defined below) of common shares or ADSs. Prospective holders of common shares or ADSs should consult their own tax advisers as to the tax consequences of the acquisition, ownership and disposition of common shares or ADSs in their particular circumstances.

Brazilian Tax Considerations

The following discussion summarizes the principal Brazilian tax consequences of the acquisition, ownership and disposition of our common shares or ADSs by a holder that is not domiciled in Brazil for purposes of Brazilian taxation (a "Non-Resident Holder"). This discussion is based on Brazilian law as currently in effect, which is subject to change, possibly with retroactive effect, and subject to different interpretations. Any change in that law may change the consequences described below.

The tax consequences described below do not take into account the effects of any tax treaties or reciprocity agreements for tax treatment entered into by Brazil and other countries. The discussion also does not address any tax consequences under the tax laws of any state or municipality of Brazil. The description below is not intended to constitute a complete analysis of all tax consequences relating to the acquisition, exchange, ownership and disposition of our common shares or ADSs. Each Non-Resident Holder should consult his or her own tax adviser concerning the Brazilian tax consequences of an investment in our common shares or ADSs.

Table of Contents

Income tax

Dividends. Dividends paid by a Brazilian corporation, such as our company, including stock dividends and other dividends paid to a Non-Resident Holder of common shares or ADSs, are currently not subject to income withholding tax in Brazil to the extent that such amounts are related to profits generated after January 1, 1996. Dividends paid from profits generated before January 1, 1996 may be subject to Brazilian income withholding tax at varying rates, according to the tax legislation applicable to each corresponding year. We generally expect to pay dividends from profits generated after January 1, 1996. Dividends paid by us based on 2014 calendar year profits may be subject to withholding tax, which, if due, will be borne by us. See "—New Tax Regime Created by Law No. 12,973" for further information**.**

Interest on Shareholders' Equity. Law No. 9,249, dated December 26, 1995, as amended, permits a Brazilian corporation, such as our company, to make distributions to shareholders of interest on shareholders' equity as an alternative to making dividend distributions and to treat such payments as a deductible expense for purposes of calculating Brazilian corporate income tax and social contribution on net profits, to the extent the limits described below are observed. These distributions may be paid in cash. For tax purposes, this interest is limited to the daily *pro rata* variation of the Brazilian long-term interest rate ("TJLP"), as determined by the Central Bank from time to time, and the amount of the deduction may not exceed the greater of:

- 50% of net income (after the deduction of social contribution on net profits but before taking into account the provision for corporate income tax and the interest on shareholders' equity) for the period in respect of which the payment is made; and

- 50% of the sum of retained profits and profit reserves as of the date of the beginning of the period in respect of which the payment is made.

Payment of interest to a Non-Resident Holder is subject to income withholding tax at the rate of 15%, or 25% if the Non-Resident Holder is domiciled in a "tax favorable jurisdiction." The definition of a "tax favorable jurisdiction" includes countries and locations (1) that do not impose income tax, (2) that impose income tax at a rate of 20% or less, or (3) where local laws do not allow access to information related to shareholder composition, ownership of investments or the identity of the beneficial owners of earnings that are attributed to non-residents.

On November 28, 2014, the Brazilian Revenue Service issued Rule No. 488, which reduces the threshold income tax rate for determining a "tax favorable jurisdiction" from 20% to 17%. Please refer to "Tax Favorable Jurisdictions and Low or Nil Tax Jurisdictions". These payments of interest on shareholders' equity may be included, at their net value, as

part of any mandatory dividend. To the extent payment of interest on shareholders' equity is so included, the corporation is required to distribute to shareholders an additional amount to ensure that the net amount received by them, after payment of the applicable withholding income tax, plus the amount of declared dividends is at least equal to the mandatory dividend.

There are ongoing discussions in Congress regarding possible changes to the rate of withholding applied to interest on shareholders' equity and to the deductibility limit. In particular, in 2015, Provisional Measure No. 694 was published seeking to change some of these tax rules, but it has not entered into force. There is no assurance that the same tax treatment for interest on shareholders' equity will continue to be applied in the future.

Gains

According to Law No. 10,833/03, enacted on December 29, 2003, the disposition or sale of assets located in Brazil by a Non-Resident Holder, whether to another non-Brazilian resident or to a Brazilian resident, may be subject to capital gain taxes in Brazil.

With respect to the disposition of common shares, which are treated as assets located in Brazil, the Non-Resident Holder will be subject to income tax on the gains assessed, following the rules described below, regardless of whether the transactions are conducted in Brazil or with a Brazilian resident.

With respect to the ADSs, although the matter is not entirely clear, it is reasonable to argue that ADSs do not constitute assets located in Brazil for the purposes of Article 26 of Law No. 10,833 and, therefore, that the gains realized by a Non-Resident Holder on the disposition of ADSs to another Non-Resident Holder should not be taxed in Brazil. We cannot assure you, however, that the Brazilian tax authorities or the Brazilian courts will agree with this interpretation. Accordingly, gains on a disposition of ADSs by a Non-Resident Holder may be subject to income tax in Brazil in the event that courts determine that ADSs constitute assets located in Brazil. For more information,

Table of Contents

please refer to "Item 3. Key Information—D. Risks Factors—Risks Relating to Our Common Shares and the ADSs—Changes in Brazilian tax laws may have an adverse impact on the taxes applicable to a disposition of the ADSs."

As a general rule, gains realized as a result of a disposition or sale transaction of common shares (or ADSs should they be deemed to be "assets located in Brazil") are the positive difference between the amount realized on the sale or exchange of the securities and their acquisition cost.

Under Brazilian law, however, income tax rules on such gains can vary, depending on the domicile of the Non-Resident Holder, the type of registration of the investment by the Non-Resident Holder with the Central Bank and how the disposition is carried out, as described below.

Gains assessed on a disposition of common shares carried out on a Brazilian stock exchange (which includes the transactions carried out on the organized over-the-counter market) are:

- exempt from income tax when the gain is earned by a Non-Resident Holder that (1) has registered its investment in Brazil with the Central Bank under the rules of Resolution No. 4,373, dated September 14, 2014, which replaced Resolution 2,689, dated January 26, 2000 ("4,373 Holder") and (2) is not a resident in a country that does not tax income or that taxes it at a maximum rate of 20% ("Low or Nil Tax Jurisdiction"). Please refer to "—Discussion on Tax Favorable Jurisdictions and Low or Nil Tax Jurisdictions" below for more information on this maximum rate of 20% and its reduction to 17% for purposes unrelated to the definition of Low or Nil Tax Jurisdictions; or

- subject to income tax at a rate of up to 25% in any other case, including a case of gains recognized by a Non-Resident Holder that is not a 4,373 Holder, or is a resident in a Low or Nil Tax Jurisdiction. In these cases, a withholding income tax of 0.005% of the sale value will be applicable and can be later offset against any income tax due on the capital gain.

Any other gains recognized on a disposition of the common shares that is not carried out on a Brazilian stock exchange are subject to income tax at the rate of 15%, or 25% in the case of a Non-Resident Holder residing in a Low or Nil Tax Jurisdiction or where the local legislation does not allow access to information related to the shareholder composition of legal entities, to their ownership or to the identity of the beneficial owner of the income attributed to non-residents. In the event that these gains are related to transactions conducted on the Brazilian non-organized over-the-counter market with intermediation, the withholding income tax of 0.005% shall also be applicable and can be offset against the eventual income tax due on the capital gain.

In the case of a redemption of common shares (or ADSs, should they be deemed to be "assets located in Brazil") or a capital reduction by a Brazilian corporation, such as our company, the positive difference between the amount received by the Non-Resident Holder and the acquisition cost of the common shares or ADSs redeemed is treated as capital gain derived from the sale or exchange of shares not carried out on a Brazilian stock exchange and is therefore subject to income tax at the rate of 15%, or 25%, as the case may be.

Any exercise of preemptive rights relating to the common shares or ADSs will not be subject to Brazilian income tax. Gains realized by a Non-Resident Holder on the disposition of preemptive rights relating to the common shares (or ADSs, should they be deemed to be "assets located in Brazil") will be subject to Brazilian income tax according to the same rules applicable to the sale or disposition of common shares.

As a Non-Resident Holder of ADSs, you may cancel your ADSs and exchange them for the underlying common shares and no income tax may be levied on such exchange, as long as the appropriate rules are complied with in connection with the registration of the investment with the Central Bank and as long as ADSs are not deemed to be "assets located in Brazil."

The deposit of common shares by Non-Resident Holders in exchange for ADSs may be subject to Brazilian income tax if the acquisition cost of the common shares is lower than (a) the average price per common share on a Brazilian stock exchange on which the greatest number of such common shares were sold on the day of deposit; or (b) if no common shares were sold on that day, the average price on a Brazilian stock exchange on which the greatest number of common shares were sold in the 15 trading sessions immediately preceding such deposit. The difference between the acquisition cost and the average price of the common shares will be considered to be a capital gain subject to income tax at a rate of 15% or 25%, as the case may be. In some circumstances, there may be arguments to claim that this taxation is not applicable in the case of a Non-Resident Holder that is a 4,373 Holder and is not a resident in a "tax favorable jurisdiction."

Table of Contents

There can be no assurance that the current favorable treatment of 4,373 Holders will continue in the future.

On March 16, 2016, Provisional Measure No. 692 was converted into Law 13,259/16, increasing tax rates on capital gains earned by Brazilian individuals and certain legal entities. Even though the law is not very clear on this respect, the new rates should apply as from 2017 as follows: (i) 15% on the capital gain not exceeding R$5,000,000; (ii) 17.5% on the capital gain amount which varies from R$5,000,000 and R$10,000,000; (iii) 20% on the capital gain amount which varies from R$10,000,000 and R$30,000,000; and (iv) 22.5% on the capital gain which exceeds R$ 30,000,000. The new rates should also apply to Non-Resident Holders depending on their type of investment, jurisdiction and the sale transaction, to be determined on a case by case basis.

Discussion on Tax Favorable Jurisdictions and Low or Nil Tax Jurisdictions

On June 24, 2008, Law No. 11,727 introduced the concept of "privileged tax regimes," which went into effect on January 1, 2009. In principle, the best interpretation of Law No. 11,727/08 leads us to conclude that the concept of privileged tax regimes should be applied solely for purposes of transfer pricing rules in export and import transactions, for the definition of the applicable rate of withholding income tax on the remittance of specific items of income and for certain other Brazilian tax purposes that are not relevant to an investment by a Non-Resident Holder in our common shares or ADSs. Although we are of the opinion that the concept of privileged tax regimes should not affect the tax treatment of a Non-Resident Holder described above, we cannot assure you whether subsequent legislation or interpretations by the Brazilian tax authorities regarding the definition of "privileged tax regimes" will extend such concept to the tax treatment of a Non-Resident Holder described above.

On November 28, 2014, the Brazilian Revenue Service issued Rule No. 488, which reduces the threshold income tax rate for determining a "tax favorable jurisdiction" from 20% to 17%. This rule also applies for purposes of the definition of "privileged tax regimes". However, this rule is not relevant for the definition of Low or Nil Tax Jurisdictions. In any event, differing interpretations by the tax authorities in the application of this rule to the definition of Low or Nil Tax Jurisdictions may result in a lower number of jurisdictions being characterized as Low or Nil Tax Jurisdictions. Furthermore, Normative Instruction No. 1,530/14 provides that compliance with such standards requires: (a) the signing of or the completion of negotiations for a treaty or agreement allowing the exchange of information related to the identification of income beneficiaries, shareholding structure, ownership of goods or rights, or economic transactions that are carried out; and (b) a commitment to the criteria set out in international anti-tax evasion forums of which Brazil is a member.

Tax on Foreign Exchange and Financial Transactions

Foreign Exchange Transactions. Brazilian law imposes a Tax on Foreign Exchange Transactions ("IOF/Exchange Tax") on the conversion of *reais* into foreign currency and on the conversion of foreign currency into *reais*. Any inflow of funds related to investments carried out on the Brazilian financial and capital markets by 4,373 Holders is currently subject to the IOF/Exchange Tax at a rate of zero percent. Foreign exchange transactions related to outflows of funds in connection with investments carried out on the Brazilian financial and capital markets are subject to the IOF/Exchange Tax at a rate of zero percent, which also applies to payments of dividends and interest on shareholders' equity to 4,373 Holders with respect to investments on the Brazilian financial and capital markets.

Nevertheless, the rate applicable to most foreign exchange transactions is 0.38%. In any case, the Brazilian government may increase the rate at any time by up to 25% on the foreign exchange transaction amount. However, any increase in rates will only apply to future transactions.

The purchase of ADSs by a Non-Resident Holder outside Brazil generally does not require the execution of a foreign exchange agreement with the Brazilian Central Bank. If this is the case, the IOF/Exchange Tax is not due. The IOF/Exchange Tax is levied at a zero percent rate in connection with foreign exchange agreements, without any actual flows of funds, that are required for a cancellation of ADSs and exchange for shares traded on a Brazilian stock exchange.

Tax on Transactions Involving Bonds and Securities. Brazilian law imposes a Tax on Transactions Involving Bonds and Securities ("IOF/Bonds Tax") due on transactions involving bonds and securities, including those carried out on a Brazilian stock exchange. The rate of IOF/Bonds Tax applicable to transactions involving common shares is currently zero.

As from December 24, 2013, the rate of the IOF/Bonds Tax applicable to the transfer of shares with the sole purpose of enabling the issuance of ADSs is zero percent. If the transfer of shares with such characteristics was

Table of Contents

carried out before December 24, 2013, a rate of 1.5% was applied on the product of (a) the number of shares which were transferred, multiplied by (b) the closing price for those shares on the date prior to the transfer or, if such closing price was not available on that date, the last available closing price for those shares, or, in case of a public offer, the price defined in the bookbuilding process. The person responsible for paying the IOF/Bonds Tax was (a) the financial institution that acts as custodian of the shares in Brazil, or (b) in case of public offers, the leading bookrunner.

The Brazilian government may increase the rate of the IOF/Bonds Tax at any time by up to 1.5% per day on the transaction amount, but only in respect of future transactions.

New Tax Regime Created by Law No. 12,973

Normative Instruction 1,397/2013 ("NI 1,397/2013"), published in the Official Gazette on September 17, 2013, as amended by Normative Instruction 1,492/2014, regulates the RTT, in force between January 1, 2008 and December 31, 2014, to adjust, for tax purposes, the net profits calculated under the IFRS rules in accordance with Law 11,638/2007. According to NI 1,397/2013, for purposes of calculating dividends based on the profits only of calendar-year 2014, taxpayers must use the accounting books prepared according to the criteria in place on December 31, 2007, and not according to IFRS. According to such provisions, depending on the tax basis used by the taxpayer, the dividends that are distributed based on 2014 profits might be considered taxable, subject to 15% withholding tax or 25% if the Non-Resident Holder is domiciled in a country or location that is defined as a "tax favorable jurisdiction."

Provisional Measure 627/2013 was converted into Law No. 12,973, enacted on May 13, 2014 ("Law 12,973/14"), which revoked the RTT and introduced a new tax regime, in line with the current Brazilian accounting standards (IFRS). According to Law 12,973/14, companies that elected to be taxed under the new regime on January 1, 2014 as opposed to January 1, 2015 would not be subject to taxation under NI 1,397/2013 on their dividend distributions based on 2014 profits. During 2014, we analyzed the potential impact of the new rules on our consolidated financial statements and internal controls structure. Based on our analysis, we concluded that the new rules would not have a material impact on how we account for taxes and we did not elect to adopt the tax regime set forth by Law 12,973/14 for the 2014 calendar year. Companies that did not elect to be taxed under the new regime on January 1, 2014, like ourselves, might be subject to withholding income tax on a part of the dividend distributions based on 2014 profits, according to the rules set forth under NI 1,397/2013. To the extent dividends paid by us are based on 2014 profits, any tax liabilities will be borne by us.

Other Brazilian Taxes

There are no Brazilian inheritance, gift or succession taxes applicable to the ownership, transfer or disposition of common shares or ADSs, except for gift and inheritance taxes that may be imposed by some Brazilian states. There are no Brazilian stamp, issue, registration, or similar taxes or duties payable by holders of common shares or ADSs.

U.S. Federal Income Tax Considerations

The following discussion is a summary of the material U.S. federal income tax consequences to U.S. Holders described herein of owning and disposing of common shares or ADSs, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold such securities. The discussion applies only to U.S. Holders (as defined below) that hold common shares or ADSs as capital assets for U.S. federal tax purposes and does not address all of the tax consequences applicable to all categories of investors, some of which may be subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of tax accounting;
- persons holding common shares or ADSs as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the common shares or ADSs;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes;

Table of Contents

- persons liable for the alternative minimum tax;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs;"
- persons that own or are deemed to own ten percent or more of our voting stock;
- persons who acquired our ADSs or common shares pursuant to the exercise of any employee stock option or otherwise as compensation; or
- persons holding shares in connection with a trade or business conducted outside of the United States.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds common shares or ADSs, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partnerships holding common shares or ADSs and partners in such partnerships should consult their tax advisers as to the particular U.S. federal income tax consequences of holding and disposing of common shares or ADSs.

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect. It is also based in part on representations by the depositary and assumes that each obligation under the deposit agreement and any related agreement will be performed in accordance with its terms.

You are a "U.S. Holder" if you are a beneficial owner of our common shares or ADSs and if you are, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

The summary of U.S. federal income tax consequences set out below is intended for general informational purposes only. You should consult your advisers with respect to the particular tax consequences to you of owning or disposing of common shares or ADSs, including the applicability and effect of state, local, non-U.S. and other tax laws and the possibility of changes in tax laws.

In general, if you own ADSs, you will be treated as the owner of the underlying shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concerns that parties to whom American depositary shares are released before shares are delivered to the depositary ("pre-release") or intermediaries in the chain of ownership between U.S. Holders and the issuer of the security underlying the American depositary shares may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of American depositary shares. Such actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate holders. Accordingly, the creditability of Brazilian taxes, and the availability of the reduced tax rate for dividends received by certain non-corporate holders, each described below, could be affected by actions taken by such parties or intermediaries.

Please consult your tax adviser concerning the U.S. federal, state, local and foreign tax consequences of purchasing, owning and disposing of common shares or ADSs in your particular circumstances.

This discussion assumes that the Company is not, and will not become, a passive foreign investment company, as described below.

Taxation of Distributions

Distributions paid on ADSs or common shares, other than certain *pro rata* distributions of ordinary shares, will generally be treated as dividends to the extent paid out of the Company's current or accumulated earnings and

Table of Contents

profits as determined under U.S. federal income tax principles. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions will generally be reported to you as dividends.

Subject to applicable limitations and the discussion above regarding concerns expressed by the U.S. Treasury, dividends paid by "qualified foreign corporations" to certain non-corporate U.S. Holders may be taxable at rates applicable to long-term capital gains. A foreign corporation is treated as a qualified foreign corporation with respect to dividends paid on stock that is readily tradable on a securities market in the United States, such as the NYSE, where our ADSs are traded. You should consult your tax adviser to determine whether the favorable rate will apply to dividends you receive and whether you are subject to any special rules that limit your ability to be taxed at this favorable rate.

The amount of a dividend will include any amounts withheld by the Company in respect of Brazilian taxes on the distribution, and any amounts the Company paid on your behalf with respect to withholding for Brazilian taxes on distributions based on our 2014 profits, as discussed in "—Brazilian Tax Considerations—New Tax Regime Created by Law No. 12,973". The amount of the dividend will be treated as foreign-source dividend income to you and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Dividends will be included in your income on the date of your, or in the case of ADSs, the depositary's, receipt of the dividend. The amount of any dividend income paid in *reais* will be the U.S. dollar amount calculated by reference to the exchange rate in effect on the date of such receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss if the amount of such dividend is converted into U.S. dollars after the date of such receipt. See also "—Brazilian Tax Considerations—Tax on Foreign Exchange and Financial Transactions."

Subject to applicable limitations that may vary depending upon your circumstances and subject to the discussion above regarding concerns expressed by the U.S. Treasury, Brazilian income taxes withheld from dividends on common shares or ADSs will be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances. Instead of claiming a credit, you may, at your election, deduct foreign taxes, including Brazilian taxes in computing your taxable income, subject to generally applicable limitations under U.S. law. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States.

Sale or Other Disposition of Common Shares or ADSs

For U.S. federal income tax purposes, gain or loss you realize on the sale or other disposition of common shares or ADSs will be capital gain or loss, and will be long-term capital gain or loss if you have held the common shares or ADSs for more than one year. The amount of your gain or loss will equal the difference between the amount realized on the disposition and your tax basis in the common shares or ADSs disposed of, in each case as determined in U.S. dollars. If a Brazilian tax is withheld on the sale or disposition of common shares or ADSs, your amount realized will include the gross amount of the proceeds of such sale or disposition before deduction of the Brazilian tax. See "—Brazilian Tax Considerations—Gains" for a description of when a disposition may be subject to taxation by Brazil. Such gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. You should consult your tax adviser as to whether the Brazilian tax on gains would be creditable against your U.S. federal income tax on foreign-source income from other sources.

Other Brazilian Taxes

The Brazilian IOF/Bond Tax and the IOF/Exchange Tax imposed on the deposit of common shares in exchange for ADSs and the cancellation of ADSs in exchange for common shares (as discussed above under "—Brazilian Tax Considerations—Tax on Foreign Exchange and Financial Transactions") will not be treated as creditable foreign taxes for U.S. federal income tax purposes. U.S. Holders should consult their tax advisers regarding the treatment of these taxes for U.S. federal income tax purposes.

Passive Foreign Investment Company Rules

The Company believes that it was not a "passive foreign investment company" (a "PFIC") for U.S. federal income tax purposes for its 2015 taxable year. However, because PFIC status depends on the composition of a company's income and assets and the market value of its assets from time to time, which may be determined in part by reference to the market value of the Company's stock, there can be no assurance that the Company will not be a

Table of Contents

PFIC for any taxable year. If the Company were a PFIC for any taxable year during which a U.S. Holder held common shares or ADSs, gain recognized by a U.S. Holder on a sale or other disposition (including certain pledges) of the common shares or ADSs would be allocated ratably over the U.S. Holder's holding period for the common shares or ADSs. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed on the tax on the amount allocated to that taxable year. Further, to the extent that any distribution received by a U.S. Holder on its common shares or ADSs exceeds 125% of the average of the annual distributions on common shares or ADSs received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment) of the common shares or ADSs. If we are a PFIC for any taxable year during which a U.S. Holder owned our shares, the U.S. Holder will generally be required to file IRS Form 8621 with their annual U.S. federal income tax returns, subject to certain exceptions. You should consult your tax adviser to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in your particular circumstances.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting and may be subject to backup withholding unless (1) you are a corporation or other exempt recipient or (2) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding.

The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (and certain entities that are formed or availed of for purposes of holding certain foreign financial assets) may be required to report information relating to their ownership of securities of a non-U.S. person, subject to certain exceptions including an exception for securities held in certain accounts maintained by U.S. financial institutions, such as our ADSs. You should consult your tax adviser regarding the effect, if any, of these rules on your ownership and disposition of common shares or ADSs.

U.S. HOLDERS OF OUR COMMON SHARES OR ADSs SHOULD CONSULT THEIR OWN TAX ADVISERS AS TO THE BRAZILIAN, U.S. FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF OUR COMMON SHARES OR ADSs BASED UPON THEIR PARTICULAR CIRCUMSTANCES.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

Statements contained in this annual report as to the contents of any contract or other document referred to are not necessarily complete, and each of these statements is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit hereto. A copy of the complete annual report including the exhibits and schedules filed herewith may be inspected without charge at the public reference facilities maintained by the SEC at Room 1024, 100 F Street, N.E., Washington, D.C. 20549. Copies of such materials may be obtained by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Such reports and other information may also be inspected at the offices of the NYSE, 11 Wall Street, New York, New York 10005, on which our ADSs are listed. In addition the SEC maintains a website that contains information filed electronically with the SEC, which can be accessed over the Internet at http://www.sec.gov.

We are subject to the information and periodic reporting requirements of the Securities Exchange Act and, in accordance therewith, file periodic reports and other information with the SEC. However, as a foreign private issuer,

Table of Contents

we are exempt from the rules under the Securities Exchange Act relating to the furnishing and content of proxy statements and relating to short-swing profits reporting and liability.

We furnish to Citibank, N.A., as depositary, copies of all reports we are required to file with the SEC under the Securities Exchange Act, including our annual reports in English, containing a brief description of our operations and our audited annual consolidated financial statements which are prepared in accordance with Brazilian GAAP and include a reconciliation to U.S. GAAP. In addition, we are required under the deposit agreement to furnish the depositary with copies of English translations to the extent required under the rules of the SEC of all notices of meetings of shareholders and other reports and communications that are generally made available to shareholders. Under certain circumstances, the depositary will arrange for the mailing, at our expense, of these notices, other reports and communications to all ADS holders.

We also file financial statements and other periodic reports with the CVM, which are available to the public from CVM's website at http://www.cvm.gov.br.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks arising from the normal course of our business. These market risks mainly involve the possibility that changes in interest rates may impact the value of our financial liabilities. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Brazil."

Interest rates

Our results of operations and profitability are affected by changes in interest rates due to the impact that these changes have on our interest expenses relating to our variable interest rate debt instruments and on our purchase and sale contracts and on our interest income generated from our financial investments.

144

Table of Contents

The table below provides information about our significant interest rate-sensitive instruments (fixed and variable) as of December 31, 2015:

	As of December 31, 2015 Expected Maturity Date						
	Total	2016	2017	2018	2019 and later	Principal Index(1)	Fair Value
	(*in millions of reais*)						
Liabilities:							
Loans, financing and debentures:							
Debentures	858.0	389.6	344.7	83.5	40.2	CDI/TR	828.4
Average interest rate	13.49%	14.52%	15.64%	15.99%	16.04%	—	—
Loans and financing (working capital)	131.2	102.8	25.1	2.2	1.1	CDI	129.8
Average interest rate	14.81%	15.86%	16.99%	17.35%	17.40%	—	—
Loans and financing — SFH	1,161.7	569.6	415.3	164.8	12.0	TR	1,107.5
Average interest rate	14.30%	14.91%	15.67%	15.98%	16.10%	—	—
Total loans, financing and debentures	2,150.9	1,062.0	785.1	250.5	53.3	TR/CDI	2,065.7
Derivative financial instruments	21.7	14.1	12.3	2.0	(6.7)	CDI	21.7
Obligation to venture partner	4.9	3.8	1.1	—	—	CDI	5.5
Real estate development obligations(2)	1,247.5	909.9	337	0.6	—	—	1,247.5
Obligations for purchase of land	570.1	321.6	225.2	10.2	13.1		570.5
Total	3,995.1	2,311.4	1.360.7	263.3	59.7	—	3,910.9
Assets:							
Cash and cash equivalent	82.6	82.6	—	—	—	—	—
Marketable securities (current and non-current)	629.7	629.7	—	—	—	—	—
Receivables from clients	1,802.4	1,395.3	268.2	66.8	72.1	—	—
Receivables from clients (2)	793.0	613.9	105.2	35.6	38.3	—	—
Total client receivables	2,595.4	2,009.2	373.4	102.4	110.4	—	—
Total	**3,307.7**	**2,721.5**	**373.4**	**102.4**	**110.4**	**—**	**—**

(1) See notes 12 and 13 to our consolidated financial statements for information about the interest rates on our loans, financing and debentures. As of December 31, 2015, the annualized index was 13.2% for CDI, 2.6% for TR, 7.5% for INCC and 10.5% for IGPM.

(2) Includes commitments and receivables arising from units sold after January 1, 2004 for which balances have not been recorded in our balance sheet—CFC Resolution No. 963.

We borrow funds at different rates and linked to different indices in order to try to match the financing that we provide to some of our clients. The mismatch between rates and terms on our funds borrowed and the financing we provide may adversely affect our cash flow. We constantly monitor and evaluate the impact of indexation on our assets and liabilities. If we anticipate the possibility of an interest rate mismatch between our assets and obligations, we may use derivative financial instruments in order to hedge against the risk that arises from interest rate variations.

Foreign Exchange Rate

During 2015, we had no derivative financial instruments with the objective of hedging against fluctuations in foreign exchange rates. As of December 31, 2015, we had no debt in foreign currency.

