Gafisa S.A.
Form 6-K
March 21, 2016

**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 6-K

**REPORT OF FOREIGN ISSUER**
**PURSUANT TO RULE 13a-16 OR 15d-16 OF THE**
**SECURITIES EXCHANGE ACT OF 1934**

**For the month of March, 2016**

**(Commission File No. 001-33356),**

# Gafisa S.A.

*(Translation of Registrant's name into English)*

**Av. Nações Unidas No. 8501, 19th floor**
**São Paulo, SP, 05425-070**
**Federative Republic of Brazil**
*(Address of principal executive office)*

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F ___X___ Form 40-F ______

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Yes ______ No ___X___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ______ No ___X___

Indicate by check mark whether by furnishing the information contained in this Form, the Registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes ______ No ___X___

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): N/A

(A free translation from the original in Portuguese into English)

**Financial Statements**

**Gafisa S.A.**

December 31, 2015

and Report of Independent Registered Public Accounting Firm

(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Financial Statements

December 31, 2015

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## Management Report 2015

**Dear Shareholders,**

The management of Gafisa S.A. ("Gafisa" or "Company") is pleased to submit for your review the Management Report and the corresponding Financial Statements, together with the Independent Auditors and the Fiscal Council reports for the fiscal year ended December 31, 2015. The information is presented in millions of reais and on a consolidated basis, unless specified otherwise, and in accordance with accounting practices adopted in Brazil.

## MESSAGE FROM MANAGEMENT

Despite a challenging environment in 2015, the Company remained focused on its operating performance, increasing profitability levels and the generation of shareholder value.

In 2015, Gafisa reaped the rewards of several initiatives implemented in recent years. By streamlining the production cycle, we were able to shorten overall construction time and strengthen financial management. We also increased the speed of the transfer process and completed all legacy projects at Tenda, improving the management of our capital employed. Despite a context of economic uncertainty, this enabled us to achieve consistent operating and financial results, with an increase in the volume of consolidated net pre-sales and reporting net income of R$ 74.4 millions over the year.

In this context, we would like to note the sound performance of Gafisa and Tenda’s projects and their contribution to the Company’s consolidated results. The adjusted gross margin reached 34.6% in 2015. The Gafisa segment maintained consistent results with an adjusted gross margin of 36.9% for the year. The Tenda segment benefited from the consolidation of its new business model and consequently, made a larger contribution to results. It ended the year with an adjusted gross margin of 30.6%.

In 2015, both segments contributed to a positive consolidated net income result. The Gafisa segment contributed R$44.1 millions, while Tenda contributed R$ 30.3 millions, bringing consolidated net income to R$74.4 millions, compared to a loss of R$42.5 millions the previous year. This attests to the successful implementation of the strategy outlined in previous years, with greater efficiency in the operating cycle through better management of the construction process, in line with improved financial management and the discipline in managing the Company's cost structure.

The overall improvement in operating and financial results occurred despite a challenging environment: 2015 was a year of economic contraction, high interest rates, increasing inflation, and higher unemployment levels. These factors had a significant impact on the real estate market, resulting in a sharp reduction in the volume of launches and an increase in the level of dissolutions.

The Gafisa and Tenda segments experienced varying market conditions throughout the year. The Gafisa segment, which was more affected by the macroeconomic environment, launched R$ 996.3 millions, stable year on year. which is focused on the resilient low-income market, was able to consistently expand the scale its business, with launches 77.6% higher than 2014, totaling R$1.1 billion in the year. Consolidated launches increased by 27.4% in 2015, totaling R$ 2.1 billions.

Consolidated net pre-sales reached R$1.9 billions in 2015, an increase of 60.0% from the previous year (8,893 units in 2015 compared 4,294 units in 2014), a strong result that illustrates our resilience against the macroeconomic context last year.

Due to uncertainty stemming from the economic context and low consumer confidence, we decided to postpone launches in the Gafisa segment until a more opportune time. This strategy is also aligned with our conservative approach to market risk, reflected in our more conservative performance in cash management.

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For the Gafisa segment, its performance in 2015 was another important step in the consolidation of its production cycle. The segment remains focused on São Paulo and Rio de Janeiro, and accounted for 47.4% of net consolidated sales contracted during the year, an increase of 12.8% year on year to R$ 914.8 millions. This was achieved despite a challenging context for the sale of remaining units. In this context, 69.2% of net segment sales were products in stock, confirming the importance of diversification in a product portfolio.

At the same time, the Gafisa segment focused on the development and placement of new products, prioritizing a comfortable level in VSO launches. This disciplined focus saw the VSO Gafisa segment reach 31.1% in 2015, compared to growth of 26.1% in 2014.

A focus on sales of remaining units resulted in a drop of 11.6% y-o-y in Gafisa segment's inventory, which ended 2015 at R$ 2.0 billions. We would highlight that currently, inventory outside Rio-SP metro regions represents only 3.6% of total inventory, down 73.3% compared to the end of 2013, and down 49.2% from December 2014. Remaining units of the Gafisa segment have a longer term profile, with approximately 55.8% of this expected to be delivered as from the end of 2017. Regarding completed units, representing R$418.0 millions or 20.6% of total inventory, this volume was specifically impacted in 2015 due to the strong volume of deliveries of commercial projects. The inventory of finished units ended the year at R$ 219.4 millions, or 52.5% of total finished units.

An increase in the volume of dissolutions was another consequence of the weak economic context in 2015, specifically in the upper-middle income segment. During the year, the volume of dissolutions in the Gafisa segment was R$ 512.9 millions, 17.6% higher than the previous year, after a drop of 4.4% in 2014 (compared to 2013) reflecting the low level of consumer confidence. Over the last three years, the Company has been working on initiatives to strengthen the credit review component of its sale process. In doing so, the Company intends to reduce the level of dissolutions throughout the construction and delivery cycle. A comprehensive approach in the credit review process at the time of sale has generated a more efficient process of transferring Gafisa customers to financial institutions, despite an uncertain economic environment. As an example of the efficiency achieved in this process, of all customers who asked for transfers in 2015, only 3.2% have been rejected in the bank's credit analysis. For full year 2015, 972 Gafisa units were cancelled being that 68.9%, representing R$383.7 millions, were already resold within the period.

Within this context, it is worth mentioning the performance of our reversion cell, with efforts directed at preventing dissolutions. The Gafisa segment has been working with its customer base, encouraging the possibility of swapping their units as an alternative to dissolution. Such unit conversions accounted for approximately 35.3% of total dissolved PSV in 2015, resulting in the reversal of R$ 126.6 millions into new sales. This exchange process reflects the flexibility of Gafisa's product portfolio.

As we have noted, 2015 was also characterized by the increased volume of deliveries from the Gafisa segment. During the period, 22 projects/phases were delivered, corresponding to 4,986 units accounting for a PSV of R$2.4 billions. This marked a 44.1% PSV growth rate compared to 2014. The transfer volume reached R$763.3 millions in PSV, reflecting the Company's efficient controls and operational proficiency.

From an operational standpoint, 2015 marked further progress in the consolidation of the Gafisa segment's production cycle. The Company ended 2015 with 28 projects under construction, all on schedule and within the contract delivery timeframe, ratifying our commitment to clients.

Efficient operational and financial management enabled the Gafisa segment to maintain project-level profitability despite pricing pressure on the portfolio. The efficient development of projects and construction cost management helped offset the macroeconomic context and supported gross margin levels.

(A free translation from the original in Portuguese into English)

Looking ahead to 2016, current market conditions are expected to continue, including low consumer confidence, decreases in household income, and greater credit restrictions. These conditions will ultimately delay our expectation for a recovery in the housing market. In light of this, we will maintain a conservative approach in 2016, seeking to balance the placement of new products with a focus on those which have more liquidity, to achieve solid sales and profitability levels.

In relation to the Tenda segment, 2015 marked the return to profitability and the delivery of all outstanding legacy projects. The consolidation of Tenda's new model is based on its four pillars: aluminum framing structure, contracted launches, sales in stores, and the transfer of sales to financial institutions. In addition, the new model projects are concentrated in the six main metropolitan areas of the country - São Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre, Salvador and Recife. These strategic pillars of the new model enabled Tenda to achieve positive operating and financial results, with net income reaching R$30.3 millions in the year, compared to a loss of R$109.4 millions in 2014.

For the full year, Tenda segment launched 30 new projects/phases, totaling R$1.1 billions in PSV, 77.6% higher than the R$613.3 millions launched in 2014. Tenda is confident in the resilience of market demand, despite the economic context. Demand in the low-income segment is still quite strong, anchored in maintaining credit availability for the segment. Since 2013, with the start of New Model operations, Tenda has launched 51 projects totaling 14,485 units and R$ 2.0 billions in PSV.

Tenda's net pre-sales exceeded R$1.0 billion, a 156.6% increase compared to 2014, confirming good momentum of the lower income segment and confidence in Tenda's business model. Tenda's SoS over the year reached 53.0%, significantly higher than 32.3% recorded in 2014. This reflects the segment's improved operational efficiency and a positive outlook for the low income market. Launches during the year represented approximately 50.0% of total net pre-sales of the segment.

Notably, the volume of dissolutions in the Tenda segment have shown consistent reductions after the implementation and consolidation of the new business model. In 2015, the Tenda segment had a volume of dissolutions of R$ 192.0 millions, significantly lower than the R$523.4 millions recorded in 2014. This decrease derives from lower share of Tenda's legacy projects in operations, as well as confidence in the operational management of the new model, the quality of credit analysis, and the speed of customer transfer for financial institutions.

In 2015, Tenda delivered 21 projects/phases, representing a PSV of R$802.5 millions, up 17.9% compared to 2014. Out of the total delivered, 69.2% are projects under Tenda's new model.

Reflecting the success of the new model, Tenda has delivered R$783.4 millions in PSV since 2013 comprised of 19 projects/phases and 5,683 units, or 39.2% of total launches. All of these projects have been completed and delivered to clients within the agreed timeframe. For 2014 projects, only 4 of the 14 launched are still under construction and are scheduled for completion within the next few months.

Importantly, Tenda has achieved strong profitability metrics for the operation of New Model projects: adjusted gross margin consistently higher than the floor of 28%, average monthly VSO of 5-7%, and an expected level of dissolutions around 15% of total gross sales.

Looking to 2016, Tenda continues to focus on achieving greater economies of scale by increasing launches and implementing strategies designed to ensure strong sales pace The consistency of the segment's results from these new model projects reaffirms management's confidence in the 2016 business plan.

