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
phone: + 55 (11) 3025-9000
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

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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

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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.

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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.

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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)

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	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

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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.

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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;

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- 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.

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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.

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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.

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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.

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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.

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;

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- 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

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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.

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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;

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- 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.

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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.

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

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.

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.

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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

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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:

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.

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.

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.

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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:

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	For year ended December 31,					
	2015		2014		2013	
	(in thousands of *reais*)	(% of total)	**(in thousands of *reais*)**	(% of total)	**(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		2014		2013	
	(in thousands of *reais*)	(% of total)	**(in thousands of *reais*)**	(% of total)	**(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.

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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.

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(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.

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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

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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		