Table of Contents

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

D. American Depositary Shares

Depositary Fees

We and the holders and beneficial owners of our ADSs and the person depositing our common shares or surrendering ADSs for cancellation are responsible for the following fees of the depositary:

Service	Rate	Paid By
Issuance of ADSs upon deposit of Shares (excluding issuances as a result of distributions described in paragraph (4) below).	Up to US$5.00 per 100 ADSs (or fraction thereof) issued.	Person depositing our common shares or person receiving ADSs.
Delivery of common shares deposited under our deposit agreement against surrender of ADSs.	Up to US$5.00 per 100 ADSs (or fraction thereof) issued.	Person surrendering ADSs for purpose of withdrawal of common shares deposited under our deposit agreement or person to whom common shares deposited under our deposit agreement are delivered.
Distribution of cash dividends or other cash distributions (i.e., sale of rights and other entitlements).	Up to US$2.00 per 100 ADSs (or fraction thereof) held.	Person to whom distribution is made.
Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs.	Up to US$2.00 per 100 ADSs (or fraction thereof) held.	Person to whom distribution is made.
Distribution of securities other than ADSs or rights to purchase additional ADSs (i.e., spin-off shares).	Up to US$2.00 per 100 ADSs (or fraction thereof) held.	Person to whom distribution is made.
Depositary services	Up to US$4.00 per 100 ADSs (or fraction thereof) held.	Person holding ADSs on applicable record date(s) established by the depositary.
Transfer of ADRs		Person presenting certificate for transfer.

	US$1.50 per certificate presented for transfer.

The depositary may deduct applicable depositary fees from the funds being distributed in the case of cash distributions. For distributions other than cash, the depositary will invoice the amount of the applicable depositary fees to the applicable holders.

Additional Charges

Holders and beneficial owners of our ADSs and person depositing our common shares for deposit and person surrendering ADSs for cancellation and withdrawal of our common shares will be required to pay the following charges:

- taxes (including applicable interest and penalties) and other governmental charges;

- such registration fees as may from time to time be in effect for the registration of our common shares or other common shares deposited under our deposit agreement on the share register and applicable to transfers of our common shares or other common shares deposited under our deposit agreement to or from the name of the custodian, the depositary or any nominees upon the making of deposits and withdrawals, respectively;

- such cable, telex and facsimile transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of the person depositing or withdrawing our common shares or holders and beneficial owners of ADSs;

- the expenses and charges incurred by the depositary in the conversion of foreign currency;

Table of Contents

- such fees and expenses as are incurred by the depositary in connection with compliance with exchange control regulations and other regulatory requirements applicable to our common shares, common shares deposited under our deposit agreement, ADSs and ADRs; and

- the fees and expenses incurred by the depositary, the custodian or any nominee in connection with the servicing or delivery of common shares deposited under our deposit agreement.

Direct and Indirect Payments

Citibank N.A., located at 388 Greenwich Ave.- New York - NY 10013, as depositary, has agreed to reimburse certain of our reasonable expenses related to our ADR program and incurred by us in connection with the program. As of December 31, 2015, we received from the depositary of our ADSs US$1.6 million, which was used for general corporate purposes such as the payment of costs and expenses associated with (1) the preparation and distribution of proxy materials, (2) the preparation and distribution of marketing materials and (3) consulting and other services related to investor relations.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

The Registrant maintains controls and procedures designed to ensure that it is able to collect the information it is required to disclose in the reports it files with the SEC, and to process, summarize and disclose this information within the time periods specified in the rules of the SEC. Based on an evaluation of the Registrant's disclosure controls and procedures as of the end of the period covered by this report conducted by the Registrant's management, with the participation of the Chief Executive and Chief Financial Officers, after evaluating together with other members of management the effectiveness of our disclosure controls and procedures (as defined in the U.S. Securities Exchange Act of 1934 under Rule 13a-15(e)) have concluded that our disclosure controls and procedures are effective, to ensure that the Registrant is able to collect, process and disclose the information it is required to disclose in the reports it files with the SEC within the required time periods.

(b) Management's Annual Report on Internal Control over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, as a process designed by, or under the supervision of, the Company's Chief Executive Officer and Chief Financial Officer and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting, and the preparation of financial statements for external purposes in conformity with Brazilian GAAP, including the reconciliation to U.S. GAAP in accordance with Item 18 of Form 20-F .

Table of Contents

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Registrant‘s internal controls over financial reporting as of December 31, 2015. In making this assessment, the Company’s management used the criteria set forth by the Internal Control-Integrated Framework 2013 issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this assessment, management believes that, as of December 31, 2015, the Company’s internal controls over financial reporting are effective based on those criteria.

(c) Attestation Report of Independent Registered Public Accounting Firm

The effectiveness of internal control over financial reporting as of December 31, 2015 has been audited by KPMG Auditores Independentes an independent registered public accounting firm, as stated in its report which is included under Item 18 in this annual report on Form 20-F on pages F-2 and F-3.

(d) Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. RESERVED

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

For the purposes of the Sarbanes-Oxley Act of 2002, our directors established an Audit Committee that convenes as often as it determines is appropriate to carry out its responsibilities, but at least quarterly. This committee has responsibility for planning and reviewing our annual and quarterly reports and accounts with the involvement of our auditors in that process, focusing particularly on compliance with legal requirements and accounting standards, and

ensuring that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving our annual and quarterly reports and accounts remains with our directors.

The Audit Committee convened 10 times in 2015. The Audit Committee currently comprises Jose Ecio Pereira da Costa Junior, Maurício Marcellini Pereira and Francisco Vidal Luna, each of whom is a director of our company. Our board of directors has determined that Jose Ecio Pereira da Costa Junior, Maurício Marcellini Pereira and Francisco Vidal Luna, are each independent as set forth in the NYSE Listed Companies Manual as well as being independent for the purpose of Rule 10A-3 of the Securities Exchange Act. Our board of directors has determined that Jose Ecio Pereira da Costa Junior is an audit committee financial expert within the meaning of the regulations promulgated by the Securities and Exchange Commission.

ITEM 16B. CODE OF BUSINESS CONDUCT AND ETHICS

On July 10, 2007, we adopted a Code of Business Conduct and Ethics (The Code) that applies to our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions, as well as to our directors, other officers and employees. The objective of this code is (1) to reduce the subjectivity of personal interpretations of ethical principles; (2) to be a formal and institutional benchmark for the professional conduct of the employees, including the ethical handling of actual or apparent conflicts of interests, becoming a standard for the internal and external relationship of the Company with its shareholders, clients, employees, partners, suppliers, service providers, labor unions, competitors, society, government and the communities in which we operate; and (3) to ensure that the daily concerns with efficiency, competitiveness and profitability do not override ethical behavior.

The Code is regularly reviewed and updated, in order to address international and local requirements regarding ethics on business, conflict of interests, disclosure of information and anti-corruption procedures.

The Code was reviewed in July 2014. The objective of the review was to (1) update the message of our CEO to our employees regarding our vision, mission and organizational culture, encouraging ethical conduct and a

Table of Contents

commitment to compliance with the law, (2) reinforce the Company's message of ethical principles and practices to our employees and to those conducting business on our behalf in order to protect our integrity.

The Code can be obtained from our website (www.gafisa.com.br) or free of charge by requesting a copy from our Investor Relations Department at the following address: Av. Nações Unidas No. 8,501, 19th floor, 05425-070 – São Paulo, SP – Brazil, telephone 55-11-3025-9242, fax 55-11-3025-9348 and e-mail ri@gafisa.com.br.

In July 2007, we established a "whistleblower channel" in order to receive "complaints," by any person (provided such complaint is first reported to the Ethics Committee or Audit Committee), regarding any "unethical conduct" and "accounting, internal accounting controls, or auditing matters" and equally confidential and anonymous submissions of "concerns" of the same type by our employees and affiliates. The "whistleblower channel" can be accessed through our intranet or website or a letter may be forwarded to our headquarters under the attention of our Ethics Committee and/or Audit Committee. Since its establishment, 682 issues were reported to our "whistleblower channel," all of them related to personal conduct and, therefore, without any financial impact on our results of operations.

In January 2014, we established a compliance and ethics program in order to help prevent, detect, rectify and report potential misconduct, including violations of the Foreign Corrupt Practices Act and Brazilian anti-corruption legislation (pursuant to Brazilian Law No. 12,846). This program comprises extensive risk assessment of our operations, ongoing training and advice to employees, incentives and disciplinary measures, and third party due dilligence.

In December 2015, Tenda adopted its own Code of Business Conduct and Ethics, which conserves the core values of the Gafisa code, adapting them to the lower income market, as well as aligning the new text to Tenda's vision, mission and organizational culture.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The relationship with our independent auditors in respect to the contracting of services unrelated to the external audit is based on principles that preserve the independence of the auditor. Our board of directors approves our financial statements, the performance by our auditors of audit and permissible non-audit services, and associated fees, supported by our Audit Committee.

The following table describes the total amount billed to us by KPMG Auditores Independentes ("KPMG") for services performed in 2015 and 2014, respectively, and the remuneration for these services in each year.

	2015	2014
	(in thousands of *reais*)	
Audit fees (1)	4,373	3,914
Audit related fees (2)	—	—
Tax fees (3)	—	—
Total	4,373	3,914

(1) "Audit fees" are the aggregate fees billed by KPMG for the audit of our consolidated and annual financial statements including the audit of internal control over financial reporting, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

(2) There were no "audit related fees" billed by KPMG during 2015 or 2014.

(3) There were no "Tax fees" billed by KPMG during 2015 or 2014.

Audit Committee Pre-Approval Policies and Procedures

Our board of directors has established pre-approval policies and procedures for the engagement of registered public accounting firm for audit and non-audit services. Under such pre-approval policies and procedures, our board of directors reviews the scope of the services to be provided by each registered public accounting firm to be engaged in order to ensure that there are no independence issues and the services are not prohibited services as defined by Sarbanes-Oxley Act of 2002.

Table of Contents

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

See "Item 6. Directors, Senior Management and Employees—C. Board Practices."

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

Table of Contents

PART III

ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18, in lieu of reporting to this Item.

ITEM 18. FINANCIAL STATEMENTS

See our audited consolidated financial statements beginning on page F-1.

ITEM 19. EXHIBITS

We are filing the following documents as part of this Annual Report Form 20-F:

1.1. Bylaws of Gafisa S.A., as amended (English), which is incorporated by reference to our annual report on Form 20-F for the year ended December 31, 2010, filed with the Securities and Exchange Commission on July 5, 2012.

2.1. Deposit Agreement dated March 21, 2007, among Gafisa S.A., Citibank, N.A., as depositary, and the Holders and Beneficial Owners from time to time of American Depositary Shares issued thereunder, which is incorporated by reference to our registration statement on Form F-6 filed with the Securities and Exchange Commission on February 22, 2007.

4.1. Merger of shares agreement dated November 6, 2009 between Gafisa S.A. and Construtora Tenda S.A., which is incorporated by reference to our registration statement on Form F-4 filed with the Securities and Exchange Commission on November 13, 2009.

8.1. List of Subsidiaries*

11.1. Code of Business Conduct and Ethics (English), which is incorporated by reference to our annual report on Form 20-F filed with the Securities and Exchange Commission on June 18, 2008.

12.1. Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 of the Chief Executive Officer*

12.2. Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002 of the Chief Financial Officer*

13.1. Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Executive Officer*

13.2. Certification pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, of the Chief Financial Officer*

* Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all requirements for filing on Form 20-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

GAFISA S.A.

By: /s/ Sandro Rogério da Silva Gamba
Name: Sandro Rogério da Silva Gamba
Title: Chief Executive Officer

By: /s/ Andre Bergstein
Name: Andre Bergstein
Title: Chief Financial Officer

Date: April 27, 2016

Table of Contents

Consolidated Financial Statements

Gafisa S.A.

December 31, 2015

and Report of Independent Registered Public Accounting Firm

Table of Contents

Gafisa S.A.

Consolidated Financial Statements

December 31, 2015

Table of contents

Management's Annual Report on Internal Controls over Financial Reporting	F-1
Audited Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	F-2
Report of Independent Registered Public Accounting Firm	F-4
Consolidated balance sheet	F-5
Consolidated statement of profit or loss	F-7
Consolidated statement of comprehensive income (loss)	F-8
Consolidated statement of changes in equity	F-9
Consolidated statement of cash flows	F-10
Consolidated statement of value added	F-11
Notes to the consolidated financial statements	F-12

Table of Contents

Management's Annual Report on Internal Controls over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal controls over financial reporting as defined in Rules 13a – 15(f) and 15d – 15(f) under the Securities and Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with accounting principles generally accepted in Brazil ("Brazilian GAAP"), along with a reconciliation of net income and equity from Brazilian GAAP to accounting principles generally accepted in the United States of America ("US GAAP"). Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with Brazilian GAAP, along with a reconciliation of net income and equity from Brazilian GAAP to US GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the our assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of internal control to future periods are subject to the risk that controls may become inadequate because of changes in conditions, and that the degree of compliance with the policies or procedures may deteriorate.

Our management has assessed the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in "Internal Control – Integrated Framework (2013 Framework)".

Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2015.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015, has been audited by KPMG Auditores Independentes, an independent registered public accounting firm, as stated in their report which appears herein.

São Paulo, Brazil
April 27, 2016

By: /s/ Sandro Rogério da Silva Gamba
Name: Sandro Rogério da Silva Gamba
Title: Chief Executive Officer

By: /s/ Andre Bergstein
Name: Andre Bergstein
Title: Chief Financial Officer

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Gafisa S.A.

We have audited the accompanying consolidated balance sheets of Gafisa S.A. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of profit or loss, comprehensive income (loss), changes in equity, cash flows and value added for each of the years in the three year period ended December 31, 2015. We also have audited Gafisa S.A.'s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting" under item 15 of the Company's Form 20-F. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding

prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Table of Contents

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Gafisa S.A. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations, their cash flows and their value added for each of the years in the three-years period ended on December 31, 2015, in conformity with accounting practices adopted in Brazil applicable to real estate development entities. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Accounting practices adopted in Brazil applicable to real estate development entities vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 31 to the consolidated financial statements.

São Paulo - Brazil
April 27, 2016

/s/ KPMG Auditores Independentes

Table of Contents

Gafisa S.A.

Consolidated balance sheets

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais)

	Note	2015	2014
Current assets			
Cash and cash equivalents	4.1	82,640	109,895
Short-term investments	4.2	629,671	1,047,359
Trade accounts receivable	5	1,395,273	1,440,498
Properties for sale	6	1,880,377	1,695,817
Receivables from related parties	21.1	95,118	142,732
Prepaid expenses	-	7,171	15,442
Other assets	7	120,657	128,905
Assets held for sale	8	105,857	110,563
Total current assets		4,316,764	4,691,211
Non-current assets			
Trade accounts receivable	5	407,091	384,821
Properties for sale	6	750,240	816,525
Receivables from related parties	21.1	109,193	107,067
Other assets	7	82,880	112,241
		1,349,404	1,420,654
Investments	9	967,646	968,393
Property and equipment	10	49,176	48,691
Intangible assets	11	77,342	76,903
		1,094,164	1,093,987
Total non-current assets		2,443,568	2,514,641
Total assets		6,760,332	7,205,852

See accompanying notes to consolidated financial statements.

F-4

Table of Contents

Gafisa S.A.

Consolidated balance sheets

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais)

	Note	2015	2014
Current liabilities			
Loans and financing	12	672,365	550,058
Debentures	13	389,621	504,387
Payable for purchase of properties and advances from customers	17	361,420	490,605
Payables for goods and service suppliers	-	57,335	95,131
Taxes and contributions	-	102,057	114,424
Salaries, payroll charges and profit sharing	-	60,102	65,039
Minimum mandatory dividends	-	17,682	-
Provision for legal claims and commitments	16	100,312	103,034
Obligations assumed on the assignment of receivables	14	23,482	24,135
Payables to related parties	21.1	87,100	156,503
Derivative financial instruments	20.i.b	14,056	3,340
Other payables	15	163,437	164,213
Total current liabilities		2,048,969	2,270,869
Non-current			
Loans and financing	12	620,470	847,367
Debentures	13	468,337	684,712
Payables for purchase of properties and advances from customers	17	248,514	101,137
Deferred income tax and social contribution	19	16,489	34,740
Provision for legal claims and commitments	16	142,670	136,540
Obligations assumed on the assignment of receivables	14	35,811	31,994
Payables to related parties	21.1	41,002	-
Derivative financial instruments	20.i.b	7,618	4,833
Other payables	15	33,216	35,257
Total non-current liabilities		1,614,127	1,876,580
Equity			
Capital	18.1	2,740,662	2,740,662
Treasury shares	18.1	(25,980)	(79,059)
Capital reserves and reserve for granting stock options	-	76,834	69,897
Income reserve	-	303,975	323,845
Equity attributable to shareholders of Gafisa		3,095,491	3,055,345

Equity attributable to non-controlling interest	1,745	3,058
Total equity	3,097,236	3,058,403
Total liabilities and equity	6,760,332	7,205,852

See accompanying notes to consolidated financial statements.

Table of Contents

Gafisa S.A.

Consolidated statements of profit or loss

Years ended December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais, except as stated otherwise)

	Note	2015	2014	2013
Continuing operations				
Net operating revenue	22	2,294,319	2,150,998	2,481,211
Operating costs				
Real estate development and sales of properties	23	(1,667,505)	(1,609,246)	(1,863,766)
Gross profit		626,814	541,752	617,445
Operating (expenses) income				
Selling expenses	23	(163,260)	(148,041)	(215,649)
General and administrative expenses	23	(181,413)	(211,906)	(234,023)
Income from equity method investments	9	41,766	19,263	7,370
Remeasurement of investment in associate			-	375,853
Depreciation and amortization	10 and 11	(47,420)	(79,251)	(63,014)
Provision for legal claims		(118,449)	(113,064)	(78,402)
Other income (expenses), net	23	(41,752)	(28,285)	(7,709)
Income (loss) before financial income and expenses and income tax and social contribution		116,286	(19,532)	401,871
Financial expenses	24	(162,258)	(165,712)	(243,586)
Financial income	24	124,131	156,794	81,083
Income (loss) before income tax and social contribution		78,159	(28,450)	239,368
Current income tax and social contribution		(24,598)	(33,330)	(23,690)
Deferred income tax and social contribution		17,418	18,055	20,878
Total Income tax and social contribution	19.i	(7,180)	(15,275)	(2,812)
Net income (loss) from continuing operations		70,979	(43,725)	236,556
Net income from discontinued operations			-	631,122

Net income (loss) for the year	70,979	(43,725)	867,678
(-) Attributable to:			
Non-controlling interests	(3,470)	(1,176)	235
Shareholders of Gafisa	74,449	(42,549)	867,443
Weighted average number of shares (in thousands)	367,572	401,905	426,300
Basic earning (loss) per thousand weighted average number of shares - In Reais	0.2025	(0.1059)	2.0348
From continuing operations	0.2025	(0.1059)	0.7358
From discontinued operations	-	-	1.2990
Diluted earning (loss) per thousand weighted average number of shares - In Reais	0.2012	(0.1059)	2.0226
From continuing operations	0.2012	(0.1059)	0.7315
From discontinued operations	-	-	1.2911

See accompanying notes to consolidated financial statements.

Table of Contents

Gafisa S.A.

Consolidated statements of comprehensive income (loss)

Years ended December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais, except if stated otherwise)

	2015	2014	2013
Net income (loss) for the year	70,979	(43,725)	867,678
Total comprehensive income (loss), net of taxes	70,979	(43,725)	867,678
Attributable to:			
Shareholders of Gafisa	74,449	(42,549)	867,443
Non-controlling interests	(3,470)	(1,176)	235

See accompanying notes to consolidated financial statements.

Table of Contents

Gafisa S.A.

Consolidated statements of changes in equity

Years ended December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais)

		Attributed to Shareholders of Gafisa								
					Income Reserve					
	Note	Capital	Treasury shares	Reserve for granting shares	Legal reserve	Reserve for investments	Retained earnings (accumulated losses)	Total Company	Non-controlling interests	Total
Balances at December 31, 2012		2,735,794	(1,731)	36,964	-	-	(235,582)	2,535,445	150,384	2,685,829
Exercised stock options	-	4,868	-	-	-	-	-	4,868	3,065	7,933
Stock option plan	18.3	-	-	17,419	-	-	-	17,419	2,687	20,106
Repurchase of treasury shares	18.1		(71,339)	-	-	-	-	(71,339)	(3,556)	(74,895)
Acquisition of non-controlling interests									(120,051)	(120,051)
Net income for the year	-	-	-	-	-	-	867,443	867,443	235	867,678
Allocation:	18.2									
Legal reserve		-	-	-	31,593	-	(31,593)	-	-	-
Interest on equity		-	-	-	-	-	(130,192)	(130,192)	-	(130,192)
Declared dividends		-	-	-	-	-	(32,920)	(32,920)	(9,005)	(41,925)
Reserve for future investments		-	-	-	-	437,156	(437,156)	-	-	-
Balances at December 31, 2013		2,740,662	(73,070)	54,383	31,593	437,156	-	3,190,724	23,759	3,214,483
	18.3	-	-	15,514	-	-	-	15,514	-	15,514

Stock option plan										
Treasury shares acquired	18.1	-	(115,265)	-	-	-	-	(115,265)	-	(115,265)
Treasury shares sold	18.1	-	17,583	-	-	(10,662)	-	6,921	-	6,921
Treasury shares cancelled	18.1	-	91,693	-	-	(91,693)	-	-	-	-
Acquisition of non-controlling interests		-	-	-	-	-	-	-	(19,525)	(19,525)
Loss for the year	-	-	-	-	-	-	(42,549)	(42,549)	(1,176)	(43,725)
Absorption of loss for the year with Income reserves:	18.2	-	-	-	-	(42,549)	42,549	-	-	-
Balances at December 31, 2014		2,740,662	(79,059)	69,897	31,593	292,252	-	3,055,345	3,058	3,058,403
Capital increase		-	-	-	-	-	-	-	2,157	2,157
Stock option plan	18.3	-	-	6,937	-	-	-	6,937	-	6,937
Treasury shares acquired	18.1	-	(24,157)	-	-	-	-	(24,157)	-	(24,157)
Treasury shares sold	18.1	-	3,022	-	-	(2,423)	-	599	-	599
Treasury shares cancelled	18.1	-	74,214	-	-	(74,214)	-	-	-	-
Net income for the year	-	-	-	-	-	-	74,449	74,449	(3,470)	70,979
Allocation:	18.2									
Legal reserve		-	-	-	3,722	-	(3,722)	-	-	-
Declared dividends		-	-	-	-		(17,682)	(17,682)	-	(17,682)
Reserve for investments		-	-	-	-	53,045	(53,045)	-	-	-
Balances at December 31, 2015		2,740,662	(25,980)	76,834	35,315	268,660	-	3,095,491	1,745	3,097,236

See accompanying notes to consolidated financial statements.

Table of Contents

Gafisa S.A.

Consolidated statements of cash flow

Years ended December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais)

	2015	2014	2013
Operating activities			
Income (loss) before income tax and social contribution	78,159	(28,450)	239,368
Expenses/(income) not affecting cash and cash equivalents:			
Depreciation and amortization (Notes 10 and 11)	47,420	61,647	63,014
Stock option expense (Note 18.3)	9,964	34,006	17,419
Unrealized interests and charges, net	88,960	69,355	28,476
Warranty provision (Note 15)	7,480	(839)	(20,928)
Provision for legal claims and commitments (Note 16)	118,449	113,064	78,402
Provision for profit sharing (Note 25 (iii))	25,502	35,006	59,651
Allowance for doubtful accounts and cancelled contracts (Note 5)	21,182	(14,616)	(27,102)
Provision for realization of non-financial assets:			
Properties and land for sale (Note 6 and 8)	(13,176)	(6,089)	2,829
Intangible assets (Note 11)	-	17,604	962
Income from equity method investments (Note 9)	(41,766)	(19,263)	(7,370)
Remeasurement of investment in associate	-	-	(375,853)
Financial instruments (Note 20)	17,153	7,492	5,103
Provision for penalties due to delay in construction works (Note 15)	(4,450)	(6,867)	(21,719)
Write-off of property and equipment and intangible assets, net (Notes 10 and 11)	6,242	8,808	23,708
Write-off of investments (Note 9)	(3,083)	5,748	-
Decrease/(increase) in operating assets			
Trade accounts receivable	10,924	391,625	260,557
Properties for sale and land available for sale	(130,938)	(462,417)	(189,968)
Other assets	(7,117)	(11,574)	24,659
Prepaid expenses	8,271	19,743	26,497
Increase/(decrease) in operating liabilities			
Payables for purchase of properties and advances from customers	18,192	103,392	(19,812)
Taxes and contributions	(12,367)	(26,088)	(31,158)
Payables for goods and service suppliers	(37,796)	15,789	(8,314)
Salaries, payroll charges and profit sharing	(30,440)	(66,158)	(47,517)
Other payables	(97,175)	(51,853)	198,586
Transactions with related parties	19,338	(37,732)	37,772

Paid taxes	(7,180)	(109,442)	(19,609)
Net cash and cash equivalents from operating activities	91,748	41,891	297,653
Investing activities			
Acquisition of 20% in AUSA	-	-	(366,662)
Sale of controlling interests in AUSA	-	-	1,254,521
Cash from discontinued operation	-	-	(155,755)
Purchase of property and equipment and intangible assets (Notes 10 and 11)	(54,586)	(88,532)	(80,993)
Purchase of short-term investments	(5,404,968)	(4,855,621)	(4,674,281)
Redemption of short-term investments	5,822,656	5,617,231	3,681,342
Investments	(1,636)	29,026	(102,639)
Dividends received (Note 9)	-	49,849	342,176
Net cash and cash equivalents from (used in) investing activities	361,466	751,953	(102,291)
Financing activities			
Proceeds from stock options exercised	-	-	4,868
Redeemable shares of Credit Rights Investment Fund (FIDC)	-	-	(5,089)
Increase in loans, financing and debentures	845,935	822,123	1,783,183
Payment of loans, financing and debentures - principal	(1,064,324)	(1,048,057)	(1,875,270)
Payment of loans, financing and debentures - interest	(306,302)	(315,798)	(259,285)
Assignment of receivables	24,558	12,434	-
Payables to venture partners	(6,135)	(112,650)	(112,743)
Payment of dividends and interest on equity	-	(150,042)	-
Loan transactions with related parties	49,357	1,193	(32,449)
Disposal of treasury shares (Note 18.1)	3,022	17,583	-
Result of the disposal of treasury shares (Note 18.1)	(2,423)	(10,664)	-
Repurchase of treasury shares (Note 18.1)	(24,157)	(115,265)	(71,339)
Net cash and cash equivalents from (used in) financing activities	(480,469)	(899,143)	(568,124)
Net decrease in cash and cash equivalents	(27,255)	(105,299)	(372,762)
Cash and cash equivalents			
At the beginning of the year	109,895	215,194	587,956
At the end of the year	82,640	109,895	215,194
Net decrease in cash and cash equivalents	(27,255)	(105,299)	(372,762)

See accompanying notes to consolidated financial statements.

Table of Contents

Gafisa S.A.