(A free translation from the original in Portuguese into English)

On a consolidated basis, Gafisa and Tenda launches totaled R$2.1 billions in 2015 and R$682.9 millions in 4Q15, with net pre-sales of R$482.6 millions and R$1.9 billions, respectively. The Company's 4Q15 adjusted gross profit was R$189.3 millions, with an adjusted gross margin of 33.9%. For the year, adjusted gross profit was R$792.8 millions, and an adjusted gross margin result of 34.6%, both above the results posted in 2014.

Our focus on greater efficiency and productivity resulted in a decrease of 3.8% in the level of selling, general and administrative expenses y-o-y, despite the higher volume of launches and sales.

For the full year 2015, Gafisa segment's selling expenses increased 3.0% compared with the same period last year, due to additional efforts to increase sales. Tenda segment's selling expenses increased 23.3% year-over-year, aligned with higher launches and gross sales. The consolidated increase in selling expenses over the year reached 10.3%, totaling R$ 163.3 millions. In line with the slight increase in selling expenses, it is worth noting the increase of 21.7% in consolidated gross sales.

General and administrative expenses reached R$181.4 millions from R$ 211.9 millions in the previous year, a decrease of 14.4%. The Gafisa segment totaled R$ 97.4 millions, 21.9% lower than 2014, while Tenda was R$ 84.0 millions, a decrease of 3.6% against the prior year.

Net income for the 4Q15 was R$0.8 million. The Gafisa segment reported a profit of R$13.8 millions, while the Tenda segment reported a loss of R$13.0 millions, impacted by a non-recurring effect of R$11.0 millions due to a provision increase in the portfolio of receivables and R$11.2 millions as an adjustment in the accounting balance of receivables of projects prior to 2012. Excluding non-recurring effects, Tenda segment recorded a R$9.2 millions net profit in 4Q15, with consolidated net income of R$ 23.0 millions.

For the full year, net income totaled R$74.4 millions, compared to a loss of R$42.5 millions in 2014.

We would like to highlight the solid performance of our cash generation in 2015, given the operating expansion and rebuilding of our landbank at Tenda. Operating cash generation totaled R$165.6 millions in 4Q15, finishing the year at R$257.7 millions. This reflects: (i) the Company's good performance in the transfer process with approximately R$ 1.5 billions transferred over the year; (ii) greater control and assertiveness of its business cycle. Net cash generated in the quarter was R$128.4 millions, with accumulated cash generation of R$24.1 millions during 2015. This generation excludes some non-recurring effects, such as share buybacks.

At the end of the year, the Net Debt/Shareholder's Equity ratio reached 46.6%, slightly lower than the 50.5% recorded last quarter and the lowest level since the end of 2014. Excluding project finance, the Net Debt/Shareholder's Equity ratio was negative 12.0%.

Our positive cash flow performance and the maintenance of a low level of leverage reinforce the Company's conservative approach to capital discipline, which remains a priority during this period.

The spinoff process is ongoing. The brands are currently operating independently, with structures that reflect the specifics of their business models. We continue to work with partners and financial agents in order to achieve the conditions for the desired capital structure model, which takes into consideration the business cycles of each of the business units.

As previously communicated in a Material Fact released to the market on April 29, 2015, these actions are ongoing and taking longer than initially expected. As a result, it is not yet possible to determine when the potential separation will be concluded.

(A free translation from the original in Portuguese into English)

The Company will keep its shareholders and the market informed of any developments.

Over the last year, Gafisa and Tenda both strengthened their operational and financial cycles, positioning them well for 2016. The Gafisa segment, with consistent performance and streamlined operations, is focused on improving its level of capital employed. The Tenda segment is ready to increase the volume of new projects, backed by strong results obtained in the projects launched under the New Business Model. The Company continues to advance, focused on capital discipline, profitability and value creation for shareholders, with a commitment to consistent improvement over the coming year.

## CONSOLIDATED OPERATING AND FINANCIAL PERFORMANCE

The total volume launched by the Company amounted to R$2.1 billions in 2014, an increase of 27.4% over 2014, represented by 42 projects/phases were launched, in 6 states. Considering PSV, the Gafisa segment was responsible for 47.8% of launches in the year, and Tenda for the remaining 52.2%.

Consolidated pre-sales totaled R$1.9 billions in 20154, up 60.0% from R$1.2 billions recorded in 2014. Consolidated sales from launches in the year represented 40.9% of the total, while sales from inventory comprised the remaining 59.1%. Consolidated inventory at market value decreased 6.2%, reaching R$2.9 billions, compared to R$3.1 billions recorded at the end of 4Q14.

Consolidated sales over supply (SoS) was stable in the year, at 14.1% in 4Q15, compared to 14.8% in 3Q15. For the year, consolidated SoS was 39.7%, compared to 27.9% in 2014.

Throughout 2014, the Company delivered 10,697 units. The Gafisa segment delivered 4,986 units, while the Tenda segment delivered the remaining 5,711 units. This volume of deliveries represented R$3.2 billions in PSV.

In 2015, our net revenue reached R$2.3 billions, 6.7% higher than 2014. Reported gross profit for the year was R$626.8 millions, up 15.7% from R$541.8 millions recorded in 2014. Adjusted gross margin went up to 34.6%, as compared to 33.2% reported in 2014.

Adjusted EBITDA totaled R$78.0 millions in the 4Q15, with an EBITDA margin of 14.0%. For the year, adjusted EBITDA totaled R$339.6 millions, with an EBITDA margin of 14.8% compared to 12.2% reported in 2014.

The Company ended 4Q15 with a net profit of R$0.8 millions. For the year, net income was R$74.4 millions. Excluding Alphaville’s equity income, we recorded a net loss of R$25.9 millions in 4Q15, ending the year with net income of R$24.4 millions.

Our balance sheet key indicators remained at comfortable levels throughout the year. The Company ended 2015 with R$712.3 millions in cash.

The Company's consolidated gross debt was reduced to R$2.2 billions at the end of 2015, compared to R$2.6 billions at the end of 2014, while net debt was stable compared to the previous year, at R$1.4 billions.

The Company's leverage, measured by the Net Debt/Equity ratio, reached 46.6% at the end of 2015. Excluding project finance, the Net Debt/Equity ratio was negative 12.0%.

### Gafisa Segment

Gafisa segment reached R$996.3 millions in launches, down by 2.6% y-o-y. The segment was responsible for 47.8% of the period's consolidated launches.

In the 2014, net sales totaled R$914.8 millions, up 12.8% y-o-y. Units launched during the year represented 30.8% of total, while sales from inventory accounted for the remaining 69.2%. Sales speed 31.1% in 2015, higher than the 26.1% recorded in 2014.

During 2014, Gafisa delivered 22 projects/phases and 4,986 units.

(A free translation from the original in Portuguese into English)

The market value of Gafisa segment inventory reached R$2.0 billions in 2015, or 69.3% of total consolidated inventory.

In terms of revenues, Gafisa reached R$1.4 billions in net revenues in 2015, while adjusted EBITDA was R$227.4 millions.

**Tenda Segment**

2015 was characterized by the evolution in Tenda segment launches within the new business model, along with the conclusion of old legacy projects.

Tenda reached PSV of R$1.1 billions in launches, related to 30 new projects. The brand was responsible for 52.2% of consolidated launches.

In this new scenario, Tenda reached R$1.0 billion in net pre-sales, compared to R$396.0 millions in 2014. Sales speed for the segment was 53.0% in 2015, compared to 32.3% in 2014. It is worth noting that, out of the R$1.1 billions launched in 2015, we recorded sales of R$507.6 millions.

Throughout the year, R$889.4 millions, relative to 6,750 units, were already transferred to financial institutions.

In 2015, Tenda delivered 21 projects/phases and 5,711 units.

The market value of Tenda inventory was R$899.8 millions at the end of the year, representing 30.7% of total consolidated inventory.

Tenda reached R$851.0 millions in net revenues in 2015, while adjusted EBITDA was R$62.2 millions.

**Human Resources**

Gafisa’s people are its greatest asset. Our team is made up of individuals with a unique perspective, reflecting our corporate vision, values and culture, built up over more than 60 years. Gafisa’s people are committed to achieving results, aimed at quality and serving the customer, which are foundations of the brand’s competitive position.

We have an experienced professional team that is at the forefront of the Brazilian real estate industry. Many of the professionals who make up our workforce started their careers at the Company.

Approximately 70% of our leaders were trained within the Company, through attraction and talent training programs.

Our CEO started his career as an intern of the Company and nearly half of the current directors have followed the same path of success, starting in our Trainee Program.

Currently, our Trainee program has about 266 students (156 in Gafisa and 110 in Tenda) and 87% of them are studying civil engineering. The selection, evaluation and remuneration of our employees is based on daily commitment to our values.

The Company's remuneration policy is applicable for employees, including members of the Board of Directors, Fiscal Council and Executive Board (statutory and non-statutory), and is in-line with the best corporate governance practices. We aim to attract and retain the best professionals and our remuneration is established based on market research and directly linked to the alignment of interests of executives and the Company's shareholders.

The meritocratic model is based on variable remuneration. A significant percentage of the total remuneration is linked to the achievement of corporate results and individual goals. All employees have objective individual targets directly related to the Company's strategy and key indicators of our business.

Regarding Directors and Managers, in addition to the short-term variable remuneration, there is also a portion of long-term incentives (in the form of grant of stock purchase options), which allows for even greater share of the risk and the Company’s results with its top executives, a characteristic of a transparent policy aimed at achieving long-lasting results.



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(A free translation from the original in Portuguese into English)

Safety and prevention of accidents at work is vital. Therefore, we maintain an ongoing program of identification, prevention and mitigation of risk, which aims to keep employees safe and provide the foundation for a healthier life. For us, investing in security is welfare assurance within and outside the workplace. We offer training programs for the field teams (working at our construction sites), as well as for third parties' employees who work for us.

The Company relies on the collaboration of 2,269 own employees (950 in Gafisa and 1,319 in Tenda – based on Dec/15), as well as the trainees mentioned above.

**Research and Development**

Gafisa, in order to maintain its position as a leader in its field, has and encourages multiple fronts focused on innovation.

Since 2006, the Operations and Technology Development (DOT) area, which is mainly focused on the search for technological innovations and process improvements, has been producing solutions that enable competitive market advantages.

The Product Development team monitors the main trends and implements unique ideas in our projects.

The Market Intelligence and the Institutional Marketing areas are examples of other fronts that support the business areas with information and innovative ideas.