Consolidated statements of value added

Years ended December 31, 2015, 2014 and 2013

(In thousands of Brazilian Reais)

	2015	2014	2013
Revenues	2,485,290	2,325,677	3,330,981
Real estate development and sales	2,475,927	2,256,198	2,618,737
Reversal (recognition) of allowance for doubtful accounts and cancelled contracts	9,363	69,479	81,122
Profit from discontinued operations	-	-	631,122
Inputs acquired from third parties (including taxes on purchases)	(1,728,586)	(1,667,210)	(1,904,141)
Operating costs - Real estate development and sales	(1,501,536)	(1,437,656)	(1,706,554)
Materials, energy, outsourced labor and other	(227,050)	(229,554)	(197,587)
Gross value added	756,704	658,467	1,426,840
Depreciation and amortization	(47,420)	(79,251)	(63,014)
Net value added produced (distributed) by the Company	709,284	579,216	1,363,826
Value added received on transfer	165,897	176,057	464,306
Profit of investment stated at fair value	-	-	375,873
Income from equity method investments	41,766	19,263	7,350
Financial income	124,131	156,794	81,083
Total value added to be distributed	875,181	755,273	1,828,132
Value added distribution	875,181	755,273	1,828,132
Personnel and payroll charges	216,177	216,410	285,276
Taxes and contributions	242,941	229,919	264,795
Interest and rents	341,614	351,493	410,618
Interest on equity	-	-	130,192
Dividends (Note 18.2)	17,682	-	32,920
Net income (loss) attributable to non-controlling interests	3,470	1,176	(235)
Net income (absorbed losses)	53,297	(43,725)	704,566

See accompanying notes to consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

1. Operations

Gafisa S.A. ("Gafisa" or "Company") is a publicly traded company with registered office at Avenida das Nações Unidas, 8.501, 19th floor, in the city and state of São Paulo, Brazil and commenced its operations in 1997 with the objectives of: (i) promoting and managing all forms of real estate ventures on its own behalf or for third parties (in the latter case, as construction company and proxy); (ii) selling and purchasing real estate properties; (iii) providing civil construction and civil engineering services; (iv) developing and implementing marketing strategies related to its own and third party real estate ventures; and (v) investing in other companies with similar objectives.

The Company has stocks traded at BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuros and at the New York Stock Exchange (NYSE), reporting its information to the Brazilian Securities and Exchange Commission (CVM) and the U.S. Securities and Exchange Commission (SEC).

The Company enters real estate development projects with third parties through specific purpose partnerships ("Sociedades de Propósito Específico" or– "SPEs") or through the formation of consortia and condominiums. SPEs, condominiums and consortia operate solely in the real estate industry and are linked to specific ventures. Controlled entities substantially share the managerial and operating structures and the corporate, managerial and operating costs with the Company.

On April 29, 2015, following the material fact disclosed on February 7, 2014, the Company disclosed a new material fact informing to its shareholders and the market that the work for the potential separation of the business units Gafisa and Tenda continue to be carried out, aiming at fulfilling the sufficient conditions for its implementation. However, in view that the process for defining the capital structure is still in progress, and taking into account that such definition is a necessary step towards the separation process, the business unit Tenda has not yet shown characteristics that enable its immediate separation under current conditions, and, accordingly, it is not yet possible to estimate a term for completing the potential separation.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies

2.1. Basis of presentation and preparation of consolidated financial statements

The consolidated financial statements were authorized for issue by the Company's Board of Directors on April 27, 2016.

The consolidated financial statements of the Company have been prepared and are being presented according to the accounting practices adopted in Brazil, including the pronouncements issued by the CPC, approved by the Brazilian Securities and Exchange Commission (CVM) ("Brazilian GAAP" or "BR GAAP").

Brazilian GAAP, differs from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in certain respects, including the fact that Brazilian GAAP permits the application of percentage of completion accounting by real estate companies in more circumstances than are permitted by IFRS. This application of Brazilian GAAP is commonly referred to in Brazil as "IFRS applicable to real estate development entities in Brazil, as approved by the Accounting Pronouncements Committee, or CPC, the CVM and the Federal Accounting Council, or CFC, including CPC Guideline 04 – Application of the Technical Interpretation ICPC 02 to the Brazilian Real Estate Development Entities – regarding revenue recognition, and the respective costs and expenses arising from real estate development operations by reference to the stage of completion (percentage of completion method)". Accordingly, for the purpose of its annual filing with the United States Securities and Exchange Commission, the accompanying consolidated financial statements prepared in accordance with BR GAAP have been reconciled to US GAAP as presented in Note 31. US GAAP condensed consolidated balance sheets have been included in Note 31 (d)(i) for 2015 and 2014 and US GAAP consolidated statement of profit or loss and comprehensive income (loss) for the years ended December 31, 2015, 2014 and 2013 have been included in Note 31 (d)(ii) and Note 31 (d)(iii), respectively.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.1. Basis of presentation and preparation of consolidated financial statements --Continued

The consolidated financial statements have been prepared on a going concern basis. Management makes an assessment of the Company's ability to continue as going concern when preparing the consolidated financial statements.

All amounts reported in the accompanying financial statements are in thousands of Reais, except as otherwise stated.

2.1.1. Consolidated financial statements

The consolidated financial statements of the Company include the financial statements of Gafisa and its direct and indirect subsidiaries. The Company controls an entity when it is exposed to, or has right to variable returns arising from its involvement with the entity and has the ability to affect those returns through the power that it exerts over the entity. The existence and the potential effects of voting rights, which are currently exercisable or convertible, are taken into account when evaluating whether the Company controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the control commences until the date on which control ceases.

The accounting practices have been applied consistently by all subsidiaries included in the consolidated financial statements. The subsidiaries have the same fiscal year as the Company.

2.1.2. Functional and presentation currency

The functional and presentation currency of the Company is Real.

2.1.3. Presentation of segment information

The presentation of operating segment information is consistent with the internal reports provided to the main decision makers of operational matters, the Statutory Board, who are responsible for allocating resources, assessing the performance of operating segments and making strategic decisions.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies

2.2.1. Accounting judgments, estimates and assumptions

Accounting estimates and judgments are evaluated on an ongoing basis based on historical experience and other factors, including expectations on future events, considered reasonable under the circumstances.

(i) *Judgments, estimates and assumptions*

The preparation of the consolidated financial statements of the Company requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the reporting date.

Assets and liabilities subject to estimates and assumptions include the provision for impairment of assets, transactions with share-based payment, provision for tax, labor and civil claims, fair value of financial instruments, measurement of the estimated cost of construction, deferred tax assets, among others.

The main assumptions related to sources of uncertainty over future estimates and other important sources of uncertainty over estimates at the reporting date, which may result in different amounts upon settlement are discussed below:

a) *Impairment of non-financial assets*

An impairment loss exists when the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use.

The calculation of the fair value less costs to sell is based on available information on sale transactions of similar assets or market prices less additional costs of disposal. The calculation of the value in use is based on the discounted cash flow model.

Cash flows are derived based on the budget for the following five years, and do not include uncommitted restructuring activities or future significant investments that will improve the asset basis of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, the estimated future cash inflows and the growth rate used for purposes of extrapolation.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.1. Accounting judgments, estimates and assumptions --Continued

(i) *Judgments, estimates and assumptions* --Continued

a) *Impairment of non-financial assets*--Continued

Indefinite life intangible assets and goodwill attributable to future economic benefit are tested at least annually or when circumstances indicate a decrease in the carrying value. The main assumptions used for determining the recoverable amount of cash-generating unit are detailed in Note 11.

b) *Share-based payment transactions*

The Company measures the cost of transactions with employees to be settled with shares based on the fair value of equity instruments on the grant date. For cash-settled share-based transactions, the liability is required to be remeasured at the end of each reporting period through the settlement date, recognizing in profit or loss possible changes in fair value, which requires revaluation of the estimates used at the end of each reporting period. The estimate of the fair value of share-based payments requires the determination of the most adequate pricing model to grant equity instruments, which depends on the grant terms and conditions.

It also requires the determination of the most adequate data for the pricing model, including the expected option life, volatility and dividend income, and the corresponding assumptions. The assumptions and models used to estimate the fair value of share-based payments are disclosed in Note 18.3.

c) *Provision for tax, labor and civil claims*

The Company recognizes a provision for tax, labor and civil claims (Note 16). The assessment of the probability of a loss includes the evaluation of the available evidences, the hierarchy of Laws, existing case law, the latest court decisions and their significance in the judicial system, and the opinion of external legal counsel. Provisions are reviewed and adjusted to take into account any changes in circumstances, such as applicable statutes of limitations, findings of tax inspections, or additional exposures found based on new court issues or decisions.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.1. Accounting judgments, estimates and assumptions --Continued

(i) *Judgments, estimates and assumptions* --Continued

c) *Provision for tax, labor and civil claims* --Continued

There are uncertainties inherent in the interpretation of complex tax rules and in the value and timing of future taxable income. In the ordinary course of business, the Company and its subsidiaries are subject to assessments, audits, legal claims and administrative proceedings in civil, tax and labor matters.

d) *Fair value of financial instruments*

When the fair values of financial assets and liabilities presented in the balance sheet cannot be obtained in the active market, they are determined using valuation techniques, including the discounted cash flow method.

The data for such methods is based on available market information; however, when it is not viable, a certain level of judgment is required to establish the fair value. The judgment includes considerations regarding the data used, such as interest rates, liquidity risk, credit risk, and volatility. Changes in the assumptions about these factors may affect the stated fair value of financial instruments.

e) *Estimated cost of construction*

Estimated costs, mainly comprising incurred and future costs for completing construction projects, are regularly reviewed, based on the progress of construction, and any resulting adjustments are recognized in profit or loss of the Company.

f) *Realization of deferred income tax*

A deferred tax asset is recognized when it is probable that a taxable profit will be available in subsequent years to offset the deferred tax asset, based on projections of results and based on internal assumptions and future economic scenarios.

The other provisions recognized in the Company are described in Note 2.2.23.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.2. Recognition of revenue and expenses

(i) *Real estate development and sales*

(a) For the sales of completed units, revenues are recognized upon completion of the sale and the transfer of significant risks and benefits, regardless of the timing of receipt from the customer.

(b) For the construction phase of units sold, but not yet completed:

- The incurred cost (including cost of land, and other directly related expenditures) that corresponds to the units sold is included in profit or loss. For the units not yet sold, the incurred cost is included in inventory (Note 2.2.7);

- Sales revenues are appropriated to profit or loss, using the percentage-of-completion method for each project, this percentage being measured in view of the incurred cost in relation to the total estimated cost of the respective project;

- Revenue recognized in excess of actual payments received from customers is recorded as either a current or non-current asset in “Trade accounts receivable”. Any payment received in connection with the sales of units that exceeds the amount of revenue recognized is recorded as “Payables for purchase of land and advances from customers ";

- Interest and inflation-adjustment charges on accounts receivable from the time the units are sold and delivered, as well as the adjustment to present value of account receivable, are included in “Real estate development, sale, barter transactions and construction services” when incurred, on a pro rata basis using the accruals basis of accounting;

- Financial charges on accounts payable for acquisition of land and those directly associated with the financing of construction are capitalized and recorded in properties for sale and included in the incurred cost of units under construction until their completion, and follow the same recognition criteria as the cost of real estate development for units sold while under construction;

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.2. Recognition of revenue and expenses --Continued

(i) *Real estate development and sales* --Continued

- Taxes levied and deferred on the difference between real estate development revenues and the cumulative revenue subject to tax are calculated and recognized when this difference in revenue is recognized; and

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

(ii) *Construction services*

Revenues from real estate services are recognized as services are rendered and tied to the construction management activities for third parties and technical advisory services.

(iii) *Barter transactions*

Barter transactions have the objective of receiving land from third parties that are settled with the delivery of real estate units or transfer of portions of the revenue from the sale of real estate units of ventures. The value of the land acquired is determined on the fair value of the units to be delivered, as a component of “properties for sales”, with a corresponding entry to “payable for purchase of properties and advances from customers”. Revenues and costs incurred from barter transactions are included in profit or loss over the course of construction period of ventures, as previously described in item (b).

2.2.3. Financial instruments

Financial instruments are recognized from the date the Company becomes a party to the contractual provisions of financial instruments, which mainly comprise cash and cash equivalents, short-term investments, accounts receivable, loans and financing, suppliers, and other debts.

After initial recognition, financial instruments are measured as described below:

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.3. Financial instruments --Continued

(i) *Financial instruments at fair value through profit or loss*

A financial instrument is classified at fair value through profit or loss when it is designated as such upon initial recognition, or when it meets the definition of a derivative and hedge accounting is not applied.

Financial instruments are designated at fair value through profit or loss if the Company manages these investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented investment strategy or risk management. Financial instruments at fair value through profit or loss are measured at fair value, and their changes therein are recognized in profit or loss.

For the year ended December 31, 2015, the Company held derivative financial instruments with the objective of mitigating the risk of its exposure to the volatility of indices and interest rates, recognized at the fair value directly in profit or loss. In accordance with its treasury policies, the Company does not have or issue derivative financial instruments for purposes other than to mitigate risk.

The Company does not adopt the hedge accounting practice.

(ii) *Financial assets*

Financial assets are classified into financial assets at fair value through profit or loss, receivables, held-to-maturity investments and available-for-sale financial assets. The Company determines the classification of its financial assets upon initial recognition, when the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at fair value, plus, in the case of investments not measured at fair value through profit or loss, directly attributable transaction costs.

The financial assets of the Company include cash and cash equivalents, short-term investments, trade accounts receivable and derivative financial instruments.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.3. Financial instruments --Continued

(ii) *Financial assets* --Continued

Derecognition (write-off)

A financial asset (or, as the case may be, a portion of a financial asset or portion of a group of similar financial assets) is derecognized when:

- The contractual rights to the cash flows from the asset expire; or

- The Company transfers the rights to receive cash inflows of an asset or assume an obligation of fully pay the cash inflows received, without significant delay, to a third party because of a “transfer” agreement; and (a) the Company substantially transfers the risks and rewards of the asset, or (b) the Company does not substantially transfer or retain all risks and rewards related to the asset, but transfers the control over the asset.

When the Company has transferred its rights to receive cash inflows of an asset, and signed an agreement to pass it on, and has not substantially transferred or has retained all risks and rewards related to the asset, an asset is recognized to the extent of the continuous involvement of the Company with the asset. In this case, the Company also recognizes a related liability. The transferred asset and related liability are measured based on the rights and obligations that the Company has maintained.

The continuous involvement by means of a guarantee on the transferred asset is measured at the lower of the original carrying value of the asset, or the highest consideration that may be required from the Company.

(iii) *Financial liabilities*

Financial liabilities through profit or loss include trading financial liabilities and financial liabilities designated as such upon initial recognition.

Loans and financing

Subsequent to initial recognition, loans and financing accruing interest are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in statement of profit or loss, at the time liabilities are written-off, as well as during the amortization process using the effective interest rate method.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.3. Financial instruments --Continued

(iii) *Financial liabilities --Continued*

Derecognition (write-off)

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expired.

When an existing financial liability is substituted by another from the same creditor, under substantially different terms, or when the terms of an existing liability are significantly modified, this substitution or change is treated as a derecognition of the original liability and recognition of a new liability. The difference in the corresponding carrying values is recognized in profit or loss.

Financial instrument – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet when, and only when, there is a current and enforceable legal right to offset the amounts, and if there is intention to offset them or realize the asset and settle the liability simultaneously. The legal right shall not be contingent in future events and shall be applicable in the normal course of business, and in case of default, insolvency or bankruptcy of the company or counterparty.

2.2.4. Cash and cash equivalents and short-term investments

Cash and cash equivalents substantially comprise demand deposits and bank certificates of deposit held under resale agreements, denominated in Reais, with high market liquidity and original contractual maturities of 90 days or less, and for which there are no penalties or other restrictions for the immediate redemption thereof.

Cash equivalents are classified as financial assets at fair value through profit or loss and are recorded at the original amounts plus income earned, calculated on a “pro rata basis", which are equivalent to their market values, not having any impact to be accounted for in the Company’s equity.

Short-term investments include bank deposit certificates, federal government bonds, exclusive investment funds that are fully consolidated and also restricted cash in guarantees to loans, which are classified at fair value through profit or loss (Note 4.2).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.5. Trade account receivable

These are presented at present and realizable values. The classification between current and noncurrent is made based on the expected maturity of contract installments.

The installments due are indexed based on the National Civil Construction Index (INCC) during the period of construction, and based on the General Market Prices Index (IGP-M) and interest at 12% p.a., after the delivery of the units.

The adjustment to present value is calculated between the contract signature date and the estimated date to transfer the completed property keys to the buyer, using a discount rate represented by the average rate of the financing obtained by the Company, net of inflation, as mentioned in Note 2.2.20.

The amortization of the present value adjustment, considering that an important part of the Company operations consists of financing its clients until key delivery, was carried out as contra-entry to the group of “Real estate development, sale, barter transactions and construction services”revenue, consistently with interest accrued on the portion of receivables balance related to the period subsequent to the handover of keys.

2.2.6. Mortgage-backed Securities (CRIs) and Housing Loan Certificate (CCI)

The Company and its subsidiaries carry out the assignment and/or securitization of receivables related to completed projects and those still under construction. This securitization is carried out through the issuance of the “Housing Loan Certificate” (“Cédula de Crédito Imobiliário” or “CCI”), which is assigned to financial institutions that grant loans. When there is no right of recourse, this assignment is recorded as reduction of accounts receivable. When there is right of recourse against the Company, the assigned receivable is maintained in the balance sheet and the funds from assignment are classified into the account “Obligations assumed on assignment of receivable”, until receivables are settled by customers.

In this situation, the transaction cost is recorded in “financial expenses” in the statement of profit or loss for the year in which the transfer is made.

The financial guarantees, when a participation is acquired (subordinated CRI) and maintained to secure disposed receivables, are recorded on the balance sheet as “short-term investments” at the realizable value, which is equivalent to fair value.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.7. Properties for sale

The Company and its subsidiaries acquire land for future real estate developments, on payment conditions in currency or through barter transactions. Land acquired through barter transaction is stated at fair value of the units to be delivered, and the revenue and cost are recognized according to the criteria described in Note 2.2.2 (iii).

Properties are measured at the lower of construction cost, and net realizable value. In the case of real estate under construction, the portion in inventories corresponds to the cost incurred for units that have not yet been sold. The incurred cost comprises construction costs (materials, own or outsourced labor, and other related items), and legal expenses relating to the acquisition of land and projects, land costs and financial charges which relate to a project over the construction period.

The classification of land between current and noncurrent assets is made by Management based on the expected period for launching real estate ventures. Management periodically revises the estimates of real estate ventures launches.

2.2.8. Selling expenses - commissions

Brokerage expenditures are recorded in profit or loss under the account “Selling expenses” employing the same percentage-of-completion criteria used for revenue recognition. The charges related to sales commission paid by the buyer to their broker are not recognized as revenue or expense of the Company.

2.2.9. Prepaid expenses

These are recognized in profit or loss as incurred using the accrual basis of accounting.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.10. Land available for sale

Land available for sale is measured at the lower of the carrying value and the fair value less the costs to sell and is classified as held for sale if its carrying value is to be recovered through a sale transaction of the land. This condition is considered fulfilled only when the sale is highly probable and the asset is available for immediate sale in its current condition. Management shall undertake to sell it in a year after the classification date.

2.2.11. Investments in associates

Investments in associates are recorded in the Company using the equity method.

When the Company's equity in the losses of associates is equal to or higher than the amount invested, the Company recognizes the residual portion in net capital deficiency since it assumes obligations and makes payments on behalf of these companies. For this purpose, the Company recognizes a provision at an amount considered appropriate to meet the obligations of the associates (Note 9).

2.2.12. Property and equipment

Items of property and equipment are measured at cost, less accumulated depreciation and/or any accumulated impairment losses, if applicable.

An item of property and equipment is derecognized when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is recognized in profit or loss upon derecognition.

Depreciation is calculated based on the straight-line method considering the estimated useful lives of the assets (Note 10).

Expenditures incurred in the construction of sales stands, display apartments and related furnishings are capitalized as property and equipment of the Company and its subsidiaries. Depreciation of these assets commences upon launch of the development and is recorded over the average term the stand is in use and is written-off when it is retired.

Property and equipment are subject to periodic assessments of impairment.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.13. Intangible assets

(i) Expenditures related to the acquisition and implementation of computer systems and software licenses are recorded at acquisition cost and amortized on straight-line basis over a period of up to five years, and are subject to periodic assessments of impairment of assets.

(ii) The Company's investments in subsidiaries include goodwill when the acquisition cost exceeds the market value of net assets of the acquiree.

The goodwill recorded as of December 31, 2015 and 2014 refers to acquisitions before the date of transition to CPC/IFRS (January 1, 2009), and the Company opted to not retrospectively recognize the acquisitions of investments before the transition date, to adjust any of the respective goodwill.

Impairment testing of goodwill is performed at least annually or whenever circumstances indicate an impairment loss.

2.2.14. Payables for purchase of properties and advances from customer due to barter

Payables for purchase of land are recognized at the amounts corresponding to the contractual obligations assumed. Subsequently they are measured at amortized cost, plus interest and charges proportional to the incurred period ("pro rata" basis), net of present value adjustment.

The obligations related to barter transactions of land in exchange for real estate units are stated at fair value of the units to be delivered.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.15. Income tax and social contribution

(i) *Current income tax and social contribution*

Current income tax is the expected tax payable or receivable/to be offset in relation to taxable profit for the year. In the year 2014, the Company and its subsidiaries used the Brazilian Transitory Tax Regime (RTT), which permitted the exclusion of the effect from the changes, introduced by Laws No. 11,638/2007 and No. 11,941/2009, in the tax basis of such taxes.

Income taxes in Brazil comprise income tax (25%) and social contribution (9%), for entities on the standard profit regime, for which the composite statutory rate is 34%. Deferred taxes for these entities are recognized on all temporary tax differences at the reporting date between the tax bases of assets and liabilities, and their carrying values.

As permitted by tax legislation, certain subsidiaries opted for the presumed profit regime, a method under which the taxable profit is calculated as a percentage of gross sales. For these companies, the income tax is calculated on estimated profits at rate of 8% and 12% of gross revenues, respectively, on which the rates of the respective tax and contribution are levied.

As permitted by tax legislation, the development of certain ventures are subject to the “afetação” regime, based on which the land and its features where a real estate will be developed, as well as other binding assets and rights, are separated from the assets of the developer and comprise the “patrimônio de afetação” (detached assets) of the corresponding development and which real estate units will be delivered to the buyers. In addition, certain subsidiaries made the irrevocable option for the Special Taxation Regime (RET), adopting the "patrimônio de afetação", according

to which the income tax and social contribution are calculated at 1.92% on gross revenues (4% also levying PIS and COFINS on revenues).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.15. Income tax and social contribution --Continued

(ii) *Deferred income tax and social contribution*

Deferred taxes are recognized in relation to tax losses and temporary differences between the carrying amount of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

Deferred tax assets are recognized to the extent that it is probable that future taxable income will be available to be used to offset deferred tax assets, based on profit projections made using internal assumptions and considering future economic scenarios that make it possible their full or partial use, upon the recognition of a provision for the non-realization of the balance. The recognized amounts are periodically reviewed and the impacts of realization or settlement are reflected in compliance with tax legislation provisions.

Deferred tax on accumulated tax losses does not have an expiration date, however, they can only be offset against up to 30% of the taxable profit for each year. Companies that opt for the presumed profit tax regime cannot offset tax losses for a period in subsequent years.

Deferred tax assets and liabilities are stated at net amount in the balance sheet when there is the legal right and intention to offset them when determining the current taxes, related to the same legal entity and the same tax authority.

2.2.16. Other current and non-current liabilities

These liabilities are stated at their known or estimated amounts, plus, when applicable, adjustment for charges and inflation-indexed variations through the balance sheet date, which contra-entry is recorded in profit or loss. When applicable, current and non-current liabilities are recorded at present value based on interest rates that reflect the term, currency and risk of each transaction.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.17. Stock option plans

As approved by its Board of Directors, the Company offers executives and employees share-based compensation plans (“Stock Options”), as payments for services received.

The fair value of options is determined on the grant date, considering that it is recognized as expense in profit or loss (as contra-entry to equity), to the extent services are provided by employees and executives.

In an equity-settled transaction, in which the plan is modified, a minimum expense is recognized corresponding to the expense that would have been recorded if the terms have not been changed. An additional expense is recognized for any modification that increases the total fair value of granted options, or that otherwise benefits the employee, measured on the modification date.

In case of cancellation of a stock option plan, this is treated as if it had been vested on the cancellation date, and any unrecognized plan expense is immediately recognized. However, if a new plan replaces the cancelled plan, and a substitute plan is designated on the grant date, the cancelled plan and the new plan are treated as if they were a modification of the original plan, as previously mentioned.

The Company annually revises its estimates of the amount of options that shall be vested, considering the vesting conditions not related to the market and the conditions based on length of service. The Company recognizes the impact of the revision of the initial estimates, if any, in the statement of profit or loss, as contra-entry to equity.

2.2.18. Share-based payment – Phantom Shares

The Company has a cash-settled share-based payment plan (phantom shares) under fixed terms and conditions. There is no expectation of the effective negotiation of shares, once there shall be no issue and/or delivery of shares for settling the plan.

According to CPC 10 (R1) – Share-based Payment, these amounts are recorded as a liability, with contra-entry in profit or loss for the year, based on the fair value of the phantom shares granted, and during the vesting period. The fair value of this liability is remeasured and adjusted every reporting period, according to the change in the fair value of the benefit granted and vesting.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.19. Other employee benefits

The salaries and benefits granted to the Company's employees and executives include fixed compensation (salaries, social security contributions (INSS), Government Severance Indemnity Fund for Employees (FGTS), vacation and 13th monthly salary, among others) and variable compensation such as profit sharing, bonus, and share-based payments. These benefits are recorded in profit or loss for the year, under the account "General and administrative expenses", as they are incurred.

The bonus system operates with individual corporate targets, structured based on the efficiency of corporate goals, followed by the business goals and, finally, individual goals.

The Company and its subsidiaries do not offer private pension or retirement plans.

2.2.20. Present value adjustment – assets and liabilities

Assets and liabilities arising from long or short-term transactions are adjusted to present value if significant.

In installment sales of not completed units, real estate development entities adjust receivables by an inflation index, including the installment related to the delivery of units, without accrual of interest, and shall be discounted to present value, as the agreed inflation indexes do not include interest.

Borrowing and other financing costs directly attributable to the construction of real estate ventures are capitalized. Therefore, the reversal of the present value adjustment of an obligation related to these items is included in the cost of real estate unit sold or in the inventories of properties for sale, as the case may be, until the period of construction of the project is completed.

Accordingly, certain assets and liabilities are adjusted to present value based on discount rates that reflect the best estimate of the value of the money over time.

The applied discount rate’s underlying economic basis and assumption is the average rate of the financing and loans obtained by the Company, net of the inflation-index effect (Notes 5 and 12).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.21. Debenture and public offering costs

Transaction costs and premiums on issuance of securities are accounted for as a direct reduction of amount raised by the Company. In addition, transaction costs and premiums on issuance of debt securities are amortized over the terms of the instrument and the net balance is classified as reduction of the respective transaction (Note 13).

2.2.22. Borrowing costs

Borrowing costs which are directly attributable to the development of assets for sale and land, are capitalized as part of the cost of that asset during the construction period, since there are borrowings outstanding, which are recognized in profit or loss to the extent units are sold. All other borrowing costs are expensed as incurred. Borrowing costs comprise interest and other related costs incurred, including those for raising finances.

2.2.23. Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) *Provision for legal claims*

The Company is party to various lawsuits and administrative proceedings. Provisions are recognized for all contingencies related to lawsuits, in which risk of loss is considered probable.

Contingent liabilities for which losses are considered possible are only disclosed in a note to the consolidated financial statements, and those for which losses are considered remote are neither accrued nor disclosed.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.23. Provisions --Continued

(i) *Provision for legal claims* --Continued

Contingent assets are recognized only when there are real guarantees or favorable final and unappealable court decisions. Contingent assets with probable favorable decisions are only disclosed in the notes. As of December 31, 2015 and 2014 there are no claims involving contingent assets recorded in the consolidated balance sheet of the Company.

(ii) *Allowance for doubtful account and cancelled contracts*

The Company reviews annually its assumptions related to the establishment of its allowance for doubtful account and cancelled contracts, taking into account the review of the histories of its current operations and improvement of estimates.

The Company records an allowance for doubtful accounts and cancelled contracts for customers whose installments are past due, based on the assumptions made about each segment of the Company. This allowance is calculated based on the percentage of completion of the construction work, a methodology adopted for recognizing profit or loss for the year (Note 2.2.2).

(iii) Provision for penalties due to delay in construction work

As contractually provided, the Company has the practice of provisioning the charges payable to eligible customers for projects whose delivery is delayed over 180 days, pursuant to the respective contractual clause and history of payments.