In addition to these, each year support areas such as planning and IT develop projects and tools for monitoring indicators and increasing efficiency in our internal processes, construction, sales, etc.

These teams also use funds allocated in all areas of the Company to implement and provide feedback for project development. We understand that the multidisciplinary contribution is essential for the evolution of new ideas within the Company.

**CORPORATE GOVERNANCE**

**Board of Directors**

Gafisa's Board of Directors is the decision making body responsible for formulating general guidelines and policies relating to the Company's business, including long-term strategies. In addition, the Board also names executive officers and oversees their activities.

The Board of Directors' decisions are ratified by the majority vote of its members. In the case of a tie, it is up to the President of the Board of Directors to cast the deciding vote, in addition to his/her individual vote.

The Board consists of seven members elected by the General Shareholders' Meeting, of which six (86%) are independent, considering not only the independent concept of BM&FBovespa's Novo Mercado, but also the New York Stock Exchange (NYSE), which is more restricted and requires that all listed companies have a board of directors comprised mostly of independent members, while BM&FBovespa's regulations establish a minimum of 20% independent members. As required by the Novo Mercado Regulation, the members' term is two years, re-election allowed and subject to removal from office by shareholders in a General Meeting.

The table below shows the members of the Board of Directors.

| | | | |
|---|---|---|---|
| Odair Garcia Senra* | Sitting Member and Chairman of the Board of Directors | 04/25/2014 | AGM 2016 |
| Guilherme Affonso Ferreira | Sitting Member | 04/25/2014 | AGM 2016 |
| Maurício Marcellini Pereira | Sitting Member | 04/25/2014 | AGM 2016 |
| Cláudio José Carvalho de Andrade | Sitting Member | 04/25/2014 | AGM 2016 |
| José Écio Pereira da Costa Junior | Sitting Member | 04/25/2014 | AGM 2016 |
| Rodolpho Amboss | Sitting Member | 04/25/2014 | AGM 2016 |
| Francisco Vidal Luna | Sitting Member | 04/25/2014 | AGM 2016 |

(A free translation from the original in Portuguese into English)

* Odair G. Senra is non-independent member of the board of directors, in accordance with the regulations of the NYSE and the Novo Mercado..

## Fiscal Council

Gafisa's Bylaws provide for a non-permanent Fiscal Council, which can be formed and have its members determined by a General Shareholders' Meeting, as provided by Brazilian Corporate Law. The Fiscal Council, when formed, will consist of 3 to 5 members, with an equal number of alternates.

The operations of the Fiscal Council, when formed, ends at the first Annual General Meeting ("AGM") held after its formation, and its members can be re-elected. The remuneration of the Fiscal Council members shall be set by the General Shareholders' Meeting that elects them.

The AGM of April 16, 2015 appointed the members of the Fiscal Council, which will operate until the Company's next Annual General Meeting to be held in April 2016.

Currently, the Fiscal Council is composed of Messrs. Olavo Fortes Campos Rodrigues Junior, Peter Edward Cortes Marsden Wilson and Laiza Fabiola Martins de Santa Rosa as sitting members and Messrs. Marcello Mascotto Iannalfo and Marcelo Martins Louro as alternate members.

## Management Team

The Executive Board is the Company's body mainly responsible for the daily administration and monitoring of the general policies and guidelines established by the General Shareholders' Meeting and the Board of Directors.

Gafisa's Executive Board must consist of a minimum of two and a maximum of eight members, including the President, the Chief Financial Officer and the Investor Relations Officer, elected by the Board of Directors for a term of three years, re-election allowed as per the Bylaws. Currently, five members comprise the Board:

| | | | |
|---|---|---|---|
| Sandro Rogério da Silva Gamba | CEO | 05/05/2014 | 05/04/2017 |
| André Bergstein | CFO and Investor Relations Officer | 05/05/2014 | 05/04/2017 |
| Luiz Carlos Siciliano | Operating Executive Director | 05/05/2014 | 05/04/2017 |
| Octavio Marques Flores | Operating Executive Director | 05/05/2014 | 05/04/2017 |
| Katia Varalla Levy | Operating Executive Director | 05/05/2014 | 05/04/2017 |

## Committees

The Company has three advisory committees to the Board of Directors, on a permanent and statutory basis, and that must be composed of three independent members of the Board of Directors. These

Committees have no decision making power - working in an advisory capacity only for the Board of Directors, which is always responsible for the final decision:

§ Appointments and Corporate Governance Committee: aims to periodically analyze and report issues regarding the size, identification, selection and appointment of the Board of Directors, Management and candidates nominated to join the Board and its Committees, as well as developing and recommending governance principles applicable to the Company. It is currently presided by Claudio José Carvalho de Andrade, and the members Rodolpho Amboss and Guilherme Affonso Ferreira.



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(A free translation from the original in Portuguese into English)

§ Audit Committee: is responsible for the planning and review of the Company's reports annual and quarterly accounts, as well as the involvement of auditors in the process and is specially focused on the compliance with legal requirements and accounting norms, ensuring the maintenance of an effective system of internal controls. This Committee must be composed of members experienced in matters relating to accounting, auditing, finance, taxation and internal controls, and one of the members must have vast experience in accounting and financial management. It is currently presided by José Écio Pereira, and the members Maurício Marcellini Pereira and Francisco Vidal Luna.

§ Compensation Committee: is responsible for evaluating and making recommendations to the Board of Directors regarding the compensation policies and all forms of remuneration to be offered to the Executive Directors and other Company's employees. It is currently presided by Claudio José Carvalho de Andrade, and the members Rodolpho Amboss and Guilherme Affonso Ferreira.

The Company also has three non-statutory advisory committees to the Board of Directors, composed of Directors and Managers of the Company:

§ Ethics Committee: is responsible for monitoring practices adopted by the entire organization, ensuring that they are compatible with Gafisa's vision and values and with the principles and conduct guidelines in the Code of Ethics. This Committee is overseen by the Audit Committee.

§ Investment Committee: is responsible to analyzing, discussing and recommending the acquisition of new properties and real estate launches; advising the Directors on the negotiation of new contracts and project structuring; monitoring releases of funds and the Company's cash flow; and, in special cases, participating in the negotiation and structuring of new types of agreements. This Committee is composed only of Statutory Directors of the Company.

§ Finance Committee: is responsible for evaluating and providing recommendations to the Board of Directors, risk policies and the Company's financial investments. This Committee is composed of Executive Officers of the Company.

The composition of these committees can be accessed on the Company's Investor Relations website: www.gafisa.com.br/ri.

## Dividends, Shareholder Rights and Share Data

In order to equally protect the interest of all shareholders, the Company determines, in accordance with the current legislation and best governance practices, the following rights to Gafisa's shareholders:

§ vote at the General Meeting, annual or extraordinary, and make recommendations and guidelines to the Board of Directors in the decision making processes;

§ receive dividends and participate in the distribution of profits or other distributions relating to shares, in proportion to their holdings in the Company's capital stock;

§ overseeing Gafisa's management, as per the Bylaws, and to withdraw from the Company in cases provided for by Brazilian Corporate Law; and

§ receive at least 100% of the price paid per common share of the control block, according to the regulations of the Novo Mercado, in the case of public offering of shares as a result of the Company's control alienation.

Under Article 47, paragraph 2 (b) of the Bylaws, 25% of the balance of net income of the fiscal year, after deductions provided for in the Bylaws and adjusted pursuant to Article 202 of Brazilian Corporate Law, will be paid as dividends to all shareholders.

Due to the accumulated profit of R$74.4 millions, calculated in the fiscal year ended 12.31.2015, the management proposal to be voted on at the Annual General Meeting, will include the distribution of approximately R$17.7 millions, or around R$0.048 per share. This distribution will allow our shareholders to record a dividend yield of around 2.0% base on closing price of 2015.

(A free translation from the original in Portuguese into English)

## CAPITAL MARKETS

The Company, which capital is pulverized, remains the only Brazilian real estate company to have its shares traded on Level 3 ADRs on the New York Stock Exchange (NYSE), and is one of the most liquid real estate stocks. In 2015, we reached an average daily trading volume of R$8.7 millions on the BM&FBovespa, in addition to the US dollar equivalent of approximately US$2.3 millions on the NYSE, totaling R$11.0 millions average daily trading volume.

In 2015, the Bovespa index fell by 13.31%, and the Company's shares ended at R$2.43 (GFSA3) and US$1.7 (GFA), representing an increase of 10.45% and 28.22%, respectively, compared to 2014.

Gafisa's shares are included in the IBX 100, IGCX, IGC_NM indices, among others.

### Independent Auditors

The Company's operating policy on contracting services unrelated to external audit from the independent auditors is based on principles that preserve the autonomy of the independent auditor. These internationally accepted principles consist of: (a) the auditor should not audit his/her own work, (b) the auditor should not perform management roles for his/her client, and (c) the auditor should not promote the interests of his/her clients.

According to Article 2 of CVM Instruction nº 381/03, Gafisa reports that KPMG Auditores Independentes, independent auditors of the Company and its subsidiaries, did not provide services unrelated to independent audit in 2015.

### Management Statement

The Management declares, in compliance with Article 25, Paragraph 1, items V and VI of CVM Instruction nº 480/2009, that they reviewed, discussed and agreed with the Financial Statements in this Report and views expressed in the opinion of the Independent Auditors regarding the financial statements.

### Acknowledgements

Gafisa thanks the valuable contribution of its employees, customers, suppliers, partners, shareholders, financial institutions, government agencies, regulators and other stakeholders for their support throughout 2015.

(A free translation from the original in Portuguese into English)

## Report of Independent Registered Public Accounting Firm

To shareholders and management of

**Gafisa S.A.**

São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Gafisa S.A. (the "Company"), identified as Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2015 and the related statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, as well as the summary of main accounting practices and other notes to the financial statements.

### Management responsibility for the financial statements

The Company's management is responsible for the preparation and the fairly presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil, and of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil, as approved by the Accounting Pronouncements Committee (CPC), by the Brazilian Securities Commission (CVM) and by the Federal Accounting Council (CFC), and for such internal control as Management determines is necessary to enable the preparation of individual and consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### Independent auditor's responsibility

Our responsibility is to express an opinion on these individual and consolidated financial statements based on our audit. We conducted our audit in accordance with Brazilian auditing standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and consolidated financial statements. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the individual and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the individual and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(A free translation from the original in Portuguese into English)

**Opinion on the financial statements prepared in accordance with the accounting practices adopted in Brazil**

In our opinion, the aforementioned individual (Company) financial statements present fairly, in all material respects, the financial position of Gafisa S.A. as of December 31, 2015, and of its financial performance, and its cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil.