(iv) Warranty provision

The Company and its subsidiaries recognize a provision to cover expenditures for repairing construction defects covered during the warranty period, based on the estimate that considers the history of incurred expenditures adjusted by the future expectation, except for the subsidiaries that operate with outsourced companies, which are the direct guarantors of the constructions services provided. The warranty period is five years from the delivery of the venture.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.23. Provisions --Continued

(v) Provision for impairment of non-financial assets

When there is evidence of impairment of asset, and the net carrying value exceeds the recoverable amount, a provision for impairment is recorded, adjusting the net carrying value to the recoverable value. Goodwill and intangible assets with indefinite useful lives have the recovery of their net carrying amounts tested annually, regardless whether there is any indication of impairment, by comparing the net carrying value to the recoverable amount measured by cash flows discounted to present value, using a discount rate before taxes, which reflects the weighted average cost of capital of the Company.

2.2.24. Sales taxes

Expenses and assets are recognized net of sales taxes, except:

- When the sales taxes incurred in the purchase of goods or services are not recoverable from tax authorities, in which event sales taxes are recognized as a portion of the acquisition cost of the asset or expense item, as the case may be; and
- When the amounts receivable and payable are shown together with the sales taxes.

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When the net amount of sales taxes, recoverable or payable, is included as a receivables or payable item in the balance sheet.

Under the non-cumulative taxation regime, the PIS and COFINS contribution rates are 1.65% and 7.6%, respectively, for companies under the taxable profit taxation regime, levied on gross revenue and discounting certain credits determined based on incurred costs and expenses. For companies that opt for the presumed profit taxation regime, under the cumulative taxation regime, the PIS and COFINS contribution rates are 0.65% and 3%, respectively, on gross revenue, without discounts of credits in relation to incurred costs and expenses. In addition, certain subsidiaries made the irrevocable option for the Special Taxation Regime (RET), adopting the "patrimônio de afetação", according to which the PIS and COFINS are calculated at 0.37% and 1.71%, respectively, on gross revenue.

2.2.25. Treasury shares

Own equity instruments that are repurchased (treasury shares) are recognized at cost and charged to equity. No gain or loss is recognized in the statement of profit or loss upon purchase, sale, issue or cancellation of the Company’s own equity instruments.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

2. Presentation of financial statements and summary of significant accounting policies --Continued

2.2. Summary of significant accounting policies --Continued

2.2.26. Interest on equity and dividends

The portion of declared dividends and interest on equity (JCP) are recorded as current liabilities in the heading "Dividends payable". Mandatory dividends are also recorded as current liabilities since it is a legal obligation provided for in the By-laws of the Company.

For corporate and accounting purposes, the interest on equity is reported as allocation of profit directly to equity at gross amount.

2.2.27. Earnings (loss) per share – basic and diluted

Basic earnings (loss) per share are calculated by dividing the net income (loss) attributable (allocated) to ordinary shareholders by the weighted average number of shares outstanding over the period.

Diluted earnings per share are calculated in a similar manner, except that the weighted average number of shares outstanding is increased, to include the additional shares that would be outstanding, in case the shares with dilutive potential attributable to stock option had been issued over the respective periods, using the weighted average price of shares.

2.2.28. Non-current assets held for sale and profit of discontinued operations

The Company classifies a non-current asset as held for sale if its carrying amount is expected to be recovered by means of a sale transaction. In such case, the asset or the group of assets held for sale must be available for immediate sale on current conditions, subject to the usual and customary terms for selling such assets held for sale and its sale must be highly probable.

For a sale to be considered highly probable, Management must be committed to a plan to sell the asset, and have initiated a program for finding a buyer and complete the plan at a price that is reasonable in relation to its current fair value. In addition, the sale must be expected to be completed within one year after the classification date, unless events that are beyond the control of the Company change this period.

The asset held for sale is measured at the lower of its carrying amount and fair value, less cost to sell. In case the carrying value exceeds its fair value, an impairment loss is recognized in profit or loss for the year. Any reversal or gain shall only be recognized to the extent of such recognized loss.

The profit of discontinued operations is presented at a single amount in statement of profit or loss, which includes the total after-tax income of these operations, less any impairment-related loss. The net cash flow amounts attributable to operating, investing and financing activities of discontinued operations are presented in Note 8.2.

On December 9, 2013, the Company disclosed a material fact informing the completion of transaction for selling the majority interest (70%) it held in Alphaville Urbanismo S.A. (AUSA), as detailed in Note 8.2.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

3. New standards, changes and interpretation of standards issued and not yet adopted

· IFRS 9 – Financial Instruments

IFRS 9 includes the reviewed guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating the impairment of financial assets and new requirements for hedge accounting. The standard maintains the existing guidance on the recognition and derecognition of financial instruments of IAS 39. IFRS 9 is effective for years beginning on or after January 1, 2018.

· IFRS 15 – Revenue from Contracts with Customers

This standard introduces new requirements for measurement and recognition of revenue . IFRS 15 – Revenue from Contracts with Customers, requires an entity to recognize the amount of revenue reflecting the consideration it expects to receive in exchange for the control over such goods or services. The new standard is going to replace existing revenue recognition guidance, including IAS 18, IAS 11 and IFRIC 13. The new standard is applicable beginning on or after January 1, 2018. The standard can be applied retrospectively, adopting a cumulative effect approach.

· IFRS 16 – Leases

This standard replaces the previous lease standard, IAS 17/CPC 06 (R1) – Leases, and related interpretation, and establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, that is, the customers (lessees) and providers (lessors). Lessees are required to recognize a lease liability reflecting the future lease payments and a “right-of-use assets” for practically all lease contracts, except certain short-term leases and contracts of low-value assets. For lessors, the criteria for recognition and measurement of leases in the financial statements are substantially maintained. This standard is effective beginning on January 1, 2019.

The Company is evaluating the effects of the IFRS 9, 15 and 16 on its financial statements and has not yet concluded its analysis on the impact of their adoption.

The Accounting Pronouncements Committee (CPC) has not yet issued an accounting pronouncement or change to effective pronouncements corresponding to all of the new IFRS. Accordingly, entities that disclose their financial statements according to the accounting practices adopted in Brazil are not permitted to early adopt such IFRS.

There is no other standard, changes to standards or interpretation issued and not yet adopted that could, in the Management’s opinion, have significant impact arising from their adoption on its financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

4. Cash and cash equivalents and short-term investments

4.1. Cash and cash equivalents

	2015	2014
Cash and banks	69,560	85,059
Securities purchased under resale agreements (a)	13,080	24,836
Total cash and cash equivalents (Note 20.ii.a and 20.iii)	82,640	109,895

(a) Securities purchased under resale agreement comprise securities issued by Banks with a repurchase commitment by the bank, and resale commitment by the customer, at rates and maturities agreed upon, backed by private or government securities, depending on the bank. The securities are registered with Central de Custódia e de Liquidação Financeira de Títulos (“ CETIP”).

As of December 31, 2015, the securities purchased under resale agreement include interest earned from 75% to 100.5% of Interbank Deposit Certificates (CDI) (from 70% to 101% of CDI in 2014). All transactions are with what management considers to be top tier financial institutions.

4.2. Short-term investments

	2015	2014
Fixed-income funds (a)	279,486	326,977
Government bonds (LFT) (a)	18,631	77,911
Corporate securities (LF/DPGE) (a)	95,801	-
Securities purchased under resale agreements	25,548	361,226
Bank certificates of deposit (a) / (b)	101,733	103,219
Restricted cash in guarantee to loans (c)	31,633	104,039
Restricted credits (d)	76,839	73,987

Total short-term investments (Note 20.i.d, 20.ii.a and 20.iii)	629,671	1,047,359

(a) Structure of exclusive Investment funds aimed at earning interest on funds in excess of the variation in the Interbank Deposit Certificate (CDI). These funds have mandates of risks that are periodically monitored and observe the internal investment policies in effect.

(b) As of December 31, 2015, Bank Certificates of Deposit (CDBs) include interest earned varying from 90% to 107% (from 70% to 108% in 2014) of Interbank Deposit Certificates (CDI) rate. The CDBs earn an average income in excess of those from securities purchased under resale agreements; however, the Company performs investments in short term operations (up to 20 working days) through securities purchased under resale agreements mainly due to the exemption of IOF, which is not granted in the case of CDBs.

(c) Restricted cash in guarantee to loans are investments in fixed-income funds, with appreciation of shares through investments only in federal government bonds, indexed to fixed rates or to price indexes, and pledged to guarantee a portion of the Company's issuances. These amounts are periodically released, when there is a surplus of guarantee in the issuance and/or as provided for in the indenture. See further information in Notes 13 and 16(b).

(d) Restricted credits are represented by onlending of the funds from associate credit ("*crédito associativo*"), a type of government real estate financing, which are in process of approval at the Caixa Econômica Federal (a Federally owned Brazilian bank used for real estate financing purpose). These approvals are made to the extent the contracts signed with customers at the financial institutions are regularized, which the Company expect to be in up to 90 days.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

5. Trade accounts receivable from real estate development and services

	2015	2014
Real estate development and sales	1,895,795	1,919,846
(-) Allowance for doubtful accounts and cancelled contracts	(100,530)	(109,893)
(-) Present value adjustments	(31,052)	(24,642)
Services and construction and other receivables	38,151	40,008
Total trade accounts receivable of development and services (Note 20.ii.a)	1,802,364	1,825,319
Current	1,395,273	1,440,498
Non-current	407,091	384,821

The current and non-current portions have the following maturities:

Maturity	2015	2014
Overdue	492,721	579,137
2015	-	995,896
2016	948,998	187,719
2017	324,513	112,191
2018	80,850	18,969
2019	33,335	18,734
2020 onwards	53,529	47,208
	1,933,946	1,959,854
(-) Adjustment to present value	(31,052)	(24,642)
(-) Allowance for doubtful account and cancelled contracts	(100,530)	(109,893)
	1,802,364	1,825,319

The balance of accounts receivable from units sold and not yet delivered is not fully reflected in the consolidated financial statements. The balance is limited to the portion of the recorded revenues net of the amounts already received, according to the accounting practice mentioned in Note 2.2.2(i)(b).

As of December 31, 2015, the amount received from customers in excess of the recognized revenues totaled R$39,743 (R$21,236 in 2014) in the consolidated financial statements, and are classified in the heading “Payables for purchase of properties and advances from customers" (Note 17).

Accounts receivable from completed real estate units financed by the Company are in general subject to IGP-M variation plus annual interest of 12%, with revenue being recorded in profit or loss in the account “Revenue from real estate development and sale, barter transactions and construction services". The interest amounts recognized, in the consolidated financial statements for the year ended December 31, 2015 totaled R$39,844 (R$36,216 in 2014 and R$31,419 in 2013).

The balances of allowance for doubtful accounts and cancelled contracts, are considered sufficient by the Company’s management to cover the estimated future losses on realization of the accounts receivable.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

5. Trade accounts receivable of development and services --Continued

The change in the allowance for doubtful accounts and cancelled contracts for the years ended December 31, 2015 and 2014, is as follows:

	Receivables	**Properties for sale (Note 6)**	Net
Balance at December 31, 2013	(179,372)	107,172	(72,200)
Write-offs (Notes 22 and 23)	69,479	(54,863)	14,616
Balance at December 31, 2014	(109,893)	52,309	(57,584)
Additions (Note 22)	(6,749)	-	(6,749)
Write-offs (Notes 22 and 23)	16,112	(30,545)	(14,433)
Balance at December 31, 2015	(100,530)	21,764	(78,766)

The reversal of the present value adjustment recognized in revenue from real estate development for the year ended December 31, 2015 totaled R$6,410 (R$1,660 in 2014 and R$1,214 in 2013) in the consolidated financial statements.

Receivables from units not yet completed were measured at present value using a discount rate determined according to the criteria described in Note 2.2.2. The discount rate applied by the Company and its subsidiaries was 6.78% in 2015 (3.27 to 4.64% in 2014), net of Civil Construction National Index (INCC).

The Company entered into the following Real Estate Receivables Agreement (CCI) transactions, which are aimed to transfer a portfolio comprising select residential and business real estate receivables delivered and yet to be delivered arising out of Gafisa and its subsidiaries to the assignee. The assigned portfolios, discounted to present value, are recorded under the heading “obligations assumed on the assignment of receivables”.

	Transaction date	Assigned portfolio	Portfolio discounted to present value	(Note 14) 2015	2014
(i)	Jun 27, 2011	203,915	171,694	4,775	8,851
(ii)	Dec 22, 2011	72,384	60,097	2,236	3,985
(iii)	Jul 06, 2012	18,207	13,917	368	1,483
(iv)	Nov 14, 2012	181,981	149,025	4,351	6,151
(v)	Dec 27, 2012	72,021	61,647	7,541	8,604
(vi)	Nov 29, 2013	24,149	19,564	6,362	9,459
(vii)	Nov 25, 2014	15,200	12,434	6,696	11,513
(viii)	Dec 03, 2015	32,192	24,469	24,558	-

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

5. Trade accounts receivable of development and services --Continued

In the transactions above, the Company and its subsidiaries are jointly responsible until the time of the transfer of the collateral to the securitization company.

For the items (i) to (iii) and (viii) above, the Company was engaged to perform, among other duties, the management of the receipt of receivables, the assignment's underlying assets, and collection from defaulting customers, among other, according to the criteria of each investor, being paid for these services.

The difference between the face value of the portfolio of receivables and the amount discounted to present value was recorded in profit or loss in the account "Discount in Securitization Transaction" under financial expenses.

6. Properties for sale

	2015	2014
Land	1,443,460	1,311,847
(-) Adjustment to present value	(16,771)	(5,503)
Property under construction	857,619	905,190
Real estate cost in the recognition of the provision for cancelled contracts (Note 5)	21,764	52,309
Completed units	333,036	260,808
(-) Provision for realization of properties for sale	(8,491)	(12,309)
Total properties for sale	2,630,617	2,512,342
Current portion	1,880,377	1,695,817
Non-current portion	750,240	816,525

For the years ended December 31, 2015 and 2014, the change in the provision for impairment of properties for sale is summarized as follows:

Balance at December 31,2013	**(11,276)**
Additions	(4,462)
Write-offs	3,429
Balance at December 31,2014	(12,309)
Additions	(1,236)
Write-offs	5,054
Balance at December 31,2015	(8,491)

As disclosed in Note 12, the balance of capitalized financial charges as of December 31, 2015 amounts to R$354,551 (R$276,613 in 2014 and R$214,298 in 2013) in the consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

7. Other assets

	2015	2014
Advances to suppliers	7,102	5,082
Recoverable taxes (IRRF, PIS, COFINS, among other)	66,289	76,000
Judicial deposit (Note 16)	125,358	154,939
Other	4,788	5,125
Total other assets	203,537	241,146
Current portion	120,657	128,905
Non-current portion	82,880	112,241

8. Assets held for sale

8.1 Land available for sale

The Company, in line with its strategic direction, opted to sell land not included in the Business Plan approved for 2016. Therefore, it devised a specific plan for the sale of such land. The carrying value of such land, adjusted to market value when applicable, after the test for impairment, is as follows:

	Cost	Provision for impairment	Net balance
Balance at December 31, 2013	172,110	(57,263)	114,847
Additions	23,313	(24,990)	(1,677)

Reversal/Write-offs	(33,686)	31,079	(2,607)
Balance at December 31, 2014	161,737	(51,174)	110,563
Additions	9,735	(19,152)	(9,417)
Transfer from (to) properties for sale, net	(617)	-	(617)
Reversal/Write-offs	(23,182)	28,510	5,328
Balance at December 31, 2015	147,673	(41,816)	105,857
Gafisa segment	19,457	(15,090)	4,367
Tenda segment	128,216	(26,726)	101,490

8.2 Profit from discontinued operations

On December 9, 2013, the Company disclosed the completion of the sale transaction of its 70% interest in AUSA. As a result of this transaction, a gain of R$631,122 was recorded in the Company's results under the heading "Net income from discontinued operations", as shown below:

	2013
Amount received	1,254,521
(-) Write-off of investments	(318,086)
(-) Write-off of goodwill	(379,829)
(-) Transaction cost	(16,336)
	540,270
Income from equity method investments	166,964
Tax expenses	(76,112)
	631,122

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

8. Assets held for sale --Continued

8.2 Profit from discontinued operations--Continued

In accordance with the provisions of paragraph 38 of CPC 31 – Non-current Asset Held for Sale and Discontinued Operations, the Company presents below the main lines in the statement of profit or loss and cash flows of AUSA:

Statement of profit or loss	2013(a)
Net operating revenue	810,397
Operating costs	(429,066)
Operating expenses, net	(140,838)
Income from equity method investments	3,445
Financial expenses	(27,258)
Income tax and social contribution	(21,783)
	194,897
Non-controlling interests	(18,459)
Net income for the year	176,438

Cash flows	2013(a)
Operating activities	(197,093)
Investing activities	66,664
Financing activities	(1,350)

(a) Balance referred to the period ended December 9, 2013, date of completion of the sale of controlling interests in AUSA.

F-40

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

9. Investments in associates and jointly-controlled investees

(i) Ownership interest

(a) *Information on associates and jointly-controlled investees*

		Interest in capital - %		Total assets	Total liabilities	Equity and advance for future capital increase		Profit (loss) for the year		Investments		I e i
Direct investees		2015	2014	2015	2015	2015	2014	2015	2014	2015	2014	2
Alphaville Urbanismo S.A	-	30%	30%	2,564,240	1,835,721	728,519	561,664	148,144	107,662	218,556	168,499	
Gafisa SPE-116 Emp. Imob. Ltda	(a)	50%	50%	158,177	54,805	103,372	78,620	22,864	(5,380)	51,686	39,310	
Gafisa e Ivo Rizzo Em. Im. Ltda.	(a)	80%	80%	31,829	80	31,749	31,442	(26)	1	25,399	25,153	
Varandas Grand Park Em. Im. Ltda	(a)(c)	50%	50%	115,893	72,305	43,588	56,761	(2,197)	5,924	21,794	28,380	
Sitio Jatiuca Emp. Imob. SPE Ltda	(a)	50%	50%	45,525	4,055	41,470	55,655	3,680	2,591	20,735	27,827	
Parque Arvores Empr. Imob. Ltda.	(a)(c)	50%	50%	39,518	6,140	33,378	49,004	1,684	4,072	16,689	24,502	
Alto Barra de Sao Miguel Em. Im. Ltda	(a)	50%	50%	24,919	1,415	23,504	22,504	1,001	(439)	11,752	11,252	
Atins Emp. Imob.s Ltda	(a)	50%	50%	28,965	13,188	15,777	15,402	(183)	72	7,888	7,701	
Parque Aguas Empr. Imob.	(a)(c)	50%	50%	16,666	1,402	15,264	23,178	805	2,255	7,632	11,589	

Ltda.											
Costa Maggiore Empr. Imob. Ltda.	(a)	50%	50%	13,080	2,932	10,148	11,989	470	1,626	5,724	5,994
Dubai Residencial Empr. Imob. Ltda.	(a)(c)	50%	50%	11,130	568	10,562	11,061	621	227	5,281	5,531
Other (*)	-			475,196	329,014	146,182	183,025	(15,179)	(55,739)	33,110	53,562
Saí Amarela S.A.	(a)	50%	50%	2,375	61	2,314	2,354	(102)	(99)	1,126	918
Gafisa SPE-51 Emp. Imob. Ltda.	(a)	60%	60%	2,750	1,088	1,662	3,954	869	(458)	997	2,372
Other (*)				498	32	466	934	(704)	57	73	417
Indirect jointly-controlled investees - Gafisa				5,623	1,181	4,442	7,242	63	(500)	2,196	3,707
Acedio SPE Emp. Imob. Ltda.	-	55%	55%	4,535	3,859	676	4,883	(1,973)	6	372	2,685
Maria Inês SPE Emp. Imob. Ltda.	-	60%	60%	21,291	241	21,050	20,914	137	55	12,630	12,548
Fit 02 SPE Emp. Imob. Ltda.	-	60%	60%	9,932	50	9,882	11,942	(2,060)	184	5,929	7,165
Fit Jardim Botânico SPE Emp. Imob. Ltda.	-	55%	55%	9,999	-	9,999	38,559	(5,639)	(822)	5,554	21,207
Fit 11 SPE Emp. Imob. Ltda.	-	70%	70%	35,697	3,635	32,062	29,604	253	(2,643)	22,443	20,723
Fit 31 SPE Emp. Imob. Ltda.	-	70%	70%	17,622	1,167	16,455	11,759	(2,529)	(3,047)	11,518	8,231
Fit 34 SPE Emp. Imob. Ltda.	-	70%	70%	34,323	689	33,634	31,746	2,131	1,597	23,544	22,221
Fit 03 SPE Emp. Imob. Ltda.	-	80%	80%	11,640	236	11,404	10,807	597	764	9,123	8,646
Imbuí I SPE Emp. Imob. Ltda.	-	50%	50%	8,901	178	8,723	8,813	(90)	(68)	4,362	4,406
Città Ipitanga SPE Emp. Imob. Ltda.	-	50%	50%	12,424	663	11,761	11,703	(2)	(810)	5,880	5,852
Grand Park - Pq. dos Pássaros SPE Emp. Imob. Ltda.	-	50%	50%	25,239	2,773	22,466	37,291	(3,997)	2,595	11,233	18,646
Citta Itapua Emp. Imob. SPE Ltda.	-	50%	50%	19,213	1,198	18,015	12,431	8,463	(1,311)	9,007	6,215
SPE Franere Gafisa 08 Emp. Imob. LTDA.	-	50%	50%	54,804	6,973	47,831	37,618	18,180	(25,394)	23,916	18,809
Fit 13 SPE Emp. Imob. Ltda.	(b)	50%	50%	36,960	2,473	34,487	31,476	3,010	99	17,840	18,399
Other (*)	-			73,872	3,886	69,986	34,611	41,128	(3,907)	-	3,780

Indirect jointly-controlled investees - Tenda	-	376,452	28,021	348,431	334,157	57,609	(32,702)	163,351	179,533
Subtotal		3,907,213	2,350,827	1,556,386	1,441,704	219,122	29,670	591,793	592,540
Addition to remeasurement of investment in associate	(d)							375,853	375,853
Total investments								967,646	968,393

(*)Includes companies with investment balances below R$ 5,000.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

9. Investments in associates and jointly-controlled investees --Continued

(i) Ownership interest --Continued

(a) *Information on associates and jointly-controlled investees* --Continued

	Interest in capital - %		Total assets	Total liabilities	Equity and advance for future capital increase		Profit (loss) for the year		Provision for capital deficiency		Income from equity method investments		
Direct investees	2015	2014	2015	2015	2015	2014	2015	2014	2015	2014	2015	2014	201
Provision for net capital deficiency (e):													
Manhattan Residencial 01 Spe Ltda	50%	50%	30,847	120,166	(89,319)	(65,678)	(21,261)	(21,017)	(44,627)	(32,839)	(10,631)	(10,509)	(6,
Manhattan Comercial 01 Spe Ltda	50%	50%	12,765	20,651	(7,887)	-	(9,408)	-	(4,350)	-	(4,704)	-	-
Other (*)			79,126	81,684	(2,557)	(17,538)	(2,212)	(2,711)	(5,424)	(43)	1,120	4,120	-
Total provision for net capital deficiency			122,738	222,501	(99,763)	(83,216)	(32,881)	(23,728)	(54,401)	(32,882)	(14,215)	(6,389)	(6,
Total Income from equity method											41,766	19,263	7,3

investments
(*)Includes companies with investment balances below R$ 5,000.

(a) Joint venture.

(b) Joint venture with Tenda associates.

(c) The Company recorded expense of R$2,454 in Income from equity method investments for 2015 related to the recognition, by joint ventures, of adjustments in prior years, in accordance with the ICPC09 (R2) – Individual, Separate and Consolidated Financial Statements and the Equity Method of Accounting.

(d) Amount related to the addition of the remeasurement of the portion of the remaining investment of 30% in the associate AUSA, in the amount of R$375,853, arising from the sale of control over the entity. At December 31, 2015 and 2014, the impairment test, which is performed annually or when circumstances indicate impairment of carrying value, did not identify the need of recognizing an impairment provision in the realization. The main assumptions adopted for determining the recoverable amount of the remaining investment of AUSA are detailed in Note 11.

(e) The provision for net capital deficiency is recorded in the heading “Other payables” (Note 15).

(b) *Change in investments*

Balance at December 31, 2014	968,393
Income from equity method investments	55,981
Capital contribution (decrease)	(4,873)
Dividends receivable	(52,773)
Other investments	918
Balance at December 31, 2015	967,646

F-42

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

10. Property and equipment

Type	2014	Addition	Write off and 100% depreciated items	2015
Cost				
Hardware	22,333	9,017	(3,207)	28,143
Leasehold improvements and installations	24,516	2,819	(9,886)	17,449
Furniture and fixtures	5,453	57	(7)	5,503
Machinery and equipment	4,020	22	(3)	4,039
Molds	10,035	3,032	-	13,067
Sales stands	15,083	9,426	(8,785)	15,724
	81,440	24,373	(21,888)	83,925
Accumulated depreciation				
Hardware	(11,457)	(5,224)	3,207	(13,474)
Leasehold improvements and installations	(12,225)	(5,579)	9,886	(7,918)
Furniture and fixtures	(3,115)	(556)	7	(3,664)
Machinery and equipment	(1,498)	(403)	3	(1,898)
Molds	(915)	(2,464)	-	(3,379)
Sales stands	(3,539)	(9,636)	8,759	(4,416)
	(32,749)	(23,862)	21,862	(34,749)
Total property and equipment	48,691	511	(26)	49,176

The following useful lives and rates are used to calculate depreciation:

	Useful life	Annual depreciation rate - %

Leasehold improvements and installations	4 years	25
Furniture and fixture	10 years	10
Hardware	5 years	20
Machinery and equipment	10 years	10
Molds	10 years	10
Sales stands	1 year	100

The residual value, useful life, and depreciation methods are reviewed at the end of each year; no change was made in relation to the information for the prior year.

Property and equipment are subject to periodic analysis of impairment. At December 31, 2015, and 2014 there was no indication of impairment of property and equipment.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

11. Intangible assets

	2014				2015
	Balance	Addition	Write-down / amortization	100% amortized items	Balance
Goodwill					
AUSA	25,476	-	-	-	25,476
Software – Cost	101,581	22,665	-	(13,687)	110,559
Software – Depreciation	(58,555)	-	(20,540)	13,687	(65,408)
Other	8,401	3,796	(5,482)	-	6,715
	51,427	26,461	(26,022)	-	51,866
Total intangible assets	76,903	26,461	(26,022)	-	77,342

Other intangible assets comprise expenditures on the acquisition and implementation of information systems and software licenses, amortized over the average term of five years (20% per year).

Goodwill arises from the difference between the consideration paid and the equity of acquirees, calculated on acquisition date, and is based on the expectation of future economic benefits.

The Company evaluated the recovery of the carrying value of goodwill using the “value in use” concept, applying discounted cash flow models of the cash-generating units. The process for determining the value in use involves the use of assumptions, judgments and estimates relating to cash flows, such as growth rate of revenues, costs and expenses, estimates of investment and future working capital, and discount rates. The assumptions relating to growth,

cash flow and future cash flows are based on the Company's business plan, approved by the management, as well as on comparable market data, and represent the Management's best estimate of the economic conditions that will prevail during the economic life of the different cash-generating units, group of assets that provides the generation of cash flows. The future cash flows were discounted based on the rate representative of the cost of capital. Consistent with the economic valuation techniques, the evaluation of the value in use is made for a five-year period, and after such period, considering the perpetuity of assumptions in view of the capacity for indefinite business continuity. The main assumptions used in the estimate of value in use are the following: a) revenue – revenues were projected between 2016 and 2020 considering the growth in sales and client base of the different cash-generating units; b) Operating costs and expenses – costs and expenses were projected in line with the Company's historical performance, as well as the historical growth of revenues. The key assumptions were based on the Company's historical performance over the past five years and on reasonable macroeconomic assumptions, and supported by the financial market projections. The impairment test of the Company's intangible assets did not result in the need for recognizing a provision for impairment loss in the year ended December 31, 2015 (R$17,604 in 2014 and R$963 in 2013, related to the goodwill on acquisition of Cipesa).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

12. Loans and financing

Type	Maturity	Annual interest rate	2015	2014
National Housing System - SFH /SFI (i)	May 2016 to August 2020	8.30% to 12.80% + TR	1,161,707	1,128,514
		117% to 120% of CDI		
	May 2016 to June 2019	117.90% of CDI		
Certificate of Bank Credit - CCB (ii)		2.20% + CDI	131,128	268,911
		13.20% Fixed		
Total loans and financing (Note 20.i.d, 20.ii.a and 20.iii)			1,292,835	1,397,425
Current portion			672,365	550,058
Non-current portion			620,470	847,367

(i) The SFH financing is used for covering costs related to the development of real estate ventures of the Company and its subsidiaries, and are guaranteed with the first lien mortgage of real estate ventures and the fiduciary assignment of receivables.