**Opinion on the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), applicable to real estate development entities in Brazil and approved by the Accounting Pronouncements Committee (CPC), the Brazilian Securities Commission (CVM) and the Brazilian National Association of State Boards of Accountancy (CFC)**

In our opinion, the aforementioned individual and consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gafisa S.A. as of December 31, 2015, the consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS), applicable to real estate development entities in Brazil and approved by the Accounting Pronouncements Committee (CPC), by the Brazilian Securities Commission (CVM) and by the Federal Accounting Council (CFC).

**Emphasis of a matter**

As mentioned in Note 2.1, the individual and consolidated financial statements were prepared in accordance with the accounting practices adopted in Brazil. The consolidated financial statements prepared in accordance with the IFRS applicable to the Brazilian Real Estate Development Entities, also considers the Technical Orientation - OCPC 04 issued by the Accounting Pronouncements Committee (CPC). This technical orientation refers to the revenue recognition of this sector and involves matters related to the meaning and application of the concept of continuous transfer of the risks, benefits and control over real estate unit sales, as described in further details in Note 2.2.2. Our opinion is not modified regarding this matter.

**Other matters**

***Statement of value added***

We have also examined the individual (Company) and consolidated statements of value added for the year ended December 31, 2015, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Legislation, and considered as supplemental information by the International Financial Reporting Standards (IFRS), which do not require the disclosure of the statement of value added. These value added statements were submitted to the same previously described audit procedures and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements prepared in accordance with the accounting practices adopted in Brazil taken as a whole.

São Paulo (SP), March 3, 2016

KPMG Auditores Independentes

CRC 2SP014428/O-6

*(original report signed in Portuguese)*

Giuseppe Masi

Accountant CRC 1SP176273/O-7



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(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Balance sheet

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais)

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | **Note** | **2015** | **2014** | **2015** | **2014** |
| Current assets | | | | | |
| Cash and cash equivalents | 4.1 | **44,044** | 33,792 | **82,640** | 109,895 |
| Short-term investments | 4.2 | **350,343** | 582,042 | **629,671** | 1,047,359 |
| Trade accounts receivable | 5 | **723,950** | 748,910 | **1,395,273** | 1,440,498 |
| Properties for sale | 6 | **1,135,137** | 932,681 | **1,880,377** | 1,695,817 |
| Receivables from related parties | 21.1 | **78,410** | 104,765 | **95,118** | 142,732 |
| Prepaid expenses | - | **1,901** | 8,036 | **7,171** | 15,442 |
| Other assets | 7 | **46,621** | 61,355 | **120,657** | 128,905 |
| Non-current assets held for sale | 8 | **4,367** | 6,072 | **105,857** | 110,563 |
| Total current assets | | **2,384,773** | 2,477,653 | **4,316,764** | 4,691,211 |
| | | | | | |
| Non-current assets | | | | | |
| Trade accounts receivable | 5 | **262,092** | 275,531 | **407,091** | 384,821 |
| Properties for sale | 6 | **387,375** | 487,735 | **750,240** | 816,525 |
| Receivables from related parties | 21.1 | **78,818** | 68,120 | **109,193** | 107,067 |
| Other assets | 7 | **80,948** | 84,897 | **82,880** | 112,241 |
| | | **809,233** | 916,283 | **1,349,404** | 1,420,654 |
| | | | | | |
| Investments | 9 | **3,242,765** | 3,022,609 | **967,646** | 968,393 |
| Property and equipment | 10 | **22,819** | 22,129 | **49,176** | 48,691 |
| Intangible assets | 11 | **33,311** | 38,707 | **77,342** | 76,903 |
| | | **3,298,895** | 3,083,445 | **1,094,164** | 1,093,987 |
| | | | | | |
| Total non-current assets | | **4,108,128** | 3,999,728 | **2,443,568** | 2,514,641 |

| | | | | |
|---|---|---|---|---|
| Total assets | **6,492,901** | 6,477,381 | **6,760,332** | 7,205,852 |

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

(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

| | | Company | | Consolidated | |
|---|---|---|---|---|---|
| | **Note** | **2015** | **2014** | **2015** | **2014** |
| Current liabilities | | | | | |
| Loans and financing | 12 | **595,817** | 443,802 | **672,365** | 550,058 |
| Debentures | 13 | **187,744** | 314,770 | **389,621** | 504,387 |
| Payable for purchase of properties and advances from customers | 17 | **148,989** | 228,991 | **361,420** | 490,605 |
| Payables for goods and service suppliers | - | **32,115** | 57,369 | **57,335** | 95,131 |
| Taxes and contributions | - | **40,902** | 38,386 | **102,057** | 114,424 |
| Salaries, payroll charges and profit sharing | - | **26,758** | 38,507 | **60,102** | 65,039 |
| Minimum mandatory dividends | - | **17,682** | - | **17,682** | - |
| Provision for legal claims and commitments | 16 | **100,312** | 103,034 | **100,312** | 103,034 |
| Obligations assumed on the assignment of receivables | 14 | **12,631** | 14,128 | **23,482** | 24,135 |
| Payables to related parties | 21.1 | **801,375** | 596,047 | **87,100** | 156,503 |
| Derivative financial instruments | 20.i.b | **14,056** | 3,340 | **14,056** | 3,340 |
| Other payables | 15 | **127,123** | 134,648 | **163,437** | 164,213 |
| Total current liabilities | | **2,105,504** | 1,973,022 | **2,048,969** | 2,270,869 |
| | | | | | |
| Non-current | | | | | |
| Loans and financing | 12 | **542,843** | 750,272 | **620,470** | 847,367 |
| Debentures | 13 | **468,337** | 484,712 | **468,337** | 684,712 |
| Payables for purchase of properties and advances from customers | 17 | **143,216** | 74,022 | **248,514** | 101,137 |
| Deferred income tax and social contribution | 19 | **10,085** | 26,126 | **16,489** | 34,740 |
| Provision for legal claims and commitments | 16 | **82,563** | 66,806 | **142,670** | 136,540 |
| Obligations assumed on the assignment of receivables | 14 | **22,216** | 20,368 | **35,811** | 31,994 |
| Payables to related parties | 21.1 | **-** | - | **41,002** | - |
| Derivative financial instruments | 20.i.b | **7,618** | 4,833 | **7,618** | 4,833 |
| Other payables | 15 | **15,028** | 21,875 | **33,216** | 35,257 |
| Total non-current liabilities | | **1,291,906** | 1,449,014 | **1,614,127** | 1,876,580 |
| | | | | | |
| Equity | | | | | |
| Capital | 18.1 | **2,740,662** | 2,740,662 | **2,740,662** | 2,740,662 |
| Treasury shares | 18.1 | **(25,980)** | (79,059) | **(25,980)** | (79,059) |
| Capital reserves and reserve for granting stock options | - | **76,834** | 69,897 | **76,834** | 69,897 |
| Income reserve | - | **303,975** | 323,845 | **303,975** | 323,845 |
| | | **3,095,491** | 3,055,345 | **3,095,491** | 3,055,345 |
| Noncontrolling interest | | **-** | - | **1,745** | 3,058 |
| Total equity | | **3,095,491** | 3,055,345 | **3,097,236** | 3,058,403 |
| Total liabilities and equity | | **6,492,901** | 6,477,381 | **6,760,332** | 7,205,852 |

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

(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Statement of profit or loss

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais, except if stated otherwise)

| | | **Compa** | |
|---|---|---|---|
| | **Note** | **2015** | |
| **Continuing operations** | | | |
| Net operating revenue | 22 | **1,107,262** | 1, |
| Operating costs | | | |
| Real estate development and sales of properties | 23 | **(832,236)** | (8 |
| Gross profit | | **275,026** | |
| Operating (expenses) income | | | |
| Selling expenses | 23 | **(82,550)** | ( |
| General and administrative expenses | 23 | **(97,440)** | (1 |
| Income from equity method investments | 9 | **155,343** | ( |
| Depreciation and amortization | 10 and 11 | **(29,994)** | ( |
| Other income (expenses), net | 23 | **(104,121)** | ( |
| Profit (loss) before financial income and expenses and income tax and social contribution | | **116,264** | ( |
| Financial expenses | 24 | **(121,072)** | (1 |
| Financial income | 24 | **67,530** | |
| Profit (loss) before income tax and social contribution | | **62,722** | ( |
| Current income tax and social contribution | | **(4,314)** | ( |
| Deferred income tax and social contribution | | **16,041** | |
| Total Income tax and social contribution | 19.i | **11,727** | |
| Net income (loss) from continuing operations | | **74,449** | ( |

| | | |
|---|---|---|
| Net income (loss) for the year | | **74,449** |
| | | |
| (-) Attributable to: | | |
| Noncontrolling interests | | **-** |
| Owners of Gafisa | | **74,449** |
| | | |
| Weighted average number of shares (in thousands) | 27 | **367,572** |
| | | |
| Basic earning (loss) per thousand shares - In Reais (Company) | 27 | **0.203** |
| From continuing operations | | **0.203** |
| From discontinued operations | | **-** |
| | | |
| Diluted earning (loss) per thousand shares - In Reais (Company) | 27 | **0.201** |
| From continuing operations | | **0.201** |
| From discontinued operations | | **-** |

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

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(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Statement of comprehensive income (loss)

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais, except if stated otherwise)

| | **Company** | | **Consolidated** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Net income (loss) for the year | **74,449** | (42,549) | **70,979** | (43,725) |
| Total comprehensive income (loss), net of taxes | **74,449** | (42,549) | **70,979** | (43,725) |
| Attributable to: | | | | |
| Owners of Company | **74,449** | (42,549) | **74,449** | (42,549) |
| Noncontrolling interests | **-** | - | **(3,470)** | (1,176) |

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

(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Statement of changes in equity

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais)

| | | | | **Attributed to Owners of the Company** | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | | **Income Reserve** | | | | | |
| | **Note** | **Capital** | **Treasury shares** | **Reserve for granting shares** | **Legal reserve** | **Reserve for investments** | **Retained earnings (accumulated losses)** | **Total Company** | **Noncontrolli interests** |
| Balances at December 31, 2013 | | 2,740,662 | (73,070) | 54,383 | 31,593 | 437,156 | - | 3,190,724 | 23,7 |
| Stock option plan | **18.3** | - | - | 15,514 | - | - | - | 15,514 | |
| Treasury shares acquired | **18.1** | - | (115,265) | - | - | - | - | (115,265) | |
| Treasury shares sold | **18.1** | - | 17,583 | - | - | (10,662) | - | 6,921 | |
| Treasury shares cancelled | | - | 91,693 | - | - | (91,693) | - | - | |
| Acquisition of non-controlling interests | | - | - | - | - | - | - | - | (19,5 |
| Loss for the year | **-** | - | - | - | - | - | (42,549) | (42,549) | (1,1 |
| Absorption of loss for the year with Income | **18.2** | - | - | - | - | (42,549) | 42,549 | - | |

reserves:

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Balances at December 31, 2014 | | **2,740,662** | **(79,059)** | **69,897** | **31,593** | **292,252** | **-** | **3,055,345** | **3,0** |
| Capital increase | | - | - | - | - | - | - | - | 2,1 |
| Stock option plan | **18.3** | - | - | 6,937 | - | - | - | 6,937 | |
| Treasury shares acquired | **18.1** | - | (24,157) | - | - | - | - | (24,157) | |
| Treasury shares sold | **18.1** | - | 3,022 | - | - | (2,423) | - | 599 | |
| Treasury shares cancelled | **18.1** | - | 74,214 | - | - | (74,214) | - | - | |
| Profit for the year | **-** | - | - | - | - | - | 74,449 | 74,449 | (3,4 |
| Allocation: | **18.2** | | | | | | | | |
| Legal reserve | | - | - | - | 3,722 | - | (3,722) | - | |
| Declared dividends | | - | - | - | - | | (17,682) | (17,682) | |
| Reserve for investments | | - | - | - | - | 53,045 | (53,045) | - | |
| Balances at December 31, 2015 | | **2,740,662** | **(25,980)** | **76,834** | **35,315** | **268,660** | **-** | **3,095,491** | **1,7** |

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

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(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Cash flow statement

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais)

| | **Company** | | **Co** |
|---|---|---|---|
| | **2015** | **2014** | **2015** |
| Operating activities | | | |
| Income (loss) before income tax and social contribution | **62,722** | (43,592) | **78,** |
| Expenses/(income) not affecting cash and cash equivalents: | | | |
| Depreciation and amortization (Notes 10 and 11) | **29,994** | 43,153 | **47,** |
| Stock option expense (Note 18.3) | **7,826** | 33,168 | **9,** |
| Unrealized interests and charges, net | **73,142** | 41,059 | **88,** |
| Warranty provision (Note 15) | **11,100** | 7,771 | **7,** |
| Provision for legal claims and commitments (Note 16) | **88,067** | 60,221 | **118,** |
| Provision for profit sharing (Note 26 (iii)) | **14,000** | 19,000 | **25,** |
| Allowance for doubtful accounts and cancelled contracts (Note 5) | **6,749** | (1,424) | **21,** |
| Provision for realization of non-financial assets: | | | |
| Properties and land for sale (Note 6 and 8) | **(617)** | 5,449 | **(13,1** |
| Intangible assets (Note 11) | **-** | 17,604 | |
| Income from equity method investments (Note 9) | **(155,343)** | 25,229 | **(41,7** |
| Financial instruments (Note 20) | **17,151** | 7,492 | **17,** |
| Provision for penalties due to delay in construction works (Note 15) | **(2,137)** | (3,332) | **(4,4** |
| Write-off of property and equipment and intangible assets, net (Notes 10 and 11) | **4,030** | 1,529 | **6,** |
| Write-off of investments (Note 9) | **-** | 17,428 | **(3,0** |
| | | | |
| Decrease/(increase) in operating assets | | | |
| Trade accounts receivable | **18,948** | 143,903 | **10,** |
| Properties for sale and land available for sale | **(99,773)** | (306,741) | **(130,9** |
| Other assets | **16,646** | (11,416) | **(7,1** |
| Prepaid expenses | **6,135** | 13,404 | **8,** |
| | | | |
| Increase/(decrease) in operating liabilities | | | |
| Payables for purchase of properties and advances from customers | **(10,808)** | (17,081) | **18,** |
| Taxes and contributions | **2,516** | (1,277) | **(12,3** |
| Payables for goods and service suppliers | **(25,254)** | 5,954 | **(37,7** |
| Salaries, payroll charges and profit sharing | **(25,750)** | (39,829) | **(30,4** |
| Other payables | **(109,849)** | 31,709 | **(97,1** |
| Transactions with related parties | **174,368** | 97,868 | **19,** |
| Paid taxes | **(4,314)** | (90,812) | **(7,1** |

| | | | |
|---|---|---|---|
| Cash and cash equivalents from (used in) operating activities | **99,549** | 56,257 | **91,7** |
| | | | |
| Investing activities | | | |
| Purchase of property and equipment and intangible assets (Notes 10 and 11) | **(29,318)** | (64,859) | **(54,5** |
| Purchase of short-term investments | **(3,092,210)** | (3,393,034) | **(5,404,9** |
| Redemption of short-term investments | **3,323,909** | 4,052,017 | **5,822,** |
| Investments | **(2,917)** | (59,833) | **(1,6** |
| Dividends received (Note 9) | **-** | 44,775 | |
| | | | |
| Cash from (used in) investing activities | **199,464** | 579,066 | **361,** |
| | | | |
| Financing activities | | | |
| Increase in loans, financing and debentures | **680,737** | 655,157 | **845,** |
| Payment of loans, financing and debentures - principal | **(704,578)** | (727,174) | **(1,064,3** |
| Payment of loans, financing and debentures - interest | **(248,116)** | (236,325) | **(306,3** |
| Assignment of receivables | **13,053** | 10,278 | **24,** |
| Payables to venture partners | **(6,081)** | (108,742) | **(6,1** |
| Payment of dividends and interest on equity | **-** | (150,042) | |
| Loan transactions with related parties | **(218)** | 1,903 | **49,** |
| Disposal of treasury shares (Note 18.1) | **3,022** | 17,583 | **3,** |
| Result of the disposal of treasury shares (Note 18.1) | **(2,423)** | (10,664) | **(2,4** |
| Repurchase of treasury shares (Note 18.1) | **(24,157)** | (92,537) | **(24,1** |
| | | | |
| Cash and cash equivalents from financing activities | **(288,761)** | (640,563) | **(480,4** |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | **10,252** | (5,240) | **(27,2** |
| | | | |
| Cash and cash equivalents | | | |
| At the beginning of the year | **33,792** | 39,032 | **109,** |
| At the end of the year | **44,044** | 33,792 | **82,** |
| | | | |
| Net increase (decrease) in cash and cash equivalents | **10,252** | (5,240) | **(27,2** |

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

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(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Statement of value added

Years ended December 31, 2015 and 2014

(In thousands of Brazilian Reais)

| | **Company** | | **Consolidated** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Revenues | **1,213,220** | 1,257,710 | **2,485,290** | 2,325,677 |
| Real estate development and sales | **1,219,969** | 1,256,286 | **2,475,927** | 2,256,198 |
| Reversal (recognition) of allowance for doubtful accounts and cancelled contracts | **(6,749)** | 1,424 | **9,363** | 69,479 |
| Inputs acquired from third parties (including taxes on purchases) | **(840,640)** | (782,133) | **(1,728,586)** | (1,667,210) |
| Operating costs - Real estate development and sales | **(707,515)** | (705,984) | **(1,501,536)** | (1,437,656) |
| Materials, energy, outsourced labor and other | **(133,125)** | (76,149) | **(227,050)** | (229,554) |
| Gross value added | **372,580** | 475,577 | **756,704** | 658,467 |
| Depreciation and amortization | **(29,994)** | (60,757) | **(47,420)** | (79,251) |
| Net value added produced (distributed) by the Company | **342,586** | 414,820 | **709,284** | 579,216 |
| Value added received on transfer | **222,873** | 65,655 | **165,897** | 176,057 |
| Income from equity method investments | **155,343** | (25,228) | **41,766** | 19,263 |
| Financial income | **67,530** | 90,883 | **124,131** | 156,794 |
| Total value added to be distributed | **565,459** | 480,475 | **875,181** | 755,273 |
| Value added distribution | **565,459** | 480,475 | **875,181** | 755,273 |
| Personnel and payroll charges | **117,933** | 152,891 | **216,177** | 216,410 |

| | | | | |
|---|---|---|---|---|
| Taxes and contributions | **118,235** | 139,056 | **242,941** | 229,919 |
| Interest and rents | **254,842** | 231,077 | **341,614** | 351,493 |
| Dividends (Note 18.2) | **17,682** | - | **17,682** | - |
| Retained earnings attributable to noncontrolling interests | - | - | **3,470** | 1,176 |
| Retained earnings (incurred losses) | **56,767** | (42,549) | **53,297** | (43,725) |

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

(A free translation from the original in Portuguese into English)

**Gafisa S.A.**

Notes to the financial statements

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 1. Operations

Gafisa S.A. ("Gafisa" or "Company") is a publicly traded company with registered office at Avenida das Nações Unidas, 8.501, 19th floor, in the city and state of São Paulo, Brazil and commenced its operations in 1997 with the objectives of: (i) promoting and managing all forms of real estate ventures on its own behalf or for third parties (in the latter case, as construction company and proxy); (ii) selling and purchasing real estate properties; (iii) providing civil construction and civil engineering services; (iv) developing and implementing marketing strategies related to its own and third party real estate ventures; and (v) investing in other companies who share similar objectives.

The Company has stocks traded at BM&FBovespa S.A. – Bolsa de Valores, Mercadorias e Futuros and the New York Stock Exchange (NYSE), reporting its information to the Brazilian Securities and Exchange Commission (CVM) and the U.S. Securities and Exchange Commission (SEC).

The Company enters real estate development projects with third parties through specific purpose partnerships (“Sociedades de Propósito Específico” or “SPEs”) or through the formation of consortia and condominiums. Controlled entities substantially share managerial and operating structures, and corporate, managerial and operating costs with the Company. SPEs, condominiums and consortia operate solely in the real estate industry and are linked to specific ventures.

On April 29, 2015, following the material fact disclosed on February 7, 2014, the Company disclosed a new material fact informing to its shareholders and the market that the works for the potential separation of the business units Gafisa and Tenda continue to be carried out, aiming at fulfilling the conditions considered sufficient for its implementation. However, in view of the fact that the process for defining the capital structure is still in progress, and taking into account that such definition is a necessary step towards the separation process, the asset has not yet shown characteristics that enable its immediate separation under current conditions, and, accordingly, it is not yet possible to estimate a term for completing the potential separation.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies

### 2.1. Basis of presentation and preparation of individual and consolidated financial statements

On March 3, 2016, the Company's Board of Directors approved these individual and consolidated financial statements of the Company and authorized their disclosure.