(ii) In the year ended December 31, 2015, the Company made the payment of Certificates of Bank Credit in the total amount of R$173,133, of which R$142,118 was related to principal, and R$31,015 to interest.

Rates

· CDI - Interbank Deposit Certificate;

· TR - Referential Rate.

The maturities of the current and non-current installments are as follows:

Maturity	2015	2014
2015	-	550,058
2016	**672,365**	506,207
2017	**440,418**	252,605
2018	**166,996**	88,555
2019	**12,049**	-
2020	**1,007**	-
	1,292,835	1,397,425

The Company and its subsidiaries have restrictive covenants under certain loans and financing that limit their ability to perform certain actions, such as the issuance of debt, and that could require the early redemption or refinancing of loans if the Company does not fulfill such covenants. The ratio and minimum and maximum amounts required under such restrictive covenants as of December 31, 2015 and 2014 are disclosed in Note 13.

Financial expenses of loans, financing and debentures (Note 13) are capitalized at the cost of construction of each venture and land, according to the use of funds, and recognized in profit or loss for the year in proportion to the units sold, as shown below. The capitalization rate used in the determination of costs of loans eligible to capitalization ranges from 10.54% to 14.42% as of December 31, 2015 (10.95% to 12.24% in 2014).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

12. Loans and financing —Continued

The following table shows the summary of financial expenses and charges and the capitalized rate in the account “properties for sale”.

	2015	2014	2013
Total financial charges for the year	327,134	354,968	309,006
Capitalized financial charges	(243,907)	(233,905)	(132,183)
Financial expenses (Note 24)	83,227	121,063	176,823
Financial charges included in “Properties for sale”:			
Opening balance	276,613	214,298	239,327
Capitalized financial charges	243,907	233,905	132,183
Charges recognized in profit or loss (Note 23)	(165,969)	(171,590)	(157,212)
Closing balance (Note 6)	354,551	276,613	214,298

13. Debentures

Program/placement	**Principal - R$**	**Annual interest**	**Final maturity**	**2015**	**2014**
Seventh placement (i)	450,000	TR + 9.8205%	December 2017	**452,568**	502,033
Eighth placement / first series (ii)	-	CDI + 1.95%	October 2015	**-**	147,640
Eighth placement / second series (iii)	5,787	IPCA + 7.96%	October 2016	**8,395**	15,185
Ninth placement (iv)	132,026	CDI + 1.90%	July 2018	**130,394**	134,624
Tenth placement (v)	55,000	IPCA + 8.22	January 2020	**64,724**	-
First placement (Tenda) (vi)	200,000	TR + 9.25%	October 2016	**201,877**	389,617
Total debentures (Note 20.i.d, 20.ii.a and 20.iii)				**857,958**	1,189,099

Current portion	**389,621**	504,387
Non-Current portion	**468,337**	684,712

(i) On May 29, 2015, the change in the schedule for amortization of principal was unanimously approved without any exception, and became effective at the following amounts and maturities: (i) R$25,000 on June 5, 2015; (ii) R$25,000 on December 5, 2015; (iii) R$75,000 on June 5, 2016; (iv) R$75,000 on December 5, 2016; (v) R$150,000 on June 5, 2017; and (vi) R$150,000 on December 5, 2017.

In the year ended December 31, 2015, the Company made the payment in the total amount of R$104,993, of which R$50,000 related to the Face Value of the Placement, and R$54,993 related to the interest payable.

(ii) In the year ended December 31, 2015, the Company made the payment in the total amount of R$164,885, of which R$144,213 related to the Face Value of the Placement, and R$20,704 related to the interest payable, thus settling all payables of the first series of the Eight Debenture Placement.

(iii) On October 15, 2015, the Company made the payment in the total amount of R$9,371, of which R$8,089 related to the Face Value of the second series of the Placement, and R$1,282 related to the interest payable.

(iv) In the year ended December 31, 2015, the Company made the payment in the total amount of R$24,317, of which R$1,294 related to the amortization of the Face Value of the Placement and R$23,023 related to the interest payable.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

13. Debentures--Continued

(v) On December 10, 2014, the Board of Directors of the Company approved the placement for private distribution of the 10th placement, being the 2nd private placement of unconvertible debentures, with floating and secured guarantee, in sole series in the amount of R$55,000, fully paid on January 30, 2015 and with final maturity on January 20, 2020. The funds raised in the placement shall be used for developing select real estate ventures and its secured guarantee is represented by the collateral of the lands owned by the Company to be developed in future periods. The Face Value of the Placement shall be adjusted by the cumulative variation of the IPCA and on it interest of 8.22% p.a. shall be accrued.

(vi) In the year ended December 31, 2015, the subsidiary Tenda made the payment in the total amount of R$220,415, of which R$180,000 related to the Face Value of the Placement and R$40,415 related to the interest payable.

Maturities of current and non-current installments are as follows.

Maturity	**2015**	**2014**
2015	**-**	504,387
2016	**389,621**	375,778
2017	**344,690**	244,690
2018	**83,485**	64,244
2019	**20,078**	-
2020	**20,084**	-
	857,958	1,189,099

As mentioned in Note 4.2, as of December 31, 2015, the balance of cash in guarantee to loans in investment funds in the amount of R$31,633 (R$104,039 in 2014) in the consolidated financial statements, is pledged as part of the calculation of the guarantee of 1st debenture placement of the subsidiary Tenda and the 7th placement of the Company.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

13. Debentures--Continued

The Company is in compliance with the financial debt covenants at December 31, 2015 and 2014. The ratio and minimum and maximum amounts required under such restrictive covenants as of December 31, 2015 and 2014 are as follows:

	2015	2014
Seventh placement		
Total account receivable plus inventory required to be below zero or 2.0 times over net debt less venture debt [3]	-14.12 times	-9.33 times
Total debt less venture debt [3], less cash and cash equivalents and short-term investments [1], cannot exceed 75% of equity plus non-controlling interests	-12.19%	-19.32%
Total receivables plus unappropriated income plus total inventory of finished units required to be 1.5 time over the net debt plus payable for purchase of properties plus unappropriated cost	2.25 times	2.10 times
Eighth placement - first and second series and Loans and Financing		
Total account receivable plus inventory of finished units required to be below zero or 2.0 times over net debt less venture debt	-7.73 times	-5.32 times
Total debt less venture debt, less cash and cash equivalents and short-term investments [1], cannot exceed 75% of equity plus non-controlling interests	-12.19%	-19.32%
Ninth placement		
Total account receivable plus inventory required to be below zero or 2.0 times over net debt	3.71 times	3.86 times
Net debt cannot exceed 100% of equity plus non-controlling interests	46.44%	46.73%
Tenth placement		
Total account receivable plus inventory required to be below zero or 2.0 times over net debt less venture debt [3]	-14.12 times	n/a
Total debt less venture debt [3], less cash and cash equivalents and short-term investments [1], cannot exceed 75% of equity plus non-controlling interests	-12.19%	n/a

First placement – Tenda

Total accounts receivable plus inventory required to be equal to or 2.0 times over net debt less debt with secured guarantee [3] or below zero, considering that TR[4] plus TE [4] is always above zero	-6.79 times	-2.75 times
Net debt less debt with secured guarantee [3] required to be in excess of 50% of equity.	-21.47%	-46.72%
Total receivables plus unappropriated income plus total inventory of finished units required to be over 1.5 times the net debt plus payable for purchase of properties plus unappropriated cost or below zero	2.47 times	2.89 times

(1) Cash and cash equivalents and short-term investments refer to cash and cash equivalents and marketable securities.

(2) Total receivables, whenever mentioned, refers to the amount reflected in the Balance Sheet plus the amount not shown in the Balance Sheet.

(3) Venture debt and secured guarantee debt refer to SFH debts, defined as the sum of all disbursed borrowing contracts which funds were provided by SFH, as well as the debt related to the seventh placement.

(4) Total inventory.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

14. Obligations assumed on assignment of receivables

The Company's transactions of assignment of receivables portfolio are as follows:

	2015	**2014**
Assignment of receivables:		
Obligation CCI Jun/11 - Note 5(i)	**4,775**	8,851
Obligation CCI Dec/11 - Note 5(ii)	**2,236**	3,985
Obligation CCI Jul/12 - Note 5(iii)	**368**	1,483
Obligation CCI Nov/12 - Note 5(iv) (a)	**4,351**	6,151
Obligation CCI Dec/12 - Note 5(v)	**7,541**	8,604
Obligation CCI Nov/13 - Note 5(vi)	**6,362**	9,459
Obligation CCI Nov/14 - Note 5(vii)	**6,696**	11,513
Obligation CCI Dec/15 - Note 5(viii)	**24,558**	-
FIDC obligation	**2,406**	6,083
Total obligations assumed on assignment of receivables (Note 20.iii)	**59,293**	56,129
Current portion	**23,482**	24,135
Non-current potion	**35,811**	31,994

Regarding the above transactions, except for item (a), the assignor is required to fully formalize the guarantee instruments of receivables in favor of the assignee. Until it is fully fulfilled, these amounts will be classified into a separate account in current and non-current liabilities.

The obligation of item (a), is guaranteed by the issuance of Subordinated Mortgage-backed Securities (CRI) limited to 4% of the issuance amount, not having right of recourse above this limit.

15. Other payables

	2015	2014
Acquisition of interests	-	2,395
Provision for penalties for delay in construction works	3,213	7,663
Cancelled contract payable	24,053	27,607
Warranty provision	59,647	52,167
Deferred sales taxes (PIS and COFINS)	13,129	14,163
Provision for net capital deficiency (Note 9)	54,401	32,882
Long-term suppliers	7,508	12,117
Payables to venture partners (Note 20.iii) (a)	4,895	11,030
Share-based payment - Phantom Shares (Note 18.4)	889	-
Other liabilities	28,918	39,446
Total other payables	196,653	199,470
Current portion	163,437	164,213
Non-current portion	33,216	35,257

(a) The Company entered in June 2011 into a private instrument for establishing the usufruct of 100% preferred shares of SPE-89 Empreendimentos Imobiliários S.A., over a period of six years, raising funds amounting to R$45,000. In the year ended December 31, 2015, the total amount of dividends paid to the holders of preferred shares by SPE-89 Empreendimentos Imobiliários S.A. amounted to R$ 8,000 (Note 9).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

16. Provisions for legal claims and commitments

The Company and its subsidiaries are parties to lawsuits and administrative proceedings at various courts and government agencies that arise from the ordinary course of business, involving tax, labor, civil and other matters. Management, based on information provided by its legal counsel and analysis of the pending claims and, with respect to the labor claims, based on past experience regarding the amounts claimed, recognized a provision in an amount considered sufficient to cover the losses on future settlements. The Company does not expect any reimbursement in connection with these claims.

In the years ended December 31, 2015 and 2014, the changes in the provision are summarized as follows:

	Civil lawsuits(i)	Tax proceedings(ii)	Labor claims	Total
Balance at December 31, 2013	134,483	173	63,272	197,928
Additional provision (Note 23)	65,699	600	46,765	113,064
Payment and reversal of provision not used	(42,340)	(359)	(28,719)	(71,418)
Balance at December 31, 2014	157,842	414	81,318	239,574
Additional provision (Note 23)	68,976	12,156	37,317	118,449
Payment and reversal of provision not used	(77,197)	(12,170)	(25,674)	(115,041)
Balance at December 31, 2015	149,621	400	92,961	242,982
Current portion	84,576	220	15,516	100,312
Non-current portion	65,045	180	77,445	142,670

(a) Civil lawsuits, tax proceedings and labor claims

As of December 31, 2015, the Company and its subsidiaries have deposited in court the amount of R$125,358 (R$154,939 in 2014) in the consolidated financial statements (Note 7).

	2015	**2014**
Civil lawsuits	**81,919**	106,731
Tax proceedings	**14,222**	12,350
Labor claims	**29,217**	35,858
Total	**125,358**	154,939

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

16. Provisions for legal claims and commitments --Continued

(a) Civil lawsuits, tax proceedings and labor claims --Continued

(i) As of December 31, 2015, the provisions related to civil claims include R$42,296 (R$65,016 in 2014) related to lawsuits in which the Company is included as successor in enforcement actions and in which the original debtor is a former shareholder of Gafisa, Cimob Companhia Imobiliária ("Cimob"), or involve other companies of the same economic group of Cimob. In these lawsuits, the plaintiff believes that the Company should be liable for Cimob's debts, as the Company would have taken on the obligations of Cimob after acquisition (business succession, merger of assets and/or formation of a same economic group involving the Company and the Cimob Group). In addition, there are judicial deposits in the amount of R$44,099 (R$62,381 in 2014) related to these lawsuits.

The Company does not agree with the statement of facts based on which it has been included in these lawsuits and continues to dispute in court its liability for the debts of a third company, as well as the amount charged by the plaintiffs. The Company has already obtained favorable and unfavorable decisions in relation to this matter, which is the reason why it is not possible to estimate a uniform outcome in all lawsuits. The Company also aims to file a lawsuit against Cimob and its former and current parent companies to argue that it should not be liable for the debts of that company, as well as indemnity of the amounts already paid by the Company in lawsuits relating to the charge of debts owed only by Cimob.

(ii) The former subsidiary AUSA, current associate, is a party to lawsuits and administrative proceedings related to Excise Tax (IPI) and State VAT (ICMS) on two imports of aircraft in 2001 and 2005, respectively, under lease agreements without purchase option.

According to the negotiation of the sale of controlling interest of 70% in AUSA, it was agreed that the Company would cover the court costs in the event of unfavorable decision. The likelihood of loss in the ICMS case was reviewed in 2015, in view of case law, and considered remote by the legal counsel (R$16,638 in 2014, and it was classified as possible).

(iii) Environmental risk

There are various environmental laws at the federal, state and municipal levels. These environmental laws may result in delays for the Company in connection with adjustments for compliance and other costs, and impede or restrict ventures. Before acquiring a land, the Company assesses all necessary and applicable environmental issues, including the possible existence of hazardous or toxic materials, residual substance, trees, vegetation and the proximity of the land to permanent preservation areas. Therefore, before acquiring land, the Company obtains all governmental approvals, including environmental licenses and construction permits.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

16. Provisions for legal claims and commitments --Continued

(a) Civil lawsuits, tax proceedings and labor claims --Continued

(iii) Environmental risk--Continued

In addition, environmental legislation establishes criminal, civil and administrative sanctions to individuals and legal entities for activities considered as environmental infringements or offense. The penalties include the stop of development activities, loss of tax benefits, confinement and fines. The lawsuits in dispute by the Company in civil court are considered by the legal advisor to have possible losses in the amount of R$8,639 (R$13,734 in 2014).

(iv) Lawsuits in which likelihood of loss is rated as possible

As of December 31, 2015, the Company and its subsidiaries are aware of other claims and civil, labor and tax risks. Based on the history of probable processes and the specific analysis of main claims, the measurement of the claims with likelihood of loss considered possible amounted to R$810,163 (R$561,056 in 2014), based on average past outcomes adjusted to current estimates, for which the Company's Management believes it is not necessary to recognize a provision for losses. The change in the period was caused by the higher volume of lawsuits with smaller amounts and review of the involved amounts and tax proceedings in which subsidiary Tenda is defendant.

	2015	**2014**
Civil lawsuits	**469,841**	441,083
Tax proceedings	**263,540**	53,586
Labor claims	**76,782**	66,387
	810,163	561,056

(b) Payables related to the completion of real estate developments

The Company commits to complete units sold and to comply with the laws regulating the civil construction sector, including the obtainment of licenses from the proper authorities, and compliance with the terms for starting and delivering the real estate developments, being subject to legal and contractual penalties.

As of December 31, 2015, the Company and its subsidiaries have restricted cash which will be released to the extent the guarantee indexes described in Note 4.2 are met, which include land and receivables pledged in guarantee of 120% of the debt outstanding.

(c) Other commitments

In addition to the commitments mentioned in Notes 6, 12 and 13, the Company has commitments related to the rental of 33 properties where its facilities are located, at a monthly cost of R$1,155 adjusted by the IGP-M/FGV variation. The rental term is from 1 to 10 years and there is a fine in case of cancelled contracts corresponding to three-month rent or in proportion to the contract expiration time.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

17. Payables for purchase of properties and advances from customers

	Maturity	2015	2014
Payables for purchase of properties	January 2016 to July 2020	362,800	331,436
Adjustment to present value		(17,039)	(5,619)
Advances from customers			
Development and sales (Note 5)		39,743	21,236
Barter transaction – Land		224,430	244,689
Total payables for purchase of properties and advances from customers		609,934	591,742
Current portion		361,420	490,605
Non-current portion		248,514	101,137

18. Equity

18.1. Capital

As of December 31, 2015 and 2014, the Company's authorized and paid-in capital amounts to R$2,740,662, represented by 378,066,162 (408,066,162 in 2014) registered common shares, without par value, of which 10,584,756 (29,881,286 in 2014) were held in treasury.

According to the Company’s by-laws, capital may be increased without further amendments, upon resolution of the Board of Directors, which shall set the conditions for issuance up to the limit of 600,000,000 (six hundred million) common shares.

On February 02, 2015, the Company approved the creation of a new program to repurchase its common shares aimed at holding them in treasury and later selling or cancelling them, over a period of 365 days, up to the limit of 27,000,000 shares. On the same date it took the resolution to cancel 30,000,000 (27,493,039 in 2014) common shares of the Company held in treasury, without capital reduction. In the year ended December 31, 2015, 11,925,330 (43,783,234 in 2014) shares were acquired totaling R$24,157 (115,265 in 2014). Additionally, the Company transferred 1,221,860 shares (5,463,395 in 2014) in the total amount of R$3,022 (R$17,583 in 2014) related to the exercise of options under the stock option plan of common shares by the beneficiaries, for which it received the total amount of R$599 (R$6,921 in 2014).

Treasury shares

Type	GFSA3	R$	%		Market value (*) R$ thousand		Carrying value R$ thousand	
Acquisition date	Number	Weighted average price	% - on shares outstanding		2015	2014	2015	2014
11/20/2001	599,486	2.8875	0.16	%	1,457	1,319	1,731	1,731
Changes in 2013:								
Acquisition	18,500,000	3.8561	5.03	%	44,955	40,700	71,339	71,339
Changes in 2014:								
Acquisition	43,738,234	2.6353	11.90	%	106,284	96,224	115,265	115,265
Transfer	(5,463,395)	3.2183	-1.49	%	(13,276)	(12,019)	(17,583)	(17,583)
Cancellations	(27,493,039)	3.3351	-7.48	%	(66,808)	(60,485)	(91,693)	(91,693)
Changes in 2015:								
Acquisition	11,925,330	2.0257	3.25	%	28,979	-	24,157	-
Transfer	(1,221,860)	2.4733	-0.33	%	(2,970)	-	(3,022)	-
Cancellations	(30,000,000)	2.4738	-8.16	%	(72,900)	-	(74,214)	-
	10,584,756	2.4545	2.88	%	25,721	65,739	25,980	79,059

(*) Market value calculated based on the closing share price at December 31, (R$2.43 in 2015 and R$2.20 in 2014), not considering the effect of occasional volatilities.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

18. Equity --Continued

18.1. Capital --Continued

The Company holds shares in treasury acquired in 2001 in order to guarantee the performance of legal claims (Note 16(a)(i)).

The change in the number of outstanding shares is as follows:

Common shares - In thousands	
Outstanding shares as of December 31, 2013	**416,459**
Repurchase of treasury shares	(43,738)
Transfer related to the stock option plan	5,463
Outstanding shares as of December 31, 2014	**378,184**
Repurchase of treasury shares	(11,925)
Transfer related to the stock option plan	1,222
Outstanding shares as of December 31, 2015	**367,481**
Weighted average shares outstanding	**367,572**

18.2. Allocation of profit (loss) for the year

According to the Company's by-laws, profit for the year is allocated as follows, after deduction of occasional accumulated losses and provision for taxes and social contribution: (i) 5% to legal reserve, until it reaches 20% of capital or when the legal reserve balance plus the balances of capital reserves exceeds 30% of capital ; (ii) 25% of the remaining balance to pay mandatory dividends; and (iii) amount not in excess of 71.25% to set up the Reserve for Investments, with the purpose of financing the expansion of the operations of the Company and its subsidiaries.

The absorption of losses for 2014 by the income reserve and allocation of net income for 2015 are as follow:

Reserve for investments as of December 31, 2013	437,156
(-)Treasury shares sold and cancelled (Note 18.1)	(102,355)
Net loss attributable to shareholders' of Gafisa for 2014	(42,549)
Reserve for investments as of December 31, 2014	292,252
Net income attributable to shareholders' of Gafisa for 2015	74,449
(-)Legal reserve (5%)	(3,722)
(=)Calculation basis	70,727
Minimum mandatory dividend (25%)	17,682
Increase in reserve for investments	53,045
Minimum mandatory dividend (25%) per share	0.048

The Board of Directors, by referendum of the Annual Shareholders' Meeting, shall examine the accounts and financial statements related to the year 2015.

18.3. Stock option plan

Expenses for granting stocks recorded under the account "General and administrative expenses" (Note 23) in the years ended December 31, 2015, 2014 and 2013 are as follows::

	2015	**2014**	**2013**
Gafisa	**7,826**	15,489	17,263
Tenda	**2,138**	838	156
	9,964	16,327	17,419

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

18. Equity --Continued

18.3. Stock option plan -- Continued

(i) Gafisa

The Company has a total of four stock option plans comprising common shares, launched in 2012, 2013, 2014 and 2015 which follows the rules established in the Stock Option Plan of the Company.

The granted options entitle their holders (employees) to purchase common shares of the Company's capital, after periods that vary from one to five years of employment in the Company (essential condition to exercise the option), and expire six to ten years after the grant date.

The fair value of options is set on the grant date, and it is recognized as expense in profit or loss for the year (as contra-entry to equity) during the vesting period of the plan, to the extent the services are provided by employees and management members.

Changes in the stock options outstanding in the years ended December 31, 2015 and 2014, including the respective weighted average exercise prices are as follows:

	2015		**2014**	
	Number of options	**Weighted average exercise price (Reais)**	**Number of options**	**Weighted average exercise price (Reais)**
Options outstanding at the beginning of the year	**9,542,643**	**1.49**	11,908,128	1.47
Options granted	**3,567,201**	**2.24**	4,361,763	1.93

Options exercised (i)	**(1,221,860)**	**(0.49)**	(5,463,395)	1.26
Options expired	**(32,000)**	**(3.05)**	(748,518)	3.66
Options forfeited	**(112,605)**	**(0.01)**	(515,335)	0.04
Options outstanding at the end of the period	**11,743,379**	**1.83**	9,542,643	1.49

(i) In the year ended December 31, 2015, the amount received through exercised options was R$599 (R$6,921 in 2014).

As of December 31, 2015, the stock options outstanding and exercisable are as follows:

Outstanding options			Exercisable options	
Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (R$)	Number of options	Weighted average exercise price (R$)
11,743,379	**4.29**	**1.83**	**1,757,598**	**2.59**

During the year ended December 31, 2015, the Company granted 3,567,201 options in connection with its stock option plan comprising common shares (4,361,763 options granted in 2014).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

18. Equity --Continued

18.3. Stock option plan -- Continued

(i) Gafisa--Continued

The models used by the Company for pricing granted options are the Binomial model for traditional options and the MonteCarlo model for options in the Restricted Stock Options format.

The fair value of the new options granted totaled R$3,232 (R$7,464 in 2014), which was determined based on the following assumptions:

	2015	**2014**
Pricing model	**Binomial**	**MonteCarlo**
Exercise price of options (R$)	R$2.24	R$3.13 type A and R$0.01 type B
Weighted average price of options (R$)	R$2.24	R$ 1.93
Expected volatility (%) – (*)	52%	55%
Expected option life (years)	5.58 years	4.66 years
Dividend income (%)	2.24%	1.90%
Risk-free interest rate (%)	13.64%	10.55%

(*)The volatility was determined based on regression analysis of the ratio of the share volatility of Gafisa S.A. to the Ibovespa index.

For the year ended December 31, 2014, the Company recognized in the account “Other income (expenses), net”, the expenses with the stock option plan of the former subsidiary Alphaville Urbanismo S.A., in the amount of R$17,679 related to the balance payable of exercised options, according to the contract between the parties (Note 23).

(ii) Tenda

Due to the acquisition by Gafisa of the total shares outstanding issued by Tenda, the stock option plans related to Tenda shares were transferred to Gafisa, responsible for share issuance.

Tenda has a stock option plan for common shares, created in 2014, by which a total of 42,259,687 stock options were granted to employees and management members of the subsidiary, with exercise dates between March 31, 2017 and March 31, 2020.

The granted options entitle their holders (employees) to purchase common shares of the Company's capital, after periods that vary from five to ten years of employment in the Company (essential condition to exercise the option), and expire ten years after the grant date.

In the year ended December 31, 2015, the subsidiary Tenda did not grant options in connection with its stock option plan for common shares.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

18. Equity --Continued

18.3. Stock option plan -- Continued

(ii) Tenda--Continued

The fair value of the options granted in 2014 totaled R$9,346, which was determined based on the following assumptions:

	2014
Pricing model	**Black-Scholes**
Exercise price of options (R$)	R$0.77
Weighted average price of options (R$)	R$0.76
Expected volatility (%) – (*)	31.02%
Expected option life (years)	4.05
Risk-free interest rate (%) (**)	11.81%

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

(**)The market risk-free interest rate for the option term in the grant moment varied between 11.66% and 11.81%.

18.4. Share-based payment – *Phantom Shares*

In the year ended December 31, 2015, a cash-settled share-based payment program was approved, with fixed terms and conditions. The beneficiaries were granted the right to receive an amount equivalent to 1,898,886 phantom shares, together with the stock option plan for the year 2015. The phantom shares have the same grace and expiration period of the options, and can be partially or fully exercised during the established period.

As of December 31, 2015, the amount of R$889, related to the fair value of the phantom shares granted, is recognized in the heading “Other payables” (Note 15).

19. Income tax and social contribution

(i) Current income tax and social contribution

(a) Brazilian Transitory Tax Regime (RTT)

The Company and its subsidiaries adopted the Brazilian Transitory Tax Regime (RTT) in the year 2014 that permitted to exclude the effect from the changes, introduced by Laws No. 11,638/2007 and No. 11,941/2009, from the tax basis of certain taxes.

Law No. 12,973/14 revoked the RTT from 2015. Such rule establishes that the adjustments should be made to the taxable profit and the accounting records for determining the tax bases of the corporate income tax (IRPJ) and social contribution on net income (CSLL). The end of the RTT was optional for the year 2014 and mandatory from 2015.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

19. Income tax and social contribution --Continued

(i) Current income tax and social contribution --Continued

The reconciliation of the effective tax rate for the years ended December 31, 2015, 2014 and 2013 is as follows:

	2015	2014	2013
Profit (loss) before income tax and social contribution, and statutory interest	78,159	(28,450)	239,368
Income tax calculated at the applicable rate - 34 %	(26,573)	9,673	(81,385)
Net effect of subsidiaries taxed by presumed profit	46,066	(2,085)	(2,316)
Tax losses (tax loss carryforwards used)	(4,101)	(9,555)	4,694
Income from equity method investments	14,200	5,249	2,507
Effect of the income from discontinued operations	-	-	(89,398)
Stock option plan	(3,441)	(11,562)	(5,923)
Other permanent differences	(37,524)	(7,280)	(18,443)
Charges on payables to venture partners	432	2,509	6,847
Tax benefits recognized (not recognized)	3,761	(2,224)	180,605
	(7,180)	(15,275)	(2,812)
Tax expenses - current	(24,598)	(33,330)	(23,690)
Tax income – deferred	17,418	18,055	20,878

(ii) Deferred income tax and social contribution

The Company recognized deferred tax assets on tax losses and income tax and social contribution carryforwards for prior years, which have no expiration, and for which offset is limited to 30% of annual taxable profit, to the extent the taxable profit is likely to be available for offsetting temporary differences, based on the assumptions and conditions established in the business model of the Company.

The initial recognition and subsequent estimates of deferred income tax are carried out when it is probable that a taxable profit for the following years will be available to offset the deferred tax asset, based on projections of results prepared and underlain by internal assumptions and future economic scenarios that enable its total or partial use. As of December 31,2015 and 2014, the Company did not recognize any deferred tax assets calculated on the tax loss of the subsidiary Tenda.

As of December 31, 2015 and 2014, deferred income tax and social contribution are from the following sources:

	2015	**2014**	**Movement**
Assets			
Provisions for legal claims	82,614	81,455	1,159
Temporary differences – PIS and COFINS deferred	16,404	14,960	1,444
Provisions for realization of non-financial assets	11,776	12,793	(1,017)
Temporary differences – CPC adjustment	44,748	18,656	26,092
Other provisions	85,912	92,384	(6,472)
Income tax and social contribution loss carryforwards	317,282	301,598	15,684
Tax benefits from downstream acquisition	28,165	28,165	-
Tax credits not recognized	(272,997)	(276,758)	3,761
	313,904	273,253	40,651
Liabilities			
Negative goodwill	(92,385)	(92,385)	-
Temporary differences –CPC adjustment	(130,929)	(111,294)	(19,635)
Differences between income taxed on cash basis and recorded on an accrual basis	(107,079)	(104,314)	(1,885)
	(330,393)	(307,993)	(22,400)
Total net	(16,489)	(34,740)	18,251

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

19. Income tax and social contribution --Continued

(ii) Deferred income tax and social contribution --Continued

The Company has income tax and social contribution loss carryforwards for offset in the following amounts:

	2015			2014		
	Income tax	Social contribution	**Total**	Income tax	Social contribution	**Total**
Balance of income tax and social contribution loss carryforwards	933,182	933,182	-	887,052	887,052	-
Deferred tax asset (25%/9%)	233,296	83,986	317,282	221,763	79,835	301,598
Recognized deferred tax asset	55,712	20,056	75,768	58,455	21,044	79,499
Unrecognized deferred tax asset	177,584	63,930	241,514	163,308	58,791	222,099

Based on the estimate of projections for generation of future taxable profit of Gafisa, the estimated recovery of the Company's balance of deferred income tax and social contribution is as follows:

	Loss carryforwards	**Income tax and social contribution loss**
2016	16,484	5,604
2017	8,282	2,816
2018	3,056	1,039
2019	27,174	9,239
2020 onwards	167,853	57,070
	222,849	**75,768**

In September 2015, the Company adhered to the Tax Refinance program (REFIS), originally introduced by Law No. 11,941/2009 and reopened by means of Law No. 12,996/2014, which provided new conditions for lump sum or installment payment of tax-related debits with the Federal Revenue Service or the Office of Attorney-General of the National Treasury. The Company opted for the installment payment of the tax debits of certain controlled SPEs in the total amount of R$6,291.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments

The Company and its subsidiaries engage in operations involving financial instruments. These instruments are managed through operational strategies and internal controls aimed at providing liquidity, return and safety. The use of financial instruments with the objective of hedging is achieved through a periodical analysis of exposure to the risk that the management intends to cover (exchange, interest rate, etc.) which is submitted to the corresponding Management bodies for approval and performance of the proposed strategy. The control policy consists of continuously monitoring the contracted conditions in relation to the prevailing market conditions. The Company and its subsidiaries do not use derivatives or any other risky assets for speculative purposes. The result from these operations is consistent with the policies and strategies devised by Company management. The Company and its subsidiaries operations are subject to the following risk factors:

(i) Risk considerations

a) *Credit risk*

The Company and its subsidiaries restrict their exposure to credit risks associated with cash and cash equivalents, investing only in short-term securities of top tier financial institutions.

With regards to accounts receivable, the Company restricts its exposure to credit risks through sales to a broad base of customers and ongoing credit analysis. Additionally, there is no relevant history of losses due to the existence of secured guarantee, represented by real estate unit, for the recovery of its products in the cases of default during the construction period. As of December 31, 2015 and 2014, there was no significant credit risk concentration associated with clients.

b) *Derivative financial instruments*

The Company holds derivative instruments to mitigate the risk arising from its exposure to index and interest volatility recognized at their fair value in profit or loss for the year. Pursuant to its treasury policies, the Company does not own or issue derivative financial instruments other than for hedging purposes.

As of December 31, 2015, the Company had derivative contracts for hedging purposes in relation to interest fluctuations, with final maturity between June 2016 and January 2020. The derivative contracts are as follows:

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(i) Risk considerations --Continued

b) *Derivative financial instruments* --Continued

		Reais	Percentage		Validity		Gain (loss) not realized by derivative instruments - net	
Companies	Swap agreements (Fixed for CDI)	Face value	Original Index – asset position	Swap – liability position	Beginning	End	2015	2014
Gafisa S/A	Banco Votorantim S.A.	82,500	Fixed 13.7946%	CDI + 1.6344%	12/22/2014	06/22/2015	-	(208)
Gafisa S/A	Banco Votorantim S.A.	55,000	Fixed 11.8752%	CDI + 0.2801%	06/22/2015	12/21/2015	-	(401)
Gafisa S/A	Banco Votorantim S.A.	55,000	Fixed 14.2672%	CDI + 1.6344%	12/21/2015	06/20/2016	(637)	(160)
Gafisa S/A	Banco Votorantim S.A.	27,500	Fixed 11.1136%	CDI + 0.2801%	06/20/2016	12/20/2016	(641)	(185)
Gafisa S/A	Banco Votorantim S.A.	27,500	Fixed 15.1177%	CDI + 1.6344%	12/20/2016	06/20/2017	(399)	58
Gafisa S/A	Banco Votorantim S.A.	130,000	CDI + 1.90%	118% CDI	07/22/2014	07/26/2018	(2,216)	(941)
Gafisa S/A	Banco HSBC	194,000	Fixed 12.8727%	120% CDI	09/29/2014	10/08/2018	(15,907)	(6,336)
Gafisa S/A	Banco Votorantim S.A. (a)	55,000	IPCA + 8.22%	120% CDI	03/17/2015	01/20/2020	(1,874)	-
							(21,674)	(8,173)

Current	(14,056)	(3,340)
Non-current	(7,618)	(4,833)

(a) On March 17, 2015, the Company bought derivative swap transaction to mitigate the exposure to the floating rate at IPCA + 8.22% p.a. of the tenth Debenture Placement of the Company to 120% of CDI (Note 13).

During the year ended December 31, 2015, the amount of R$17,151 (R$7,492 in 2014 and R$5,102 in 2013), which refers to net result of the interest swap transaction, was recognized in the “financial income (expenses)” line in the statement of profit or loss for the year, allowing correlation between the impact of such transactions and interest rate fluctuation in the Company’s consolidated financial statements (Note 24).

The estimated fair value of derivative financial instruments contracted by the Company was determined based on information available in the market and specific valuation methodologies. However, considerable judgment was necessary for interpreting market data to produce the estimated fair value of each transaction, which may vary upon the financial settlement of transactions.

c) *Interest rate risk*

Interest rate risk arises from the possibility that the Company and its subsidiaries may experience gains or losses because of fluctuations in the interest rates of its financial assets and liabilities. Aiming to mitigating this risk, the Company and its subsidiaries seek to diversify funding in terms of fixed and floating rates. The interest rates on loans, financing and debentures are disclosed in Notes 12 and 13. The interest rates contracted on financial investments are disclosed in Note 4. Accounts receivable from real estate units completed (Note 5), are subject to annual interest rate of 12%, appropriated on a *pro rata* basis.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(i) Risk considerations --Continued

d) *Liquidity risk*

Liquidity risk refers to the possibility that the Company and its subsidiaries do not have sufficient funds to meet their commitments as they become due.

To mitigate liquidity risks, and to optimize the weighted average cost of capital, the Company and its subsidiaries monitor on an on-going basis the indebtedness levels according to the market standards and the fulfillment of covenants provided for in loan, financing and debenture agreements, in order to guarantee that the operating-cash generation and the advance funding, when necessary, are sufficient to meet the schedule of commitments (Notes 12 and 13).

The maturities of financial instruments, loans, financing, suppliers, payables to venture partners and debentures are as follows:

Year ended December 31, 2015	Less than 1 year	1 to 3 years	4 to 5 years	More than 5 years	Total
Loans and financing (Note 12)	672,365	619,463	1,007	-	1,292,835
Debentures (Note 13)	389,621	448,253	20,084	-	857,958
Payables to venture partners (Note 15)	3,755	1,140	-	-	4,895
Suppliers	57,335	7,508	-	-	64,843
	1,123,076	1,076,364	21,091	-	2,220,531

Fair value classification

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

Level 1: quoted prices (without adjustments) in active markets for identical assets or liabilities;

Level 2: input different from the quoted prices in active markets included in Level 1, which are observable, directly (as prices) or indirectly (prices derivate); and

Level 3: inputs to asset or liability not based on observable market data (nonobservable inputs).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(i) Risk considerations --Continued

d) *Liquidity risk* --Continued

Fair value classification --Continued

The classification level of fair value for financial instruments measured at fair value through profit or loss of the Company as of December 31, 2015 and 2014 is as follows:

	Fair value classification		
As of December 31, 2015	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Short-term investments (Note 4.2)	**-**	**629,671**	**-**

	Fair value classification		
As of December 31, 2014	**Level 1**	**Level 2**	**Level 3**
Financial assets			
Short-term investments (Note 4.2)	-	1,047,359	-

In addition, the fair value classification of financial instruments liabilities measured at fair value through profit or loss is as follows:

As of December 31, 2015	Fair value classification Level 1	Level 2	Level 3
Financial liabilities			
Derivative financial instruments (Note 20.i.b)	**-**	**21,674**	**-**

As of December 31, 2014	Fair value classification Level 1	Level 2	Level 3
Financial liabilities			
Derivative financial instruments (Note 20.i.b)	-	8,173	-

In the years ended December 31, 2015 and 2014, there were no transfers between the Levels 1 and 2 fair value classifications, nor were transfers between Levels 3 and 2 fair value classifications.

(ii) Fair value of financial instruments

a) *Fair value measurement*

The following estimate fair values were determined using available market information and proper measurement methodologies. However, a considerable amount of judgment is necessary to interpret market information and estimate fair value. Accordingly, the estimates presented in this document are not necessarily indicative of amounts that the Company could realize in the current market. The use of different market assumptions and/or estimation methodology may have a significant effect on estimated fair values.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(ii) Fair value of financial instruments --Continued

a) *Fair value measurement --Continued*

The following methods and assumptions were used in order to estimate the fair value for each financial instrument type for which the estimate of values is practicable.

(i) The amounts of cash and cash equivalents, short-term investments and accounts receivable, suppliers, and other current liabilities approximate to their fair values, recorded in the consolidated financial statements.

(ii) The fair value of bank loans and other financial debts is estimated through future cash flows discounted using rates that are annually available for similar and outstanding debts or terms.

The most significant carrying values and fair values of financial assets and liabilities as of December 31, 2015 and 2014 are as follows:

	2015 Carrying value	Fair value	2014 Carrying value	Fair value
Financial assets				
Cash and cash equivalents (Note 4.1)	82,640	82,640	109,895	109,895
Short-term investments (Note 4.2)	629,671	629,671	1,047,359	1,047,359
Trade accounts receivable (Note 5)	1,802,364	1,802,364	1,825,319	1,825,319
Financial liabilities				
Loans and financing (Note 12)	1,292,835	1,237,222	1,397,425	1,333,399

Debentures (Note 13)	857,958	828,387	1,189,099	802,948
Payables to venture partners (Note 15)	4,895	5,472	11,030	12,304
Derivative financial instruments (Note 20(i)(b))	21,674	21,674	8,173	8,173
Suppliers	57,335	57,335	95,131	95,131

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(ii) Fair value of financial instruments -- Continued

b) Risk of debt acceleration

As of December 31, 2015, the Company has loans and financing, with restrictive covenants related to cash generation, indebtedness ratios and other. These restrictive covenants have been complied with by the Company and do not limit its ability to conduct its business as usual.

c) Market risk

The Company carries out the development, construction and sales of real estate ventures. In addition to the risks that affect the real estate market as a whole, such as supply disruptions and volatility in the prices of construction materials and equipment, changes in the supply and demand for ventures in certain regions, strikes and environmental rules and zoning, the Company's operations are particularly affected by the following risks:

- Brazilian economy, which may inhibit the development of the real estate industry as a whole, through the slowdown in economy, increase in interest rates, fluctuation of currency and political instability, besides other factors.

- Future impediments, as a result of a new regulation or market conditions, to index receivables using inflation indexes, as currently permitted, which could make a venture financially or economically unviable.

- The level of interest of buyers in a new venture launched or the sale price per unit necessary to sell all units may be below expectations, making the venture less profitable than expected.

- In the event of bankruptcy or significant financial difficulties of a large company of the real estate industry, the industry as a whole may be adversely affected, which could decrease the customer confidence in other companies operating in the industry.

- Local and regional real estate market conditions, such as oversupply, land shortage or significant increase in land acquisition cost.

- Risk of buyers having a negative perception of the security, convenience and appeal of the Company's properties, as well as about their location.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(ii) Fair value of financial instruments -- Continued

c) *Market risk* --Continued

- The Company's profit margins may be affected by the increase in operating costs, including investments, insurance premium, taxes in general and government rates.

- The opportunities for development may decrease.

- The building and sale of real estate units may not be completed as scheduled, thus increasing the construction costs or cancellation of sale contracts and fines for delay in construction work.

- Delinquency after the delivery of units acquired on credit. The Company has the right to file a collection action to receive the amounts due and/or repossess the real estate unit from the delinquent buyer, not being possible to guarantee that it will be able to recover the total amount of the debt balance or, once the real estate unit is repossessed, its sale on satisfactory conditions.

- Occasional change in the policies of the National Monetary Council (CMN) on the investment of funds in the National Housing System (SFH) may reduce the supply of financing to customers.

- Drop in the market value of land held in inventory, before the development of a real estate venture to which it was intended, and the incapacity to maintain the margins that were previously projected for such developments.

(iii) Capital management

The objective of the Company's capital management is to guarantee that a strong credit rating is maintained in institutions and an optimum capital ratio, in order to support the Company's business and maximize value to shareholders.

The Company controls its capital structure by making adjustments and adapting to current economic conditions. In order to maintain its structure adjusted, the Company may pay dividends, return on capital to shareholders, raise new loans and issue debentures, among others.

There were no changes in objectives, policies or procedures during the years ended December 31, 2015 and 2014.

The Company included in its net debt structure: loans and financing, debentures, obligations assumed on assignment of receivables and payables to venture partners less cash and cash equivalents and short-term investments (cash and cash equivalents and short-term investments):

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(iii) Capital management --Continued

	2015	2014
Loans and financing (Note 12)	1,292,835	1,397,425
Debentures (Note 13)	857,958	1,189,099
Obligations assumed on assignment of receivables (Note 14)	59,293	56,129
Payables to venture partners (Note 15)	4,895	11,030
(-) Cash and cash equivalents and short-term investments (Note 4.1 and 4.2)	(712,311)	(1,157,254)
Net debt	1,502,670	1,496,429
Equity	3,097,236	3,058,403
Equity and net debt	4,599,906	4,554,832

(iv) Sensitivity analysis

The sensitivity analysis of financial instruments for the years ended December 31, 2015, except swap contracts, which are analyzed through their due dates, describing the risks that may incur material losses on the Company's profit or loss, as provided for by CVM, through Rule No. 475/08, in order to show a 25% and 50% increase/decrease in the risk variable considered.

As of December 31, 2015, as well as derivatives, the Company has the following financial instruments:

a) Short-term investments, loans and financing, and debentures linked to Interbank Deposit Certificates (CDI);

b) Loans and financing and debentures linked to the Referential Rate (TR) and CDI, and debentures indexed to the CDI, IPCA and TR;

c) Accounts receivable, linked to the National Civil Construction Index (INCC).

For the sensitivity analysis in the year December 31, 2015, the Company considered the interest rates of investments, loans and accounts receivables, the CDI rate at 14.14%, the TR at 1.48%, the INCC rate at 7.22%, and the National Consumer Price Index – Extended (IPCA) at 10.67%. The scenarios considered were as follows:

Scenario I – Probable: 10% increase/decrease in the risk variables used for pricing

Scenario II – Possible: 25% increase/decrease in the risk variables used for pricing

Scenario III – Remote: 50% increase/decrease in the risk variables used for pricing

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

20. Financial instruments --Continued

(iv) Sensitivity analysis --Continued

The Company shows in the following chart the sensitivity to risks to which the Company is exposed, based on the scenarios above, as of December 31, 2015. The effects on equity are basically the same ones on profit or loss.

Instrument	Risk	Scenario I Increase 10%	II Increase 25%	III Increase 50%	III Decrease 50%	II Decrease 25%	I Decrease 10%
Short-term investments	Increase/decrease of CDI	7,045	17,610	35,221	(35,221)	(17,610)	(7,045)
Loans and financing	Increase/decrease of CDI	(3,175)	(7,937)	(15,875)	15,875	7,937	3,175
Debentures	Increase/decrease of CDI	(1,615)	(4,038)	(8,077)	8,077	4,038	1,615
Derivative financial instruments	Increase/decrease of CDI	(6,065)	(14,616)	(27,896)	33,357	15,823	6,090
Net effect of CDI variation		(3,810)	(8,981)	(16,627)	22,088	10,188	3,835
Loans and financing	Increase/decrease of TR	(1,286)	(3,213)	(6,427)	6,427	3,213	1,286
Debentures	Increase/decrease of TR	(1,199)	(2,998)	(5,997)	5,997	2,998	1,199
Net effect of TR variation		(2,485)	(6,211)	(12,424)	12,424	6,211	2,485
Debentures	Increase/decrease of IPCA	(705)	(1,762)	(3,525)	3,525	1,762	705
Net effect of IPCA variation		(705)	(1,762)	(3,525)	3,525	1,762	705
Accounts receivable	Increase/decrease of INCC	12,263	30,659	61,318	(61,318)	(30,659)	(12,263)

Net effect of INCC variation	12,263	30,659	61,318	(61,318)	(30,659)	(12,263)

21. Related parties

21.1. Balances with related parties

The transactions between the Company and related companies are made under conditions and prices established between the parties.

Current accounts	2015	2014
Assets		
Current account (a):		
Total SPEs	86,010	139,947
Condominium and consortia (b) and thirdparty's works (c)	9,108	2,785
Loan receivable (d)	109,193	107,067
	204,311	249,799
Current portion	95,118	142,732
Non-current	109,193	107,067
Liabilities		
Current account (a):		
Total SPEs and Tenda	(76,620)	(156,503)
Loan payable (d)	(51,482)	-
	(128,102)	(156,503)
Current portion	(87,100)	(156,503)
Non-current portion	(41.002)	-

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

21. Related parties --Continued

21.1. Balances with related parties --Continued

(a) The Company participates in the development of real estate ventures with other partners, directly or through related parties, based on the formation of condominiums and/or consortia. The management structure of these ventures and the cash management are centralized in the lead partner of the venture, which manages the construction schedule and budgets. Thus, the lead partner ensures that the investments of the necessary funds are made and allocated as planned. The sources and use of resources of the venture are reflected in these balances, observing the respective interest of each investor, which are not subject to indexation or financial charges and do not have a fixed maturity date. Such transactions aim at simplifying business relations that demand the joint management of amounts reciprocally owed by the involved parties and, consequently, the control over the change of amounts reciprocally granted which offset against each other at the time the current account is closed. The average term for the development and completion of the ventures in which the resources are invested is between 24 and 30 months. The Company receives a compensation for the management of these ventures.

(b) Refers to transactions between the consortia leader, partners and condominiums.

(c) Refers to operations in third-party's works.

(d) The loans of the Company with its associates, shown below, are made to provide associates with cash to carry out their respective activities, subject to the respective agreed-upon financial charges. The businesses and operations with related parties are carried out in extremely commutative conditions, in order to protect the interests of the both parties involved in the business. The composition, nature and condition of loan receivable by the Company are shown below. Maturities for these loans range from June 2016 to the duration of the related real estate developments.

	Consolidated			
	2015	**2014**	**Nature**	**Interest rate**

Engenho	**-**	17	Construction	12% p.a. + IGPM
Tembok Planej. E Desenv. Imob. Ltda. (Vistta Laguna)	**11,044**	9,891	Construction	12% p.a. + IGPM
Acquarelle Civilcorp Incorporações Ltda.	**287**	493	Construction	12% p.a. + IGPM
Manhattan Residencial I	**53,862**	49,358	Construction	10% p.a. + TR
Target Offices & Mall	**3,105**	-	Construction	12% p.a. + IGPM
Scena Laguna - Tembok Planej. e Desenv. Imob. Ltda.	**10,520**	8,361	Construction	12% p.a. + IGPM
Fit Jardim Botanico SPE Emp. Imob. Ltda.	**-**	10,164	Construction	113.5% of 126.5% of CDI
Fit 09 SPE Emp. Imob. Ltda.	**-**	8,422	Construction	120% of 126.5% of CDI
Fit 19 SPE Emp. Imob. Ltda.	**14,097**	4,037	Construction	113.5% of 126.5% of CDI
Acedio SPE Emp. Imob. Ltda.	**3,260**	936	Construction	113.5% of 126.5% of CDI
Atua Construtora e Incorporadora S.A.	**12,168**	12,168	Construction	113.50% to 112% of CDI
Blue 02 Empreendimentos Imobiliários	**-**	2,471	Construction	IGPM + interest at 12% p.a.
Other	**850**	749	Construction	Several
Total loan receivable	**109,193**	107,067		

Fit 34 SPE Empreendimentos Imobiliários Ltda.	**21,925**	-	Construction	6% p.a.
Fit 03 SPE Empreendimentos Imobiliários Ltda.	**7,912**	-	Construction	6% p.a.
Fit 11 SPE Empreendimentos Imobiliários Ltda.	**5,910**	-	Construction	6% p.a.
Gafisa Spe-113 Empr Imob	**3,788**	-	Construction	100% of CDI
Parque dos Pássaros	**2,725**	-	Construction	6% p.a.
Dubai Residencial	**2,650**	-	Construction	6% p.a.
Parque Arvores	**2,270**	-	Construction	6% p.a.
Parque Aguas	**1,772**	-	Construction	6% p.a.
Fit 31 SPE Empreendimentos Imobiliários Ltda.	**1,298**	-	Construction	6% p.a.
Araçagy	**1,232**	-	Construction	6% p.a.
Total loan payable	**51,482**	-		

In the year ended December 31, 2015 the recognized financial income from interest on loans amounted R$17,386 (R$11,120 in 2014 and R$12,182 in 2013) in the consolidated statement (Note 25).

Information regarding management transactions and compensation is described in Note 25.

21.2. Endorsements, guarantees and sureties

The financial transactions of the subsidiaries are guaranteed by the endorsement or surety in proportion to the interest of the Company in the capital stock of such companies, in the amount of R$1,067,950 as of December 31, 2015 (R$973,808 in 2014).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

22. Net operating revenue

	Consolidated		
	2015	2014	2013
Gross operating revenue			
Real estate development, sale, barter transactions and construction services	2,475,928	2,256,189	2,618,737
(Recognition) Reversal of allowance for doubtful accounts and provision for cancelled contracts (Note 5)	9,363	69,479	81,122
Taxes on sale of real estate and services	(190,972)	(174,670)	(218,648)
Net operating revenue	2,294,319	2,150,998	2,481,211

23. Costs and expenses by nature

These are represented by the following:

	Consolidated		
	2015	2014	2013
Cost of real estate development and sale:			
Construction cost	(994,556)	(949,960)	(1,137,678)
Land cost	(312,205)	(278,682)	(327,721)
Development cost	(107,008)	(105,594)	(133,350)
Capitalized financial charges (Note 12)	(165,969)	(171,590)	(157,212)
Maintenance / warranty	(57,222)	(48,557)	(34,578)
Provision for cancelled contracts (Note 5)	(30,545)	(54,863)	(73,227)
Total cost of real estate development and sale	(1,667,505)	(1,609,246)	(1,863,766)
Commercial expenses:			
Product marketing expenses	(73,271)	(60,433)	(54,128)
Brokerage and sale commission	(24,093)	(30,656)	(125,076)
Customer Relationship Management (CRM) and corporate marketing expenses	(44,663)	(45,622)	(25,878)
Other	(21,233)	(11,330)	(10,567)

Total commercial expenses	(163,260)	(148,041)	(215,649)
General and administrative expenses:			
Salaries and payroll charges	(74,242)	(79,515)	(92,574)
Employee benefits	(7,879)	(7,575)	(8,398)
Travel and utilities	(1,923)	(2,761)	(4,865)
Services	(24,289)	(30,485)	(17,306)
Rents and condominium fees	(13,387)	(14,189)	(9,820)
IT	(22,670)	(24,409)	(17,519)
Stock option plan (Note 18.3)	(9,964)	(16,327)	(17,419)
Reserve for profit sharing (Note 25.iii)	(25,502)	(35,006)	(59,651)
Other	(1,557)	(1,639)	(6,471)
Total general and administrative expenses	(181,413)	(211,906)	(234,023)
Other income (expenses), net:			
Expenses with lawsuits (Note 16)	(118,449)	(113,064)	(78,402)
Expenses with the adjustment to the stock option plan balance of AUSA (Note 18.3)	-	(17,679)	-
Other	(41,752)	(10,606)	(7,709)
Total other income/(expenses), net	(160,201)	(141,349)	(86,111)

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

24. Financial income (expenses)

	2015	2014	2013
Financial income			
Income from financial investments	99,551	132,980	56,095
Financial income on loans (Note 21)	17,386	11,120	12,182
Other financial income	7,194	12,694	12,806
Total financial income	124,131	156,794	81,083
Financial expenses			
Interest on funding, net of capitalization (Note 12)	(83,227)	(121,063)	(176,823)
Amortization of debenture cost	(3,831)	(4,144)	(8,020)
Payables to venture partners	(1,891)	(2,830)	(14,805)
Banking expenses	(6,676)	(3,818)	(12,312)
Derivative transactions (Note 20 (i) (b))	(17,151)	(7,492)	(5,102)
Discount in securitization transaction	(308)	(240)	(8,820)
Offered discount and other financial expenses	(49,174)	(26,125)	(17,704)
Total financial expenses	(162,258)	(165,712)	(243,586)

25. Transactions with management and employees

(i) Management compensation

The amounts recorded in the account “general and administrative expenses” for the years ended December 31, 2015, 2014 and 2013, related to the compensation of the Company’s key management personnel are as follows:

	Management compensation		
Year ended December 31, 2015	**Board of Directors**	**Statutory Board**	**Fiscal Council**
Number of members	7	5	3

Annual fixed compensation (in R$)	**1,693**	**3,968**	**198**
Salary / Fees	1,693	3,575	198
Direct and indirect benefits	-	393	-
Monthly compensation (in R$)	141	331	17
Total compensation	**1,693**	**3,968**	**198**
Profit sharing (Note 25 (iii))	-	**3,185**	-
Total compensation and profit sharing	**1,693**	**7,153**	**198**

	Management compensation		
Year ended December 31, 2014	**Board of Directors**	**Statutory Board**	**Fiscal Council**
Number of members	8	5	3
Annual fixed compensation (in R$)	**1,739**	**4,004**	**189**
Salary / Fees	1,720	3,630	189
Direct and indirect benefits	19	374	-
Monthly compensation (in R$)	145	334	16
Total compensation	**1,739**	**4,004**	**189**
Profit sharing (Note 25 (iii))	**-**	**3,412**	**-**
Total compensation and profit sharing	**1,739**	**7,416**	**189**

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

25. Transactions with management and employees --Continued

(i) Management compensation --Continued

Year ended December 31, 2013	Management compensation Board of Directors	Statutory Board	Fiscal Council
Number of members	9	7	3
Annual fixed compensation (in R$)	**1,899**	**4,872**	**166**
Salary / Fees	1,852	4,485	166
Direct and indirect benefits	47	387	-
Monthly compensation (in R$)	158	406	14
Total compensation	**1,899**	**4,872**	**166**
Profit sharing (Note 25 (iii))	**-**	**6,543**	**-**
Total compensation and profit sharing	**1,899**	**11,415**	**166**

The amount related to the stock compensation of the Company's management was R$4,428 in the year ended December 31, 2015 (R$9,744 and R$7,164 for the years ended December 31, 2014 and 2013, respectively).