The individual financial statements, identified as "Company", have been prepared and are being presented according to the accounting practices adopted in Brazil, including the pronouncements issued by the Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities and Exchange Commission (CVM) and are disclosed together with the consolidated financial statements.

The consolidated financial statements of the Company have been prepared and are being presented according to the accounting practices adopted in Brazil, including the pronouncements issued by the CPC, approved by the Brazilian Securities and Exchange Commission (CVM), and according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The individual financial statements of the Company are not considered in compliance with the International Financial Reporting Standards (IFRS), once they consider the capitalization of interest on qualifying assets of investees in the separate financial statements of the Company. In view of the fact that there is no difference between the Company's and the consolidated equity and profit or loss, the Company opted for presenting the accompanying individual and consolidated information in only one set.

The consolidated financial statements are specifically in compliance with the International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil, including the Guideline OCPC 04 - Application of the Technical Interpretation ICPC 02 to the Brazilian Real Estate Development Entities, in relation to the treatment of the recognition of revenue from this sector and involves certain matters related to application of the continuous transfer of the risks, rewards and control over the real estate units sold.

The presentation of the individual and consolidated Statement of Value Added (DVA) is required by the Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to publicly-held companies and was prepared according to CVM Resolution 557, of November 12, 2008, which approved the accounting pronouncement CPC 09 – Statement of Value Added. The IFRS does not require the presentation of this statement. Consequently, under the IFRS, this statement is presented as additional information, without causing harm to the financial statements as a whole.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.1. Basis of presentation and preparation of individual and consolidated financial statements --Continued

The financial statements have been prepared on a going concern basis. Management makes an assessment of the Company's ability to continue as going concern when preparing the financial statements.

All amounts reported in the accompanying financial statements are in thousands of Reais, except as otherwise stated.

#### 2.1.1. Consolidated financial statements

The consolidated financial statements of the Company include the financial statements of Gafisa and its direct and indirect subsidiaries. The Company controls an entity when it is exposed or is entitled to variable returns arising from its involvement with the entity and has the ability to affect those returns through the power that it exerts over the entity. The existence and the potential effects of voting rights, which are currently exercisable or convertible, are taken into account when evaluating whether the Company controls other entity. The subsidiaries are fully consolidated from the date the control is transferred and the consolidation is discontinued from the date control ceases.

The accounting practices were uniformly adopted in all subsidiaries included in the consolidated financial statements and the fiscal year of these companies is the same of the Company. See further details in Note 9.

### 2.1.2. Functional and presentation currency

The functional and presentation currency of the Company is Real.

### 2.1.3. Presentation of segment information

The presentation of operating segment information is consistent with the internal reports provided to the main decision makers of operational matters, the Board of Executive Officers and the Board of Directors, who are responsible for allocating resources, assessing the performance of operating segments and making strategic decisions.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies

2.2.1. Accounting judgments, estimates and assumptions

Accounting estimates and judgments are evaluated on an ongoing basis based on historical experience and other factors, including expectations on future events, considered reasonable under the circumstances.

(i) *Judgments*

The preparation of the individual and consolidated financial statements of the Company requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the reporting date of financial statements.

(ii) *Estimates and assumptions*

Assets and liabilities subject to estimates and assumptions include the provision for impairment of asset, transactions with share-based payment, provision for legal claims, fair value of financial instruments, measurement of the estimated cost of ventures, deferred tax assets, among others.

The main assumptions related to sources of uncertainty over future estimates and other important sources of uncertainty over estimates at the reporting date, which may result in different amounts upon settlement are discussed below:

*a)* *Impairment of non-financial assets*

An impairment loss exists when the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use.

The calculation of the fair value less cost to sell is based on available information on sale transactions of similar assets or market prices less additional costs of disposal. The calculation of the value in use is based on the discounted cash flow model.

Cash flows are derived from the budget for the following five years, and do not include uncommitted restructuring activities or future significant investments that will improve the asset basis of the cash-generating unit being tested. The recoverable amount is sensitive to the discount rate used under the discounted cash flow method, the estimated future cash inflows and to the growth rate used for purposes of extrapolation.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies --Continued

2.2.1. Accounting judgments, estimates and assumptions --Continued

(ii) *Estimates and assumptions* --Continued

*a) Impairment of non-financial assets*--Continued

Indefinite lived intangible assets and goodwill attributable to future economic benefit are tested at least annually or when circumstances indicate a decrease in the carrying value. The main assumptions used for determining the recoverable amount of cash-generating unit are detailed in Note 11.

*b) Share-based payment transactions*

The Company measures the cost of transactions with employees to be settled with shares based on the fair value of equity instruments on the grant date. For cash-settled share-based transactions, the liability is required to be remeasured at the end of each reporting period through the settlement date, recognizing in profit or loss possible changes in fair value, which requires revaluation of the estimates used at the end of each reporting period. The estimate of the fair value of share-based payments requires the determination of the most adequate pricing model to grant equity instruments, which depends on the grant terms and conditions.

It also requires the determination of the most adequate data for the pricing model, including the expected option life, volatility and dividend income, and the corresponding assumptions. The assumptions and models used to estimate the fair value of share-based payments are disclosed in Note 18.3.

*c) Provision for legal claims*

The Company recognizes a provision for tax, labor and civil claims (Note 16). The assessment of the probability of a loss includes the evaluation of the available evidences, the hierarchy of laws, existing case law, the latest court decisions and their significance in the judicial system, and the opinion of external legal counsel. Provisions are reviewed and adjusted to take into account the changes in circumstances, such as applicable statutes of limitations, findings of tax inspections, or additional exposures found based on new court issues or decisions.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

**2. Presentation of financial statements and summary of significant accounting policies** --Continued

**2.2. Summary of significant accounting policies** --Continued

2.2.1. Accounting judgments, estimates and assumptions --Continued

(ii) *Estimates and assumptions* --Continued

*c) Provision for legal claims* --Continued

There are uncertainties inherent in the interpretation of complex tax rules and in the value and timing of future taxable income. In the ordinary course of business, the Company and its subsidiaries are subject to assessments, audits, legal claims and administrative proceedings in civil, tax and labor matters.

*d) Fair value of financial instruments*

When the fair value of the financial assets and liabilities presented in the balance sheet cannot be obtained in the active market, it is determined using valuation techniques, including the discounted cash flow method.

The data for such methods is based on those available market information; however, when it is not viable, a certain level of judgment is required to establish the fair value. The judgment includes considerations regarding the data used, such as interest rates, liquidity risk, credit risk, and volatility. Changes in the assumptions about these factors may affect the stated fair value of financial instruments.

*e)* *Estimated cost of construction*

Estimated costs, mainly comprising the incurred and estimated costs for completing the construction projects, are regularly reviewed, based on the progress of construction, and any resulting adjustments are recognized in profit or loss of the Company. The effects of such estimate reviews affect the statement of profit or loss.

*f)* *Realization of deferred income tax*

The initial recognition and further analysis of the realization of a deferred tax asset is carried out when it is probable that a taxable profit will be available in subsequent years to offset the deferred tax asset, based on projections of results and based on internal assumptions and future economic scenarios that enable its total or partial use.

The other provisions recognized in the Company are described in Note 2.2.23.



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**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

**2. Presentation of financial statements and summary of significant accounting policies** --Continued

**2.2. Summary of significant accounting policies** --Continued

2.2.2. Recognition of revenue and expenses

(i) *Real estate development and sales*

(a) For the sales of completed units, revenues are recognized upon completion of the sale and the transfer of significant risks and rewards, regardless of the timing of receipt from the customer.

(b) For the construction phase pre-sale of completed units:

- The incurred cost (including cost of land, and other directly related expenditure) that corresponds to the units sold is included in profit or loss. For the units not yet sold, the incurred cost is included in inventory (Note 2.2.7);

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

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

- Interest and inflation-indexation charges on accounts receivable as from the time the units are sold and delivered, as well as the adjustment to present value of account receivable, are included in the real estate development and sales when incurred, on a pro rata basis using the accrual basis of accounting;

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

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

**2. Presentation of financial statements and summary of significant accounting policies** --Continued

**2.2. Summary of significant accounting policies** --Continued

2.2.2. Recognition of revenue and expenses --Continued

(i) *Real estate development and sales* --Continued

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

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

(ii) *Construction services*

Revenues from real estate services are recognized as services are rendered and tied to the construction management activities for third parties and technical advisory services.

(iii) *Barter transactions*

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

2.2.3. Financial instruments

Financial instruments are recognized from the date the Company becomes a party to the contractual provisions of financial instruments, which mainly comprise cash and cash equivalents, short-term investments, account receivable, loans and financing, suppliers, and other debts.

After initial recognition, financial instruments are measured as described below:

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. **Presentation of financial statements and summary of significant accounting policies** --Continued

### 2.2. **Summary of significant accounting policies** --Continued

#### 2.2.3. Financial instruments --Continued

(i) *Financial instruments through profit or loss*

A financial instrument is classified into fair value through profit or loss if it is held for trading, or designated as such when initially recognized.

Financial instruments are designated at fair value through profit or loss if the Company manages these investments and makes purchase and sale decisions based on their fair value in accordance with the Company’s documented investment strategy or risk management. After initial recognition, related transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and their changes therein are recognized in profit or loss.

In the year ended December 31, 2015, the Company held derivative financial instruments with the objective of mitigating the risk of its exposure to the volatility of indices and interest rates, recognized at the fair value directly in profit or loss. In accordance with its treasury policies, the Company does not have or issue derivative financial instruments for purposes other than for hedging.

The Company does not adopt the hedge accounting practice.

(ii) *Financial assets*

Financial assets are classified into financial assets at fair value through profit or loss, receivables, held-to-maturity investments and available-for-sale financial assets. The Company determines the classification of its financial assets at their initial recognition, when it becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognized at fair value, plus, in the case of investments not designated at fair value through profit or loss, the transaction costs are directly attributable to their acquisition.

The financial assets of the Company include cash and cash equivalents, short-term investments, trade accounts receivable and derivative financial instruments.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies --Continued

2.2.3. Financial instruments --Continued

(ii) *Financial assets* --Continued

Derecognition (write-off)

A financial asset (or, as the case may be, a portion of a financial asset or portion of a group of similar financial assets) is derecognized when:

- The rights to receive cash inflows of an asset expire;

- The Company transfers its rights to receive cash inflows of an asset or assume an obligation of fully pay the cash inflows received, without significant delay, to a third party because of a “transfer” agreement; and (a) the Company substantially transfers the risks and rewards of the asset, or (b) the Company does not substantially transfer or retain all risks and rewards related to the asset, but transfers the control over the asset.