The maximum aggregate compensation of the Company's management members for the year 2015, was established at R$13,228, as approved at the Annual Shareholders' Meeting held on April 16, 2015.

On the same occasion the compensation limit of the Fiscal Council members for their next term of office that ends in the Annual Shareholders' Meeting to be held in 2016, was approved at R$205.

The subsidiary Tenda has an administrative structure segregated from the Company, therefore, the amounts recorded in the heading "General and Administrative Expenses" in the consolidated balance are added by the compensation of its

Management members and are as follows:

	Management compensation		
Year ended December 31, 2015	**Board of Directors**	**Statutory Board**	**Fiscal Council**
Number of members	10	10.33	3
Annual fixed compensation (in R$)	**336**	**5,662**	**57**
Salary / Fees	336	4,959	57
Direct and fringe benefits	-	703	-
Monthly compensation (in R$)	28	472	5
Total compensation	**336**	**5,662**	**57**
Profit sharing (Note 25 (iii))	**-**	**6,178**	-
Total compensation and profit sharing	**336**	**11,840**	**57**

	Management compensation		
Year ended December 31, 2014	**Board of Directors**	**Statutory Board**	**Fiscal Council**
Number of members	10	10	3
Annual fixed compensation (in R$)	**126**	**4,680**	**55**
Salary / Fees	126	4,116	55
Direct and fringe benefits	-	564	-
Monthly compensation (in R$)	11	390	5
Total compensation	**126**	**4,680**	**55**
Profit sharing (Note 25 (iii))	**-**	**4,704**	**-**
Total compensation and profit sharing	**126**	**9,384**	**55**

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

25. Transactions with management and employees --Continued

(i) Management compensation --Continued

Year ended December 31, 2013	Management compensation Board of Directors	Statutory Board	Fiscal Council
Number of members	4	8	3
Annual fixed compensation (in R$)	**-**	**4,018**	**55**
Salary / Fees	-	3,574	55
Direct and fringe benefits	-	444	-
Monthly compensation (in R$)	-	335	5
Total compensation	**-**	**4,018**	**55**
Profit sharing (Note 25 (iii))	**-**	**5,072**	**-**
Total compensation and profit sharing	**-**	**9,090**	**55**

The maximum aggregate compensation of the subsidiary Tenda's management members for the year 2015, was established at R$14,696, as approved at the Annual Shareholders' Meeting held on April 22, 2015.

On the same occasion the compensation limit of the Fiscal Council members for their next term of office that ends in the Annual Shareholders' Meeting to be held in 2016, was approved at R$149.

(ii) Sales

In the year ended December 31, 2015, there were no units sold to the Management (R$1,513 in 2014) and the total receivables is R$1,610 (R$4,686 in 2014).

(iii) Profit sharing

The Company has a profit sharing plan that entitles its employees and management members, and those of its subsidiaries to participate in the distribution of profits of the Company.

This plan is tied to the achievement of specific targets, established, agreed-upon and approved by the Board of Directors at the beginning of each year.

In the year ended December 31, 2015, the Company recorded a provision for profit sharing amounting R$25,502 in the consolidated statement (R$35,006 in 2014) in the account “General and Administrative Expenses" (Nota 23).

	2015	**2014**	**2013**
Executive officers	**9,363**	8,116	11,615
Other employees	**16,139**	26,890	48,036
	25,502	35,006	59,651

Profit sharing is calculated and reserved based on the achievement of the Company’s targets for the period. An assessment is performed subsequent to year-end of the achievement of the Company’s and its employees’ targets. The payment shall be made in April 2016.

As shown in the previous tables and paragraphs, the aggregate compensation of Management and Fiscal Council members of the Company is according to the limit approved at the Annual Shareholders’ Meeting held on April 16, 2015.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

26. Insurance

Gafisa S.A. and its subsidiaries maintain insurance policies against engineering risk, barter guarantee, guarantee for the completion of the work and civil liability related to unintentional personal damages caused to third parties and material damages to tangible assets, as well as against fire hazards, lightning strikes, electrical damages, natural disasters and gas explosion. The contracted coverage is considered sufficient by management to cover possible risks involving its assets and/or responsibilities.

The liabilities covered by insurance and the respective amounts as of December 31, 2015 are as follows:

Insurance type	Coverage – R$ thousand
Engineering risks and guarantee for completion of work	2,265,983
Civil liability (Directors and Officers – D&O)	195,240
Total	2,461,223

27. Earning (loss) per share

In accordance with CPC 41, the Company presents basic and diluted loss per share. The comparison data of basic and diluted earnings/loss per share is based on the weighted average number of shares outstanding for the year, and all dilutive potential shares outstanding for each year presented, respectively.

Diluted earnings per share is computed similarly to basic earnings per share except that the outstanding shares are increased to include the number of additional shares that would have been outstanding if the potential dilutive shares attributable to stock options and redeemable shares of non-controlling interest had been issued during the respective periods, utilizing the weighted average stock price.

The following table shows the calculation of basic and diluted profit or loss per share. In view of the loss for the year ended December 31, 2014, shares with dilutive potential are not considered, because the impact would be antidilutive.

	2015	2014	2013
Basic numerator			
Proposed dividends and interest on equity	17,682	-	150,067
Undistributed earnings (loss)	56,767	(42,549)	717,376
Net income (loss), attributable to shareholders of Gafisa	74,449	(42,549)	867,443
Basic denominator (in thousands of shares)			
Weighted average number of shares	367,572	401,905	426,300
Basic earning (loss) per share in Reais, attributable to shareholders of Gafisa	0.2025	(0.1059)	2,0348

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

27. Earning (loss) per share--Continued

Diluted numerator			
Proposed dividends and interest on equity	**17,682**	-	150,067
Undistributed earning (loss)	56,767	(42,549)	717,376
Net income (loss), attributable to shareholders of Gafisa	74,449	(42,549)	867,443
Diluted denominator (in thousands of shares)			
Weighted average number of shares	367,572	401,905	426,300
Stock options	2,514	-	2,584
Diluted weighted average number of shares	370,086	401,905	428,884
Diluted earning (loss) per share in Reais, attributable to shareholders of Gafisa	0.2012	(0.1059)	(2,0226)

28. Segment information

The Company's management assesses segment information on the basis of different business segments rather than based on the geographical regions of operations.

The Company operates in the following segments: Gafisa (for ventures targeted at high and medium income) and Tenda (for ventures targeted at low income).

The Company's chief executive officer, who is responsible for allocating resources to businesses and monitoring their progresses, uses economic present value data, which is derived from a combination of historical and forecasted operating results.

The table below provides certain information related to each segment in the statement of profit or loss and balance sheet.

Segment information provided to the chief operating decision maker does not segregate operating expenses. No revenues from an individual client represented more than 10% of net sales and/or services.

	Gafisa S.A.	Tenda	2015
Net operating revenue	1,443,357	850,962	2,294,319
Operating costs	(1,061,921)	(605,584)	(1,667,505)
Gross profit	381,436	245,378	626,814
Selling expenses	(97,949)	(65,311)	(163,260)
General and administrative expenses	(97,442)	(83,971)	(181,413)
Other income / (expenses), net	(107,634)	(52,567)	(160,201)
Depreciation and amortization	(32,585)	(14,835)	(47,420)
Financial expenses	(121,207)	(41,051)	(162,258)
Financial income	77,306	46,825	124,131
Tax expenses	(658)	(6,522)	(7,180)
Profit (loss) for the year attributed to the shareholders of Gafisa	44,129	30,320	74,449
Customers (short and long term)	1,322,949	479,415	1,802,364
Inventories (short and long term)	1,896,613	734,004	2,630,617
Other assets	1,635,110	692,241	2,327,351
Total assets	4,854,672	1,905,660	6,760,332
Total liabilities	2,884,249	778,846	3,663,095

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

28. Segment information--Continued

	Gafisa S.A.	Tenda	2014
Net operating revenue	1,580,860	570,138	2,150,998
Operating costs	(1,164,998)	(444,248)	(1,609,246)
Gross profit	415,862	125,890	541,752
Selling expenses	(95,063)	(52,978)	(148,041)
General and administrative expenses	(124,833)	(87,073)	(211,906)
Other income / (expenses), net	(79,113)	(62,236)	(141,349)
Depreciation and amortization	(63,607)	(15,644)	(79,251)
Financial expenses	(114,371)	(51,341)	(165,712)
Financial income	98,121	58,673	156,794
Tax expenses	(8,947)	(6,328)	(15,275)
Profit (loss) for the year attributed to the shareholders of Gafisa	66,888	(109,437)	(42,549)
Customers (short and long term)	1,484,766	340,553	1,825,319
Inventories (short and long term)	1,734,634	777,708	2,512,342
Other assets	1,861,263	1,006,928	2,868,191
Total assets	5,080,663	2,125,189	7,205,852
Total liabilities	3,104,606	1,042,843	4,147,449

	Gafisa S.A.	Tenda	2013
Net operating revenue	1,663,751	817,460	2,481,211
Operating costs	(1,111,550)	(752,216)	(1,863,766)
Gross profit	552,201	65,244	617,444
Selling expenses	(138,093)	(77,556)	(215,649)
General and administrative expenses	(136,720)	(97,303)	(234,023)

Depreciation and amortization	(51,488)	(11,526)	(63,014)
Financial expenses	(202,239)	(41,347)	(243,586)
Financial income	43,548	37,535	81,083
Tax expenses	5,839	(8,651)	(2,812)
Net profit (loss) for the year from continuing operations	363,725	(127,169)	236,556
Net profit (loss) for the year from discontinued operations	588,574	42,548	631,122
Customers (short and long term)	1,662,572	561,096	2,223,668
Inventories (short and long term)	1,420,359	674,055	2,094,414
Other assets	2,658,263	1,206,685	3,864,948
Total assets	5,741,194	2,441,836	8,183,030
Total liabilities	3,679,292	1,289,255	4,968,547

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

29. Real estate ventures under construction – information and commitments

In order to meet the provisions of paragraphs 20 and 21 of ICPC 02, the recognized revenue amounts and incurred costs are shown in the statement of profit or loss, and the advances received in the account "Payables for purchase of property and advances from customer". The Company shows below information on the ventures under construction as of December 31, 2015:

	2015
Unappropriated sales revenue of units sold	**777,679**
Unappropriated estimated cost of units sold	**(445,265)**
Unappropriated estimated cost of units in inventory	**(795,995)**

(i) Unappropriated sales revenue of units sold	
Ventures under construction:	
Contracted sales revenue	**2,761,219**
Appropriated sales revenue	**(1,983,540)**
Unappropriated sales revenue (a)	**777,679**

(ii) Unappropriated estimated cost of units sold	
Ventures under construction:	
Estimated cost of units	**(1,626,339)**
Incurred cost of units	**1,181,074**
Unappropriated estimated cost (b)	**(445,265)**

(iii) Unappropriated estimated costs of units in inventory	
Ventures under construction:	
Estimated cost of units	**(1,724,372)**
Incurred cost of units	**928,377**
Unappropriated estimated cost	**(795,995)**

(a)

The unappropriated sales revenue of units sold are measured by the face value of contracts, plus the contract adjustments and deducted from cancellations, net of the levied taxes and adjustment to present value, and do not include ventures that are subject to restriction due to a suspensive clause (legal period of 180 days in which the Company can cancel a development) and therefore is not appropriated to profit or loss.

(b) The unappropriated estimated cost of units sold do not include financial charges, which are appropriated to properties for sale and profit or loss (cost of real estate sold) in proportion to the real estate units sold at the extent they are accrued, and also the warranty provision, which is appropriated to real estate units as the construction work progresses.

As of December 31, 2015, the percentage of consolidated assets in the financial statements related to real estate developments included in asset segregation structure was 33.1%.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

30. Communication with regulatory bodies

On June 14, 2012, the Company received a subpoena from the Securities Exchange Commission's Division of Enforcement related to the Matter of Certain 20-F Filer Home Builders listed at SEC, Foreign Private Issuers (FPI). The subpoena requests that the Company produces all documents from January 1, 2010 to July 10, 2012, date of the Company's reply, related to the preparation of our financial statements, including, among other things, copies of our financial policies and procedures, board and audit committee's and operations committee's meeting minutes, monthly closing reports and financial packages, any documents relating to possible financial or accounting irregularities or improprieties and internal audit reports. The SEC's investigation is a non-public, fact-finding inquiry and is not clear what action, if any, the SEC intends to take with respect to the information it gathers. The SEC subpoena does not specify any charges. As of the publication of these financial statements, no further inquiries or communications have been received from the SEC related to this matter.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013

(a) Description of the GAAP differences

The Company’s accounting policies and its consolidated financial statements comply with and are prepared in accordance with Brazilian GAAP.

A summary of the Company’s principal accounting policies under Brazilian GAAP that differ significantly from US GAAP is set forth below.

Principles of consolidation

Under Brazilian GAAP, for the year ended in December 31, 2013, the disposal of the Company´s 70% controlling interest in Alphaville is classified as a “discontinued operation”, given the fact that it’s a major line of business that was disposed of during that year. For US GAAP purposes however, this disposal does not meet the definition of a “discontinued operation” given the fact that the Company continues to have significant influence over this entity through its 30% non-controlling interest. When a significant continuing involvement like this exists the operation cannot be seen as discontinued under US GAAP, consequently the results from operations of Alphaville in the period from January 1 to November 30, 2013 are presented in their separate respective line items instead of being grouped together under the header “Net income from discontinued operations”, as under Brazilian GAAP (Note 8.2). In addition the gain on disposal which for Brazilian GAAP purposes is part of the discontinued operations line item is part of results from continuing operations for US GAAP purposes.

(i) Revenue recognition

Under Brazilian GAAP, real estate development and retail land sales revenues, costs and related expenses are recognized using the percentage-of-completion method of accounting, by project, measuring progress towards completion in terms of actual costs incurred versus total budgeted expenditures for each stage of a development. Land is treated as a portion of budgeted construction costs and is appropriated proportionally to each real estate development. Under the percentage-of-completion method of accounting, revenues for work completed are recognized prior to receipt of actual cash proceeds or vice-versa. Revenues start to be recognized under the percentage-of-completion when the Company is no longer able to cancel the launched project, after the sales period established by law.

Under US GAAP for sale of individual units in a building the Company follows the guidance of ASC 360-20-40-50 to recognize the sale by the percentage-of-completion method, only when the individual units in condominium projects are sold separately and all the following criteria are met:

a. Construction is beyond a preliminary stage: Construction is not beyond a preliminary stage if engineering and design work, execution of construction contracts, site clearance and preparation, excavation, and completion of the building foundation are incomplete.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

b. The buyer is committed to the extent of being unable to require a refund except for non delivery of the unit.

c. Sufficient units have already been sold to assure that the entire property will not revert to rental property.

d. Sales prices are collectible.

e. Aggregate sales proceeds and costs can be reasonably estimated.

Collectability of the sales price is demonstrated by the buyer’s commitment to pay for the property, and there is a reasonable likelihood that the Company will collect the receivable which in turn is supported by substantial initial and continuing investments. When determining if the buyer’s initial and continuing investments are adequate, the potentially refundable amount, through judicial or other means, determined based on contractual termination clauses is excluded, pursuant to U.S. GAAP ASC 360.20.40. This standard requires amounts potentially refundable to a customer to be excluded from the initial and continuing investment test required by ASC 306.20.20, applicable prospectively as from January 1, 2008.

(a) AUSA Revenue Recognition (Investment associate since December 9, 2013)

Under US GAAP, the Company recognized retail land sales of lots that are subdivisions of large tracts of land by the percentage-of-completion method following ASC 976 605-25-4 and 25-6 – Retail Land, which criteria are as follows:

a. The period of cancellation with refund has expired;

b. Cumulative payments equal or exceed 10 percent;

c. Receivables are collectible;

d. Receivables are not subject to subordination;

e. There has been progress on improvements. The project's improvements have progressed beyond preliminary stages, and there are indications that the work will be completed according to plan;

f. Development is practical. There is a reasonable expectation that the land can be developed for the purposes represented and the properties will be useful for those purposes at the end of the normal payment period.

Additionally, as part of the analysis of this adjustment, the Company also determined the effect over the non-controlling interest from their consolidated subsidiaries. The reclassification of income to the non-controlling interest for this adjustment was R$(378), R$895 and R$5,232 for the years ended December 31, 2015, 2014 and 2013, respectively (Note 31(b)(i)).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States "US GAAP" for the years ended December 31, 2015, 2014 and 2013 - Continued

(ii) Business combinations

Until December 31, 2008, under Brazilian GAAP, goodwill arose from the difference between the amount paid and the Brazilian GAAP book value (normally also the tax basis) of the net assets acquired. This goodwill was normally attributed to the difference between the book value and the market value of assets acquired or justified based on expectation of future profitability and was amortized over the remaining useful lives of the assets or up to ten years. Effective January 1, 2009, goodwill is no longer amortized under Brazilian GAAP as is the case in US GAAP. Negative goodwill arises under Brazilian GAAP when the book value of assets acquired exceeds the purchase consideration; negative goodwill is not generally amortized but is realized upon disposal of the investment. For US GAAP purpose, when a business combination process generates negative goodwill, this amount is allocated first to non-current assets acquired and any remaining amount is recognized as an extraordinary gain. Additionally, investments in affiliates, including the corresponding goodwill on the acquisition of such affiliates are tested, at least, annually for impairment.

Under US GAAP, fair values are assigned to acquired assets and liabilities in business combinations, including identifiable assets. Any residual amount is allocated to goodwill. Goodwill is not amortized but, instead, is assigned to an entity's reporting unit and tested for impairment at least annually. The differences in relation to Brazilian GAAP arise principally from the measurement of the consideration paid under US GAAP using the fair value of shares and put options issued, and the effects of amortization which are not recorded for US GAAP purposes (goodwill amortization is also no longer recorded for Brazilian GAAP purposes effective January 1, 2009).

For Brazilian GAAP purposes, the net balance of goodwill at December 31, 2015 and December 31, 2014 was R$25,476, which had been amortized to income over a period of up to 10 years until December 31, 2008.

For US GAAP purposes, the total net balance of goodwill at December 31, 2015 and December 31, 2014 was R$675 (R$18,279 in December 31, 2013).

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

(a) Tenda transaction

Under Brazilian GAAP, the acquisition was consummated on October 21, 2008. As part of the acquisition of a controlling interest in Tenda, the Company contributed the net assets of FIT Residencial amounting to R$411,241, acquiring 60% of the shareholders’ equity of Tenda (book value of the 60% interest representing an investment in net assets of R$621,643), which had a total shareholders’ equity book value of R$1,036,072.

Under Brazilian GAAP, the sale of the 40% ownership interest in FIT Residencial to Tenda shareholders in exchange for the Tenda shares generated negative goodwill of R$210,402, reflecting the gain on the sale of the interest in FIT Residencial. From October 22 to December 31, 2008 under Brazilian GAAP, the Company amortized the total amount of R$210,402 of the negative goodwill, represented by the gain on the partial sale of Fit Residencial, as required by the adoption of the new CPC’s.

Under US GAAP, the Company recorded the transfer of Fit Residencial as a partial sale to the non-controlling shareholders of Tenda and a gain of R$205,527 was recorded in the net income for the year ended December 31, 2008. The recognition of gain upon exchange of 40% ownership interest in FIT Residencial for 60% ownership interest in Tenda is presented as follows:

Tenda purchase consideration	367,703
FIT Residencial US GAAP book value (40%)	(162,176)
	205,527

Under US GAAP, the total cost of the acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Acquired intangible assets include, R$73,038 assigned to existing development contracts, which were amortized in straight-line over the estimated useful lives up to 6 years. For the year ended December 31, 2014, the amount of R$11,447 was amortized and for the year ended December 31, 2013, the amount of R$11,851 was amortized. At December 31, 2015, the total accumulated amount R$73,038 was amortized. Also, R$54,741 was assigned to registered trademarks, which were determined to have indefinite useful lives, and are not amortized, but are tested for impairment at least annually.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

The fair value allocation on the assets acquired and liabilities assumed at the acquisition date are as follows:

	Fair value	
	At 100%	At 60%
Current assets	539,741	323,845
Long-term receivables	252,453	151,472
Properties for sale - non current	174,168	104,501
Intangible assets	42,449	25,469
Other assets	101,191	60,714
Total assets acquired	1,110,002	666,001
Total liabilities assumed	(497,164)	(298,298)
Net assets acquired	612,838	367,703

On December 31, 2009, the shareholders of Gafisa and Tenda approved the merger by Gafisa of total outstanding shares issued by Tenda. Because of the merger, Tenda became a wholly-owned subsidiary of Gafisa on this date.

(b) AUSA transaction

On October 2, 2006, the Company signed an agreement to acquire 100% of the capital of AUSA, a company which develops and sells residential lots throughout Brazil. This transaction was consummated on January 8, 2007 and it was approved by the Brazilian anti-trust authority (CADE) on June 18, 2007, without any restrictions. The Company

initially acquired 60% of AUSA's shares for R$198,400, of which R$20,000 was paid in cash and the remaining R$178,400 in the Company's own shares. In connection with the acquisition, the Company issued 6,358,616 new Common shares with a book value of R$134,029, which were contributed in full settlement of the amount due in shares as part of the purchase consideration. For the purpose of determining the purchase consideration, the fair value of these shares was based on the average BM&FBOVESPA quoted stock price over a thirty day period prior to the date the agreement was signed.

Under US GAAP, the total cost of the acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill and other intangibles, none of which is deductible for tax purposes, recorded in connection with the acquisition at the time totaled R$20,902 and R$184,656, respectively.

Under US GAAP, acquired intangible assets include, R$168,072 assigned to existing development contracts, which were amortized as developments were sold and R$16,853 assigned to registered trademarks, which were determined to have indefinite useful lives, and are not amortized, but are tested for impairment at least annually.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

On March 8, 2010, the Company announced the increase of its participation in AUSA’s capital in 20%, as per the purchase agreement. The acquisition of 20% of Alphaville’s capital corresponds to an amount of R$126,490 which was paid based on issuance of 9,797,792 common shares (after the effect of the February 22, 2010 stock split) of Gafisa’s capital.

On June 8, 2012, according to the material fact then disclosed, the third phase of the Investment Agreement and Other Covenants entered into on October 2, 2006 (“Investment Agreement”), established the rules and conditions for Gafisa related to the acquisition of the remaining 20% interest in the capital stock of AUSA not held by the Company. While the valuation of the capital stock was agreed by both parties, the number of shares that should be issued by the Company to settle this transaction was being discussed on an arbitration process initiated by the non-controlling interests of AUSA, according to the material fact released on July 3, 2012. On June 6, 2013, the parties settled the arbitration process and the Company proceeded with the disposal of controlling interest in AUSA. There was an embedded derivative component to the Investment Agreement, relating to the Company's obligation to purchase the AUSA shares held by the non-controlling interest.

The fair values of assets acquired and liabilities assumed at the acquisition date under US GAAP are as follows:

	Fair value	
	At 100 %	At 60 %
Current assets	69,371	41,623
Long-term receivables	73,478	44,087
Other assets	17,379	10,427
Intangible assets	307,760	184,656
Total assets acquired	467,988	280,793

Total liabilities assumed	(144,064)	(86,438)
Income taxes	(28,095)	(16,857)
Total liabilities assumed	(172,159)	(103,295)
Net assets acquired	295,829	177,498

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

For the period ended December 09, 2013, the Company amortized R$10,874 of the fair value assigned in the purchase price allocation.

Acquisition of non-controlling interest in AUSA

As described above, we had an agreement to purchase the 20% non-controlling interest of AUSA in 2013. On July 3, 2013 we purchased such non-controlling interest for a purchase price of R$366,662. As we already had control of AUSA we recorded the difference between the recognized mezzanine equity line item of R$358,985 and the consideration paid of R$366,662, resulting in R$7,677 directly in stockholders’ equity.

Disposal of controlling interest in AUSA

As described in note 8.2, on December 9, 2013 the Company disclosed a material fact informing the finalization of the disposal of 70% interest in AUSA. As a result of this disposal we recorded a gain of R$1,228,429. This gain was included in the income statement in the line item “Gain on disposal of controlling interest”. In addition to the gain on the disposal we also presented the profit for the year relating to AUSA up to the disposal date of December 9, 2013 in their separate respective line items in the income statement.

As previously described we maintained a 30% equity interest in AUSA after disposal, which was classified as an associate (refer to Note 9). As a result we re-measured this investment to its fair value. This resulted in a gain of R$559,558, which was recorded in our income statement in the line item “remeasurement of investment in associate”.

The result of investments revalued to fair value is different for US GAAP purposes given the fact that the carrying amount of the net assets relating to Alphaville are different than the carrying amount under Brazilian GAAP, principally due to the cumulative revenue recognition adjustments. Consequently the gain recognized on re-measurement of the remaining investment in Alphaville (being the difference between carrying amount of the net assets and their fair value) is different as well in the amount of R$184,005.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

(c) Cipesa transaction

On October 26, 2007, the Company acquired 70% of Cipesa. The Company and Cipesa formed a new company, Cipesa Empreendimentos Imobiliários Ltda. (“Nova Cipesa”), in which Gafisa had 70% of the capital and Cipesa had 30%. At the time, the acquisition total amounted to R$90,000 and goodwill amounted to R$40,687 was recorded, based on expected future profitability under BR GAAP.

On November 21, 2014, the Company acquired the remaining portion of Cipesa Empreendimentos Imobiliários in the amount of R$6,354. As a result of this transaction, the Company recorded a net effect of the write-off of goodwill, in the amount of R$17,604. As a consequence of the acquisition of the remaining portion of Cipesa Empreendimentos Imobiliários and the consequent grant between the parties of irrevocable and irreversible settlement in relation to all rights, duties and obligations, the Company made the reversal of the then recorded acquisition’s obligation in its totality.

Under US GAAP, the total cost of the acquisition had been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Goodwill is deductible for tax purposes had a total amount of R$41,634. As of December 31, 2014, goodwill recorded in connection with the acquisition was totally written-off (R$17,604 as of December 31, 2013), and R$39,577 of obligation canceled in 2014 due to the acquisition of the remaining portion of Cipesa Empreendimentos Imobiliários. Therefore, as of December 31, 2015 and December 31, 2014, there are no longer differences between Brazilian GAAP and US GAAP.

The fair values of assets acquired and liabilities assumed at the acquisition date under US GAAP are as follows:

	Fair value	
	At 100%	At 70%
Current assets	96,675	67,673
Other assets	8	5
Total assets acquired	96,683	67,678
Total liabilities assumed	(2,527)	(1,769)
Income taxes	(25,061)	(17,543)
Total liabilities assumed	(27,588)	(19,312)
Net assets acquired	69,095	48,366

For the year ended December 31, 2015, the Company did not recognize in the statement of profit or loss any amount (R$17,604 in 2014, and R$963 in 2013) of the fair value assigned in the purchase price allocation, as it is totally written-off.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

(d) Redevco transaction

Through November 2007, the Company held interests in investees together with Redevco through special purpose entities, as follows: Blue I (66.67%), Blue II (50%), Jardim Lorena (50%) and Sunplace (50%). In November 2007, the Company acquired the remaining interests in each entity for R$40,000. Under Brazilian GAAP, the Company amortized the total amount of R$21,925 of the negative goodwill, as required by the adoption of the new CPCs.

Under US GAAP, the total cost of the acquisition has been allocated to the assets acquired and the liabilities assumed based on their respective fair values. Negative goodwill for those entities totaled R$11,434, which was allocated as a *pro rata* reduction to the acquired assets. This negative goodwill results primarily from market and business conditions, in which the fair value assigned mainly to inventories and receivables exceeded the respective acquisition cost.