When the Company has transferred its rights to receive cash inflows of an asset, and signed an agreement to pass it on, and has not substantially transferred or has retained all risks and rewards related to the asset, an asset is recognized to the extent of the continuous involvement of the Company with the asset. In this case, the Company also recognizes a related liability. The transferred asset and related liability are measured based on the rights and obligations that the Company has maintained.

The continuous involvement by means of a guarantee on the transferred asset is measured at the lower of the original carrying value of the asset and the highest consideration that may be required from the Company.

(iii) *Financial liabilities at fair value through profit or loss*

Financial liabilities through profit or loss include trading financial liabilities and financial liabilities designated as such upon initial recognition.

Loans and financing

Subsequent to initial recognition, loans and financing accruing interest are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in statement of profit or loss, at the time liabilities are written-off, as well as during the amortization process using the effective interest rate method.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

**2. Presentation of financial statements and summary of significant accounting policies** --Continued

**2.2. Summary of significant accounting policies** --Continued

2.2.3. Financial instruments --Continued

(iii) *Financial liabilities at fair value through profit or loss --Continued*

Derecognition (write-off)

A financial liability is derecognized when its contractual obligations are discharged, cancelled or expires.

When an existing financial liability is substituted by another from the same creditor, under substantially different terms, or when the terms of an existing liability are significantly modified, this substitution or change is treated as a derecognition of the original liability and recognition of a new liability. The difference in the corresponding carrying values is recognized in profit or loss.

Financial instrument – net presentation

Financial assets and liabilities are stated at their net amounts in the balance sheet when, and only when, there is a current and enforceable legal right to offset the amounts, and if there is intention to offset them or realize the asset and settle the liability simultaneously. The legal right shall not be contingent in future events and shall be applicable in the normal course of business, and in case of default, insolvency or bankruptcy of the company or counterparty.

2.2.4. Cash and cash equivalents and short-term investments

Cash and cash equivalents substantially comprise demand deposits and bank certificates of deposit held under resale agreements, denominated in Reais, with high market liquidity and original contractual maturities of 90 days or less, and for which there are no penalties or other restrictions for the immediate redemption thereof.

Cash equivalents are classified as financial assets at fair value through profit or loss and are recorded at the original amounts plus income earned, calculated on a “pro rata basis", which are equivalent to their market values, not having any impact to be accounted for in the Company’s equity.

Short-term investments include bank deposit certificates, federal government bonds, exclusive investment funds that are fully consolidated, and collaterals, which are classified at fair value through profit or loss (Note4.2).

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies --Continued

2.2.5. Trade account receivable

These are presented at present and realization values. The classification between current and noncurrent is made based on the expected maturity of contract installments.

The installments due are indexed based on the National Civil Construction Index (INCC) during the period of construction, and based on the General Market Prices Index (IGP-M) and interest at 12% p.a., after the delivery of the units.

The adjustment to present value is calculated between the contract signature date and the estimated date to transfer the completed property' keys to the buyer, using a discount rate represented by the average rate of the financing obtained by the Company, net of inflation, as mentioned in Note 2.2.20.

The reversal of the present value adjustment, considering that an important part of the Company operations consists of financing its clients until key delivery, was carried out as contra-entry to the group of real estate development revenue, consistently with interest incurred on the portion of receivables balance related to the period subsequent to the handover of keys.

2.2.6. Mortgage-backed Securities (CRIs) and Housing Loan Certificate (CCI)

The Company and its subsidiaries carry out the assignment and/or securitization of receivables related to receivables with collateral of completed projects and those still under construction. This securitization is carried out through the issuance of the Housing Loan Certificate ("Cédula de Crédito Imobiliário" or "CCI"), which is assigned to financial institutions that grant loans. When there is no right of recourse, this assignment is recorded as reduction of accounts receivable. When there is right of recourse against the Company, the assigned receivable is maintained in the balance sheet and the funds from assignment are classified into the account "Obligations assumed on assignment of receivable", until certificates are settled by customers.

In this situation, the transaction cost is recorded in "financial expenses" in the statement of profit or loss for the year in which is made.

When there are financial guarantees, represented by the acquisition of subordinated CRI, they are recorded on the balance sheet as "short-term investments" at the realizable value, which is equivalent to fair value.



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**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

**2. Presentation of financial statements and summary of significant accounting policies** --Continued

**2.2. Summary of significant accounting policies** --Continued

2.2.7. Properties for sale

The Company and its subsidiaries acquire land for future real estate developments, on payment conditions in current currency or through barter transactions. Land acquired through barter transaction is stated at fair value, and the revenue and cost are recognized according to the criteria described in Note 2.2.2 (iii).

Properties are stated at construction cost, and decreased by the provision when it exceeds its net realizable value. In the case of real estate under construction, the portion in inventories corresponds to the cost incurred for units that have not yet been sold. The incurred cost comprises construction costs (materials, own or outsourced labor, and other related items), and legal expenses relating to the acquisition of land and projects, land costs and financial charges which relate to a project over the construction period.

The classification of land between current and noncurrent assets is made by Management based on the expected period for launching real estate ventures. Management periodically revises the estimates of real estate ventures launches.

2.2.8. Selling expenses - commissions

Brokerage expenditures are recorded in profit or loss under the account “Selling expenses” employing the same percentage-of-completion criteria adopted for revenue recognition. The charges related to sales commission of the buyer are not recognized as revenue or expense of the Company.

### 2.2.9. Prepaid expenses

These are recognized in profit or loss as incurred using the accrual basis of accounting.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. **Presentation of financial statements and summary of significant accounting policies** --Continued

### 2.2. **Summary of significant accounting policies** --Continued

2.2.10. Land available for sale

Land available for sale is measured at the lower of the carrying value and the fair value less the costs to sell and is classified as held for sale if its carrying value is to be recovered through a sale transaction of the land. This condition is considered fulfilled only when the sale is highly probable and the asset is available for immediate sale under its current condition. Management shall undertake to sell it in a year after the classification date.

2.2.11. Investments in subsidiaries

Investments in subsidiaries are recorded in the Company using the equity method.

When the Company's equity in the losses of subsidiaries is equal to or higher than the amount invested, the Company recognizes the residual portion in net capital deficiency since it assumes obligations and makes payments on behalf of these companies. For this purpose, the Company recognizes a provision at an amount considered appropriate to meet the obligations of the subsidiary (Note 9).

2.2.12. Property and equipment

Items of property and equipment are measured at cost, less accumulated depreciation and/or any accumulated impairment losses, if applicable.

An item of property and equipment is derecognized when no future economic benefits are expected from its use or disposal. The gain or loss arising from derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is recognized in profit or loss upon derecognition.

Depreciation is calculated based on the straight-line method considering the estimated useful lives of the assets (Note 10).

Expenditures incurred in the construction of sales stands, display apartments and related furnishings are capitalized as property and equipment of the Company and its subsidiaries. Depreciation of these assets commences upon launch of the development and is recorded over the average term the stand is in use and is written-off when it is retired.

Property and equipment are subject to periodic assessments of impairment.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

**2. Presentation of financial statements and summary of significant accounting policies** --Continued

**2.2. Summary of significant accounting policies** --Continued

2.2.13. Intangible assets

(i) Expenditures related to the acquisition and implementation of computer systems and software licenses are recorded at acquisition cost and amortized on straight-line basis over a period of up to five years, and are subject to periodic assessments of impairment of assets.

(ii) The Company's investments in subsidiaries include goodwill when the acquisition cost exceeds the market value of net assets of the acquiree.

The goodwill recorded as of December 31, 2015 and 2014 refers to acquisitions before the date of transition to CPC/IFRS (January 1, 2009), and the Company opted to not retrospectively recognize the acquisitions of investments before the transition date, to adjust any of the respective goodwill.

Impairment testing of goodwill is performed at least annually or whenever circumstances indicate an impairment loss.

2.2.14. Payables for purchase of properties and advances from customer due to barter

Payables for purchase of land are recognized at the amounts corresponding to the contractual obligations assumed. Subsequently they are measured at amortized cost, plus interest and charges proportional to the incurred period (“pro rata” basis), net of present value adjustment.

The obligations related to barter transactions of land in exchange for real estate units are stated at fair value of the units to be delivered.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies --Continued

#### 2.2.15. Income tax and social contribution

(i) *Current income tax and social contribution*

Current income tax is the expected tax payable or receivable/to be offset in relation to taxable profit for the year. In the year 2014, the Company and its subsidiaries used the Brazilian Transitory Tax Regime (RTT), which permitted the exclusion of the effect from the changes, introduced by Laws No. 11,638/2007 and No. 11,941/2009, in the tax basis of such taxes.

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

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

As permitted by legislation, the development of certain ventures are subject to the “afetação” regime, based on which the land and its features where a real estate will be developed, as well as other binding assets and rights, are separated from the assets of the developer and comprise the “patrimônio de afetação” (detached assets) of the corresponding development and which real estate units will be delivered to the buyers. In addition, certain subsidiaries made the irrevocable option for the Special Taxation Regime (RET), adopting the "patrimônio de afetação", according to which the income tax and social contribution are calculated at 1.92% on gross revenues (4% also levying PIS and COFINS on revenues).

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. **Presentation of financial statements and summary of significant accounting policies** --Continued

### 2.2. **Summary of significant accounting policies** --Continued

2.2.15. Income tax and social contribution --Continued

(ii) *Deferred income tax and social contribution*

Deferred taxes are recognized in relation to tax losses and temporary differences between the amount of assets and liabilities for accounting purposes and the corresponding amounts used for tax purposes.

They are recognized to the extent that it is probable that future taxable profit will be available to be used to offset deferred tax assets, based on profit projections made using internal assumptions and considering future economic scenarios that make it possible their full or partial use, upon the recognition of a provision for the non-realization of the balance. The recognized amounts are periodically reviewed and the impacts of realization or settlement are reflected in compliance with tax legislation provisions.

Deferred tax on accumulated tax losses does not have an expiration date, however, they can only be offset against up to 30% of the taxable profit for each year. Companies that opt for the presumed profit tax regime cannot offset tax losses for a period in subsequent years.

Deferred tax assets and liabilities are stated at net amount in the balance sheet when there is the legal right and intention to offset them when determining the current taxes, related to the same legal entity and the same tax authority.