The combined fair values of assets acquired and liabilities assumed at the acquisition date under US GAAP are as follows:

	Combined fair value at 100%
Current assets	139,983
Long-term receivables	16,813
Other assets	170
Total assets acquired	156,966

Total liabilities assumed	(76,745)
Net assets acquired	80,221

(iii) Classification of balance sheet line items

Under Brazilian GAAP, the classification of certain balance sheet items is presented differently from US GAAP. The Company has recast its consolidated balance sheet under Brazilian GAAP to present a condensed consolidated balance sheet in accordance with US GAAP (Note 31(d)(i)). The reclassifications are summarized as follows:

· Under Brazilian GAAP, restricted cash is presented as short-term investment in the balance sheet. For US GAAP purposes, restricted cash is presented separately outside of short-term investment.

· Under Brazilian GAAP accounts receivable present value adjustment and monetary variation are recorded in the operating revenue. For US GAAP purpose the realization of accounts receivable present value adjustment and monetary variation are classified in the financial income/expense.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

· Under Brazilian GAAP, debt issuance costs are netted against the loan balance, whereas under US GAAP such costs are presented net of accumulated amortization, as deferred expenses in current and non-current assets.

· Under Brazilian GAAP, deferred income taxes are netted and classified as non-current liabilities. For US GAAP purposes, deferred tax assets and liabilities are netted and classified as current or non-current based on the classification of the underlying temporary difference.

(iv) Classification of statement of income (operations) line items

Under Brazilian GAAP, in addition to the issues noted above, the classification of certain income and expense items is presented differently from US GAAP. The Company has recast its statement of income (loss) prepared under the Brazilian GAAP to present a condensed consolidated statement of income (loss) in accordance with US GAAP (Note 31(d)(ii)). The reclassifications are summarized as follows:

· Under Brazilian GAAP, the disposal of the Company´s 70% controlling interest in Alphaville is classified as a “discontinued operation”, given the fact this it’s a major line of business that was disposed of during the year ended December 31, 2013. For US GAAP purposes however, this disposal does not meet the definition of a “discontinued operation” given the fact that the Company continues to have significant influence over this entity through its 30% non-controlling interest. When a significant continuing involvement like this exists the operation cannot be seen as discontinued under US GAAP, consequently the results from operations of Alphaville in the period January 1 to November 30, 2013, are presented in their separate respective line items instead of being grouped together under the header “Net income from discontinued operations”, as under Brazilian GAAP (Note 8.2). In addition the gain on disposal which for Brazilian GAAP purposes is part of the discontinued operations line item is part of results from

continuing operations for US GAAP purposes.

· The net income differences between Brazilian GAAP and US GAAP (Note 31(b)(i)) were incorporated in the consolidated statement of profit or loss in accordance with US GAAP.

(v) Deferred income tax

Deferred income tax differences between Brazilian GAAP and US GAAP are related to the recognition of deferred income tax on the adjustments mentioned above.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States "US GAAP" for the years ended December 31, 2015, 2014 and 2013 - Continued

Under Brazilian GAAP deferred tax assets are recognized for the estimated future tax effects of temporary differences and unused tax losses carried forward based on tax profitability history and estimated future taxable income, which takes into account all factors concerning entity´s expected future profitability. The deferred tax asset is derecognized to the extent that it is no longer probable that taxable profit will be available to compensate deferred tax assets.

Under US GAAP deferred tax assets are recognized for the estimated future tax effects attributable to temporary differences and carryforwards. A valuation allowance to reduce the deferred tax asset is recognized if upon available evidences, both positive and negative, and the weight of those evidences, the deferred tax asset is the more-likely-than-not that will not be recoverable (the amounts recognized as valuation allowance expense in the respective years are R$20,184 in 2015, R$12,882 in 2014 and R$35,363 in 2013).

(b) Reconciliation of significant differences between Brazilian GAAP and US GAAP

(i) Net income (loss)

	Note	2015	2014	2013
Net income (loss) under Brazilian GAAP attributable to owners of Gafisa S.A.		74,449	(42,549)	867,443
Revenue recognition - net operating revenue	31(a)(i)	57,208	295,550	(725,403)
Revenue recognition - operating costs	31(a)(i)	(55,553)	(210,366)	297,338
Business Combination of Tenda, Redevco and Cipesa	31(a)(ii)	-	28,130	(11,851)
Business Combination of Alphaville	31(a)(ii)	-	-	(10,874)

Non-controlling interests on adjustments above	31(a)(i)	(378)	895	5,232
Equity pick-up	31(a)(i)	(48,637)	(1,902)	(23,137)
Gain on disposal of Alphaville's controlling interest	31(a)(ii)	-	-	764,272
Remeasurement of investment in associate	31(a)(ii)	-	-	184,005
Present value adjustment on revenue recognition adjustments above and other		(11,945)	(22,387)	3,059
Deferred income tax on adjustments above	31(a)(v)	(5,044)	7,816	7,747
Deferred income tax valuation allowance	31(a)(v)	(20,184)	(12,882)	(35,363)
Net income (loss) attributable to shareholders of Gafisa under US GAAP		(10,084)	42,305	1,322,468
Net income attributable to the non-controlling interests under US GAAP		(3,092)	(2,071)	13,462
Net income (loss) under US GAAP		(13,176)	40,234	1,335,930
Weighted-average number of shares outstanding in the year (in thousands)				
Common shares		367,572	401,905	426,300
Earnings (loss) per share attributable to shareholders of Gafisa				
Basic	31(d)(iv)	(0.0274)	0.1053	3.1022
Diluted	31(d)(iv)	(0.0274)	0.1053	3.0835

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States "US GAAP" for the years ended December 31, 2015, 2014 and 2013 - Continued

(ii) Equity

	Note	2015	2014	2013
Equity under Brazilian GAAP		3,095,491	3,055,345	3,190,723
Revenue recognition - net operating revenue	31(a)(i)	(690,812)	(745,136)	(1,017,849)
Revenue recognition - operating costs	31(a)(i)	445,749	502,365	712,731
Reversal of negative goodwill amortization of Redevco and Tenda	31(a)(ii)	(232,327)	(232,327)	(232,327)
Gain on the transfer of FIT Residencial	31(a)(ii)	205,527	205,527	205,527
Business Combination – Tenda, Redevco and Cipesa	31(a)(ii)	83,066	83,066	(12,296)
Other, net	—	(2)	9,054	38,583
Non-controlling interests on adjustments above	31(a)(i)	956	1,580	38,401
US GAAP adjustment equity accounted investees	31(a)(i)	(63,382)	(14,818)	(12,812)
Deferred income tax on adjustments above	31(a)(v)	42,819	47,542	40,274
Deferred income tax valuation allowance	31(a)(v)	(184,851)	(164,666)	(151,784)
Equity attributable to shareholders of Gafisa under US GAAP		2,702,234	2,747,532	2,799,171
Equity attributable to non-controlling interests under US GAAP		2,648	3,339	23,074
Equity under US GAAP		2,704,882	2,750,871	2,822,245

Condensed changes in total equity under US GAAP	2015	2014	2013
At beginning of the year	2,750,871	2,822,245	1,672,498
Changes in equity, BRGAAP	(23,558)	(108,344)	(66,471)
Stock options	6,937	15,514	17,419
Net profit (loss) attributable to Gafisa	(10,084)	42,305	1,322,468
Declared mandatory dividend	(17,682)	-	(163,112)

Non-controlling interests	(691)	(19,735)	(30,148)
AUSA – redeemable non-controlling interest	-	-	67,353
Other	(911)	(1,114)	2,238
At end of the year	2,704,882	2,750,871	2,822,245

Condensed equity under US GAAP	2015	2014	2013
Equity			
Common shares, comprising 367,481,406 shares outstanding (2014 – 378,184,876; 2013 – 416,459,715)	2,740,662	2,740,662	2,740,662
Treasury shares	(25,980)	(79,059)	(73,070)
Accumulated reserve (losses)	(12,448)	85,929	131,579
Total equity attributable to shareholders of Gafisa	2,702,234	2,747,532	2,799,171
Equity attributable to non-controlling interests	2,648	3,339	23,074
Total equity	2,704,882	2,750,871	2,822,245

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

(c) Recent US GAAP accounting pronouncements

(i) Recently adopted US GAAP accounting standards

In January 2013, the FASB issued ASU 2013-01, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU 2013-01 to Topic 210, Balance Sheet, clarify that the scope of Update 2011-11, Disclosures about Offsetting Assets and Liabilities, applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amendments were effective for the Company on January 01, 2013 and the disclosures are required to be retrospectively applied for all comparative periods presented. The effective date is the same as the effective date of Update 2011-11. The adoption of ASU 2013-01, which is related to disclosure only, did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in ASU 2013-02 to Topic 220, Other Comprehensive Income, update, supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 and 2011-12. ASU 2013-02 requires either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. The new guidance was effective prospectively for the Company on January 01, 2013. The adoption of ASU 2013-02 did not have a material impact on our consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. The amendments in ASU 2013-04 to Topic 405, Liabilities, provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of the update is fixed at the reporting date, except for obligations addressed with existing U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on behalf of its co-obligors. The guidance also requires an entity to disclose the nature and amount of the obligation, as well as other information about those obligations. The amendment is effective retrospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. The adoption of ASU 2013-04 did not have a material impact on our consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The amendments in ASU 2013-11 to Topic 740, Income Taxes, clarify that an unrecognized tax benefit, or a portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. The amendments in ASU 2013-11 are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Retrospective application is permitted. The adoption of ASU 2013-11 did not have a material impact on our consolidated financial statements.

In January 2014, the FASB issued ASU 2014-01 - Investments - Equity Method and Joint Ventures (Topic 323). The amendments in ASU 2014-01 provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met. The amendments in ASU 2014-01 should be applied retrospectively to all periods presented and are effective for public business entities for annual periods and interim reporting periods within those annual periods, beginning after December 15, 2014. The adoption of ASU 2014-01 did not have a material impact on our consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08 - Presentation of financial statements (topic 205) and property, plant, and equipment (Topic 360). The amendments in ASU 2014-08 change the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or nonprofit activity. A disposal of a component of an entity or a group of

components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when some criteria occurs. Examples of a strategic shift that has (or will have) a major effect on an entity's operations and financial results could include a disposal of a major geographical area, a major line of business, a major equity method investment, or other major parts of an entity.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

The amendments in ASU 2014-08 require an entity to present, for each comparative period, the assets and liabilities of a disposal group that includes a discontinued operation separately in the asset and liability sections, respectively, of the statement of financial position. The amendments in ASU 2014-08 require additional disclosures about discontinued operations. The amendments in ASU 2014-08 are effective to all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within annual periods beginning on or after December 15, 2014, and interim periods within those years. The adoption of ASU 2014-08, which is related to disclosure only, did not have a material impact on our consolidated financial statements.

In November 2014, the FASB issued ASU 2014-17 - Business combinations (Topic 805) - Pushdown Accounting. The objective of ASU 2014-17 is to provide guidance for determining whether and at what threshold an acquiree (acquired entity) that is a business or nonprofit activity can reflect the acquirer's accounting and reporting basis (pushdown accounting) in its separate financial statements. Paragraphs 805-50-S99-1 through S99-4 of the Codification provide limited guidance for SEC registrants for determining whether and when a new accounting and reporting basis should be established in an acquiree's separate financial statements. However, because diversity in practice exists with respect to the application of pushdown accounting among entities that are not SEC registrants, the amendments provide guidance for entities that are SEC registrants and for those that are not. The amendments in ASU 2014-17 are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. The adoption of ASU 2014-17 did not have a material impact on our consolidated financial statements.

(ii) Recently issued US GAAP accounting standards

In May 2014, the FASB issued ASU 2014-09 - Revenue from contracts with customers (Topic 606). The amendments in ASU 2014-09 create revenue from contracts with customers (Topic 606), and supersede the revenue recognition

requirements in revenue recognition (topic 605), including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in revenue recognition—construction-type and production-type contracts (subtopic 605-35), and create new subtopic 340-40, other assets and deferred costs—Contracts with Customers. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in ASU 2014-09 are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. We are currently evaluating the impacts of the adoption of ASU 2014-09 on our consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

In June 2014, the FASB issued ASU 2014-12 - Compensation—stock compensation (Topic 718). Some share-based payment awards that require a specific performance target to be achieved before the employee can benefit from the award, also require an employee to render service until the performance target is achieved. In some cases, the terms of an award may provide that the performance target could be achieved after an employee completes the requisite service period. That is, the employee would be entitled to benefit from the award regardless of whether the employee is rendering service on the date the performance target is achieved. Some entities account for those performance targets as performance conditions that affect the vesting of the award and, therefore, do not reflect the performance target in the estimate of the grant-date fair value. Others treat them as nonvesting conditions that affect the grant-date fair value of the award. The amendments apply to reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target can be achieved after the requisite service period. The amendments in ASU 2014-12 are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. We are currently evaluating the impacts of the adoption of ASU 2014-12 on our consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15 - Presentation of financial statements—going concern (Subtopic 205-40). The Update provides U.S. GAAP guidance on management’s responsibility in evaluating whether there is substantial doubt about a company’s ability to continue as a going concern and about related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about a company’s ability to continue as a going concern within one year from the date the financial statements are issued. The amendments in this Update are effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, Income statement - Extraordinary and unusual items (Subtopic 225-20). The objective of ASU 2015-01 is to simplify the income statement presentation requirements in Subtopic 225-20 by eliminating the concept of extraordinary items. Extraordinary items are events and transactions that are distinguished by their unusual nature and by the infrequency of their occurrence. Eliminating the extraordinary

classification simplifies income statement presentation by altogether removing the concept of extraordinary items from consideration. The amendments in ASU 2015-01 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively and also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of ASU 2015-01 is not expected to have a material impact on our consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis. ASU 2015-02 affects the following areas: (i) Limited partnerships and similar legal entities, (ii) Evaluating fees paid to a decision maker or a service provider as a variable interest, (iii) The effect of fee arrangements on the primary beneficiary determination, (iv) The effect of related parties on the primary beneficiary determination and (v) Certain investment funds. The amendments in ASU 2015-02 affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Overall, the amendments in ASU 2015-02 are an improvement to current GAAP because they simplify the Codification and reduce the number of consolidation models through the elimination of the indefinite deferral of Statement 167 and because they place more emphasis on risk of loss when determining a controlling financial interest. The amendments in ASU 2015-02 are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. The adoption of ASU 2015-02 is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03 – Interest - Imputation of Interest (Subtopic 835-30). To simplify the presentation of debt issuance costs, ASU 2015-03 requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs would not be affected by ASU 2015-03. For public business entities, ASU 2015-03 is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption of ASU 2015-03 is permitted for financial statements that have not been previously issued. The adoption of ASU 2015-03 is not expected to have a material impact on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-05 - Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40). The amendments in this Update provide guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account

for the arrangement as a service contract. For public business entities, the amendments will be effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2015. Earlier adoption is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

In May 2015, the FASB issued ASU 2015-07: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). Under the amendments in this Update, investments for which fair value is measured at net asset value per share (or its equivalent) using the practical expedient should not be categorized in the fair value hierarchy. Removing those investments from the fair value hierarchy not only eliminates the diversity in practice resulting from the way in which investments measured at net asset value per share (or its equivalent) with future redemption dates are classified, but also ensures that all investments categorized in the fair value hierarchy are classified using a consistent approach. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Earlier application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11 - Simplifying the Measurement of Inventory. The amendments in this Update more closely align the measurement of inventory in GAAP with the measurement of inventory in International Financial Reporting Standards (IFRS). An entity should measure inventory within the scope of this Update at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Earlier application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In August 2015, the FASB issued ASU 2015-15 - Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. This Accounting Standards Update adds SEC paragraphs pursuant to the SEC Staff Announcement at the June 18, 2015 Emerging Issues Task Force (EITF) meeting about the presentation and subsequent measurement of debt issuance costs associated with line-of-credit arrangements. For public business entities, the amendments in this Update should be adopted concurrent with adoption of ASU 2015-03. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

F-96

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

In September 2015, the FASB issued ASU 2015-16 - Simplifying the Accounting for Measurement-Period Adjustments. The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The amendments in this Update require that the acquirer record, in the same period’s financial statements, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. An entity should present separately on the face of the income statement or disclose in the notes the portion of the amount recorded in current-period earnings by line item that would have been recorded in previous reporting periods if the adjustment to the provisional amounts had been recognized as of the acquisition date. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Earlier application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17 - Balance Sheet Classification of Deferred Taxes. To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update. The amendments in this Update will align the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards (IFRS). For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Earlier application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01 - Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this Update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. For public business entities, the amendments in this Update are effective for fiscal

years beginning after December 15, 2017, including interim periods within those fiscal years. Earlier application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

In February 2016, the FASB issued ASU 2016-02 - Leases (Topic 842). The FASB is issuing this Update to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. To meet that objective, the FASB is amending the FASB Accounting Standards Codification® and creating Topic 842, Leases. This Update, along with IFRS 16, Leases, are the results of the FASB’s and the International Accounting Standards Board’s (IASB’s) efforts to meet that objective and improve financial reporting. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. All leases create an asset and a liability for the lessee in accordance with FASB Concepts Statement No. 6, Elements of Financial Statements, and, therefore, recognition of those lease assets and lease liabilities represents an improvement over previous GAAP, which did not require lease assets and lease liabilities to be recognized for most leases. The accounting applied by a lessor is largely unchanged from that applied under previous GAAP. For public business entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Earlier application is permitted. We are currently evaluating the impacts of the adoption of ASU 2014-16 on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07 - Simplifying the Transition to the Equity Method of Accounting. The amendments in this Update eliminate the requirement to retroactively adopt the equity method of accounting. For public business entities, the amendments in this Update are effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Earlier application is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08 - Principal versus Agent Considerations (Reporting Revenue Gross versus Net). The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: 1. Identify the contract(s) with a customer; 2. Identify the performance obligations in the contract; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligations in the contract; and

5. Recognize revenue when (or as) the entity satisfies a performance obligation. The amendments in this Update do not change the core principle of the guidance. The amendments clarify the implementation guidance on principal versus agent considerations. For public business entities, the amendments in this Update affect the guidance in Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements of Update 2014-09. Earlier application is permitted. We are currently evaluating the impacts of the adoption of this Update on our consolidated financial statements.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

In March 2016, the FASB issued ASU 2016-09: Improvements to Employee Share-Based Payment Accounting. The areas for simplification in this Update involve several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The amendments in this Update are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted. The adoption of this Update is not expected to have a material impact on our consolidated financial statements.

(d) US GAAP condensed consolidated financial information

Based on the reconciling items and discussion above, the Gafisa S.A. consolidated balance sheets, statements of income (loss), and statement of changes in shareholders’ equity (see b(ii)) under US GAAP have been recast in condensed format as follows:

(i) Condensed consolidated balance sheets under US GAAP

	2015	2014	2013
Assets			
Current assets			
Cash and cash equivalents	82,640	109,895	215,194
Short-term investments	552,832	973,372	1,637,602
Restricted short-term investments	76,839	73,987	171,367
Trade accounts receivable, net	948,927	1,016,806	1,515,648
Properties for sale	2,379,811	2,207,240	2,163,809

Prepaid expenses	7,415	15,997	35,126
Other	326,985	389,515	277,884
	4,375,449	4,786,812	6,016,630
Non-current assets			
Investments in associates	901,150	943,289	1,068,238
Property and equipment, net	49,176	48,691	36,385
Intangibles assets	131,408	138,142	148,726
Goodwill	675	675	18,279
Trade accounts receivable, net	290,953	275,501	258,780
Properties for sale	750,240	816,525	652,395
Other	194,065	223,577	278,154
	2,317,667	2,446,400	2,460,957
Total assets	6,693,116	7,233,212	8,477,587

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

	2015	2014	2013
Liabilities			
Current liabilities			
Loans and financing	673,432	552,173	592,328
Debentures	390,830	506,103	566,048
Payables for purchase of properties	321,677	469,369	262,029
Payables for goods and services suppliers	57,335	95,131	79,342
Taxes and labor contributions	78,685	99,069	200,803
Advances from customers	189,993	203,189	813,289
Obligations assumed on the assignment of receivables	23,482	24,135	82,787
Payables for acquisition of investments	-	-	5,102
Declared dividends	17,682	-	150,067
Other	478,692	541,692	508,999
	2,231,808	2,490,861	3,260,794
Non-current liabilities			
Loans and financing	620,896	848,861	1,051,034
Debentures	469,903	687,487	858,293
Deferred income tax and social contribution	163,292	151,864	168,162
Payables for purchase of properties	248,514	101,137	79,975
Obligations assumed on the assignment of receivables	35,811	31,994	37,110
Payables to venture partners	1,322	4,713	10,794
Provisions for legal claims	142,670	136,540	125,809
Other	74,018	28,884	63,371
	1,756,426	1,991,480	2,394,548
Equity attributable to shareholders of Gafisa	2,702,234	2,747,532	2,799,171
Equity attributable to non-controlling interest	2,648	3,339	23,074
Total equity	2,704,882	2,750,871	2,822,245
Total liabilities and equity	6,693,116	7,233,212	8,477,587

F-100

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States "US GAAP" for the years ended December 31, 2015, 2014 and 2013 – Continued

(ii) Condensed consolidated statements of operations under US GAAP

	2015	2014	2013
Gross operating revenue			
Real estate development and sales of properties	2,539,768	2,620,827	2,803,806
Taxes on services and revenues	(188,240)	(174,279)	(237,818)
Net operating revenue	2,351,528	2,446,548	2,565,988
Operating costs	(1,732,117)	(1,819,612)	(1,995,158)
Gross profit	619,411	626,936	570,830
Operating income (expenses)			
Selling general and administrative expenses	(344,985)	(359,330)	(602,767)
Remeasurement of investment in associate	-	-	559,858
Other	(207,621)	(192,470)	(159,116)
Gain on disposal of controlling interest	-	-	1,228,429
Income before financial income and expenses and income tax and social contribution	66,805	75,136	1,597,234
Financial income	124,131	156,794	93,250
Financial expenses	(164,833)	(188,718)	(280,548)
Income (loss) before income tax and social contribution	26,103	43,212	1,409,936
Current income tax and social contribution	(24,598)	(33,330)	(45,741)
Deferred income tax and social contribution	(7,810)	12,991	(6,470)
Total income tax and social contribution	(32,408)	(20,339)	(52,211)
Income (loss) before equity in results and			

non-controlling interests	(6,305)	22,873	1,357,725
Income from equity method investments	(6,871)	17,361	(21,795)
Net (loss) income for the year	(13,176)	40,234	1,335,930
Net (loss) income attributable to the non-controlling interests	(3,092)	(2,071)	13,462
Net (loss) income attributable to shareholders of Gafisa	(10,084)	42,305	1,322,468

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States "US GAAP" for the years ended December 31, 2015, 2014 and 2013 - Continued

(iii) Condensed consolidated statements of comprehensive income (loss)

	2015	2014	2013
Net (loss) income for the year	(13,176)	40,234	1,335,930
Total comprehensive (loss) income, net of taxes	(13,176)	40,234	1,335,930
Attributable to:			
Non-controlling interests	(3,092)	(2,071)	13,462
Shareholders of Gafisa	(10,084)	42,305	1,322,468

(iv) Earnings (loss) per share

Under US GAAP, the presentation of earnings (loss) per share is required for public companies, including earnings (loss) per share from continuing operations and net income (loss) per share on the face of the statement of income (loss), and the per share effect of changes in accounting principles, discontinued operations and extraordinary items either on the face of the income statement or in a note. A dual presentation is required: basic and diluted. Computations of basic and diluted earnings per share data should be based on the weighted average number of shares outstanding during the period and all dilutive potential shares outstanding during each period presented, respectively.

The Company has issued employee stock options (Note 18.3), the dilutive effects of which are reflected in diluted earnings per share by application of the "treasury stock method". Under the treasury stock method, earnings per share are calculated as if options were exercised at the beginning of the period, or at time of issuance, if later, and as if the funds received were used to purchase the Company's own stock. When the stock options' exercise price is greater than the average market price of shares, diluted earnings per share are not affected by the stock options. Under US GAAP

and Brazilian GAAP, potentially dilutive securities are not considered in periods where there is a loss as the impact would be anti-dilutive. For the years ended December 31, 2015 and December 31, 2014 potentially dilutive stock options were not considered.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

The table below presents the determination of net income available (loss) allocated to common shareholders and weighted average common shares outstanding used to calculate basic and diluted earnings (loss) per share.

	2015	2014	2013
Basic numerator			
Declared dividends	17,682	-	150,067
U.S. GAAP undistributed profit (loss)	(27,766)	42,305	1,172,401
Allocated U.S. GAAP undistributed profit (loss) available for Common shareholders	(10,084)	42,305	1,322,468
Basic denominator (in thousands of shares)			
Weighted-average number of shares	367,572	401,905	426,300
Basic earnings (loss) per share – U.S. GAAP - R$	(0.0274)	0.1053	3.1022

	2015	2014	2013
Diluted numerator			
Dividends proposed	17,682	-	150,067
U.S. GAAP undistributed profit (loss)	(27,766)	42,305	1,172,401
Allocated U.S. GAAP undistributed profit (loss) available for Common shareholders	(10,084)	42,305	1,322,468
Diluted denominator (in thousands of shares)			
Weighted-average number of shares	367,572	401,905	426,300
Stock options	2,514	1,681	2,584
Non-controlling interest shares	-	-	-

Antidilutive effect	(2,514)	(1,681)	-
Diluted weighted-average number of shares	367,572	401,905	428,884
Diluted earnings (loss) per share – U.S. GAAP - R$	(0.0274)	0.1053	3.0835

F-103

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

(v) Additional information – income taxes

Change in the valuation allowance for net operating losses and temporary differences was as follows:

	2015	2014	2013
Opening balance at January 1	(441,424)	(426,318)	(657,130)
Benefit of the utilization of operating loss carryforwards	3,731	7,349	-
Change in valuation allowance	(20,155)	(22,455)	230,812
Closing balance at December 31	(457,848)	(441,424)	(426,318)

The Company recognizes its deferred tax asset net of a valuation allowance such that the amount of the net deferred tax asset is more likely than not to be realized. During the year 2015, movements in the valuation allowance amounted to a net increase of R$16,424. The amount of R$3,731, related to the benefit of the utilization of operating loss carryforwards, is primarily due to the continuing restructuring process implemented by management.

During the year 2014, movements in the valuation allowance amounted to a net increase of R$15,106. This is primarily related to the continuing restructuring process implemented by management.During the year 2013, movements in the valuation allowance related to changes in circumstances amounted to a reversal of R$230,812, mainly due to higher than expected taxable income. The aforementioned changes in circumstances primarily included a restructuring process implemented by management, which led to positive taxable income for fiscal year 2013 as well as a forecast of positive taxable income for fiscal year 2014.

The Company records the financial statement effects of an income tax position when it is more likely than not, based on the technical merits, that it will be sustained upon examination. A tax position that meets the more-likely-than-not recognition threshold value added is measured and recorded as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with a taxing authority.

As of December 31, 2015, 2014 and 2013, the Company has no amount recorded for any uncertainty in income taxes.

Gafisa S.A. and its subsidiaries file income tax returns in Brazil. Brazilian income tax returns are subject to inspections by tax authorities for the period beginning in 2010 and forward, i.e., within 5 years after the filing.

(vi) Statement of comprehensive income (loss)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss) that include charges or credits directly to equity which are not the result of transactions with owners.

Table of Contents

Gafisa S.A.

Notes to the consolidated financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

31. Supplemental Information - Summary of Principal Differences between Brazilian GAAP and accounting principles generally accepted in the United States “US GAAP” for the years ended December 31, 2015, 2014 and 2013 - Continued

(vii) Statement of cash flows

For each period for which a statement of profit or loss is presented and required to be reconciled to US GAAP, SEC rules require that the Company provide either a statement of cash flows prepared in accordance with US GAAP or IFRS; or furnish in a note to the financial statements a qualified description of the material differences between cash or funds flows reported in the primary financial statements and cash flows that would be reported in a statement of cash flows, prepared in accordance with US GAAP.

The Company’s primary differences in net income (loss) between Brazilian GAAP and net income (loss) for US GAAP are explained in items 31(a) (ii) to (vii) above. The statement of cash flows for Brazilian GAAP was prepared based on CPC 3(R2) - Statement of Cash Flows, which conforms with IAS 7.

(viii) Statement of value added

The statement of value added for new Brazilian GAAP was prepared based on CPC 09 - “Demonstração do Valor Adicionado.” For US GAAP, this statement is not required.

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F-105