2.2.16. Other current and non-current liabilities

These liabilities are stated at their known or estimated amounts, plus, when applicable, adjustment for charges and inflation-indexed variations through the balance sheet date, which contra-entry is recorded in profit or loss. When applicable, current and non-current liabilities are recorded at present value based on interest rates that reflect the term, currency and risk of each transaction.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies --Continued

#### 2.2.17. Stock option plans

As approved by its Board of Directors, the Company offers executives and employees share-based compensation plans ("Stock Options"), as payments for services received.

The fair value of options is determined on the grant date, considering that it is recognized as expense in profit or loss (as contra-entry to equity), to the extent services are provided by employees and executives.

In an equity-settled transaction, in which the plan is modified, a minimum expense is recognized corresponding to the expense as if the terms have not been changed. An additional expense is recognized for any modification that increases the total fair value of granted options, or that otherwise benefits the employee, measured on the modification date.

In case of cancellation of a stock option plan, this is treated as if it had been granted on the cancellation date, and any unrecognized plan expense is immediately recognized. However, if a new plan replaces the cancelled plan, and a substitute plan is designated on the grant date, the cancelled plan and the new plan are treated as if they were a modification of the original plan, as previously mentioned.

The Company annually revises its estimates of the amount of options that shall be vested, considering the vesting conditions not related to the market and the conditions based on length of service. The Company recognizes the impact of the revision of the initial estimates, if any, in the statement of profit or loss, as contra-entry to equity.

2.2.18. Share-based payment – Phantom Shares

The Company has a cash-settled share-based payment plan (phantom shares) under fixed terms and conditions. There is no expectation of the effective negotiation of shares, once there shall be no issue and/or delivery of shares for settling the plan.

According to CPC 10 (R1) – Share-based Payment, these amounts are recorded as a reserve payable, with contra-entry in profit or loss for the year, based on the fair value of the phantom shares granted, and during the vesting period. The fair value of this liability is remeasured and adjusted every reporting period, according to the change in the fair value of the benefit granted and vesting.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies --Continued

2.2.19. Other employee benefits

The salaries and benefits granted to the Company's employees and executives include fixed compensation (salaries, social security contributions (INSS), Government Severance Indemnity Fund for Employees (FGTS), vacation and 13th monthly salary, among other) and variable compensation such as profit sharing, bonus, and share-based payments. These benefits are recorded in profit or loss for the year, under the account "General and administrative expenses", as they are incurred.

The bonus system operates with individual corporate targets, structured based on the efficiency of corporate goals, followed by the business goals and, finally, individual goals.

The Company and its subsidiaries do not offer private pension or retirement plans.

2.2.20. Present value adjustment – assets and liabilities

Assets and liabilities arising from long or short-term transactions are adjusted to present value if significant.

In installment sales of not completed units, real estate development entities adjust receivables by an inflation index, including the installment related to the delivery of units, without accrual of interest, and shall be discounted to present value, as the agreed inflation indexes do not include interest.

Borrowing costs and those related to finance the construction of real estate ventures are capitalized. Therefore, the reversal of the present value adjustment of an obligation related to these items is included in the cost of real estate unit sold or in the inventories of properties for sale, as the case may be, until the period of construction of the project is completed.

Accordingly, certain assets and liabilities are adjusted to present value based on discount rates that reflect the best estimate of the value of the money over time.

The applied discount rate's underlying economic basis and assumption is the average rate of the financing and loans obtained by the Company, net of the inflation-index effect (Notes 5 and 12).

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. **Presentation of financial statements and summary of significant accounting policies** --Continued

### 2.2. **Summary of significant accounting policies** --Continued

#### 2.2.21. Debenture and public offering costs

Transaction costs and premiums on issuance of securities are accounted for as a direct reduction of amount raised by the Company. In addition, transaction costs and premiums on issuance of debt securities are amortized over the terms of the instrument and the net balance is classified as reduction of the respective transaction (Note 13).

#### 2.2.22. Borrowing costs

The borrowing costs directly attributable to the development of assets for sale and land are capitalized as part of the cost of that asset during the construction period, since there is borrowings outstanding, which are recognized in profit or loss to the extent units are sold. All other borrowing costs are recorded as expense when incurred. Borrowing costs comprise interest and other related costs incurred, including those for raising finance.

Charges that are not recognized in profit or loss of subsidiaries are recorded in the financial statements of the Company, in the account investments in non-current assets (Note 9).

2.2.23. Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) *Provision for legal claims*

The Company is party to various lawsuits and administrative proceedings. Provisions are recognized for all demands related to lawsuits which expectation of loss is considered probable.

Contingent liabilities for which losses are considered possible are only disclosed in a note to financial statements, and those for which losses are considered remote are neither accrued nor disclosed.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

**2. Presentation of financial statements and summary of significant accounting policies** --Continued

**2.2. Summary of significant accounting policies** --Continued

2.2.23. Provisions --Continued

(i) *Provision for legal claims* --Continued

Contingent assets are recognized only when there are real guarantees or favorable final and unappealable court decisions. Contingent assets with probable favorable decisions are only disclosed in the notes. As of December 31, 2015 and 2014 there are no claims involving contingent assets recorded in the balance sheet of the Company.

(ii) *Allowance for doubtful account and cancelled contracts*

The Company reviews annually its assumptions related to the establishment of its allowance for doubtful account and cancelled contracts, taking into account the review of the histories of its current operations and improvement of estimates.

The Company records an allowance for doubtful accounts and cancelled contracts for customers whose installments are past due, based on the assumptions made about each segment of the Company. This allowance is calculated based on the percentage of completion of the construction work, a methodology adopted for recognizing profit or loss for the year (Note 2.2.2).

*(iii)* Provision for penalties due to delay in construction work

As contractually provided, the Company has the practice of provisioning the charges payable to eligible customers for projects whose delivery is delayed over 180 days, pursuant to the respective contractual clause and history of payments.

*(iv)* Warranty provision

The Company and its subsidiaries recognize a provision to cover expenditures for repairing construction defects covered during the warranty period, based on the estimate that considers the history of incurred expenditures adjusted by the future expectation, except for the subsidiaries that operate with outsourced companies, which are the direct guarantors of the constructions services provided. The warranty period is five years from the delivery of the venture.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. **Presentation of financial statements and summary of significant accounting policies** --Continued

### 2.2. **Summary of significant accounting policies** --Continued

2.2.23. Provisions --Continued

*(v) Provision for impairment of non-financial assets*

When there is evidence of impairment of asset, and the net carrying value exceeds the recoverable amount, a provision for impairment is recorded, adjusting the net carrying to the recoverable value. Goodwill and intangible assets with indefinite useful lives have the recovery of their amounts tested annually, regardless whether there is any indication of impairment, by comparing to the realization value measured by cash flows discounted to present value, using a discount rate before taxes, which reflects the weighted average cost of capital of the Company.

2.2.24. Sales taxes

Expenses and assets are recognized net of sales taxes, except:

- When the sales taxes incurred in the purchase of goods or services are not recoverable from tax authorities, in which event sales taxes are recognized as a portion of the acquisition cost of the asset or expense item, as the case may be; and

- When the amounts receivable and payable are shown together with the sales taxes.

- When the net amount of sales taxes, recoverable or payable, is included as a receivables or payable item in the balance sheet.

Under the non-cumulative taxation regime, the PIS and COFINS contribution rates are 1.65% and 7.6%, respectively, for companies under the taxable profit taxation regime, levied on gross revenue and discounting certain credits determined based on incurred costs and expenses. For companies that opt for the presumed profit taxation regime, under the cumulative taxation regime, the PIS and COFINS contribution rates are 0.65% and 3%, respectively, on gross revenue, without discounts of credits in relation to incurred costs and expenses.

2.2.25. Treasury shares

Own equity instruments that are repurchased (treasury shares) are recognized at cost and charged to equity. No gain or loss is recognized in the statement of profit or loss upon purchase, sale, issue or cancellation of the Company’s own equity instruments.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 2. Presentation of financial statements and summary of significant accounting policies --Continued

### 2.2. Summary of significant accounting policies --Continued

2.2.26. Interest on equity and dividends

The proposal for distributing dividends and interest on equity made by Management that is in the portion equivalent to the minimum mandatory dividend is recorded as current liabilities in the heading "Dividends payable", as it is considered a legal obligation provided for in the By-laws of the Company.

For corporate and accounting purposes, the interest on equity is reported as allocation of profit directly to equity at gross amount.

2.2.27. Earnings (loss) per share – basic and diluted

Basic earnings (loss) per share are calculated by dividing the net income (loss) attributable (allocated) to ordinary shareholders by the weighted average number of shares outstanding over the period.

Diluted earnings per share are calculated in a similar manner, except that the shares outstanding are increased, to include the additional shares that would be outstanding, in case the shares with dilutive potential attributable to stock option had been issued over the respective periods, using the weighted average price of shares.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 3. New standards, changes and interpretation of standards issued and not yet adopted

- IFRS 9 – Financial Instruments

IFRS 9 includes the reviewed guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating the impairment of financial assets and new requirements for hedge accounting. The standard maintains the existing guidance on the recognition and derecognition of financial instruments of IAS 39. IFRS 9 is effective for years beginning on or after January 1, 2018.

- IFRS 15 – Revenue from Contracts with Customers

This standard introduces new requirements for measurement and recognition of revenue under both IFRS and U.S. GAAP. The IFRS 15 – Revenue from Contracts with Customers, requires an entity to recognize the amount of revenue reflecting the consideration it expects to receive in exchange for the control over such goods or services. The new standard is going to replace most of the detailed guidance on the recognition of revenue that currently exists under the IFRS and U.S. GAAP when it is adopted. The new standard is applicable beginning on or after January 1, 2018. The standard can be applied retrospectively, adopting a cumulative effect approach.

- IFRS 16 – Leases

This standard replaces the previous lease standard, IAS 17/CPC 06 (R1) – Leases, and related interpretation, and establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, that is, the customers (lessees) and providers (lessors). Lessors are required to recognize a lease liability reflecting the future lease payments and a “right-of-use assets” for practically all lease contracts, except certain short-term leases and contracts of low-value assets. For lessors, the criteria for recognition and measurement of leases in the financial statements are substantially maintained. This standard is effective beginning on January 1, 2019.

The Company is evaluating the effects of the IFRS 9, 15 and 16 on its financial statements and has not yet concluded its analysis on the impact of their adoption.

The Accounting Pronouncements Committee (CPC) has not yet issued an accounting pronouncement or change to effective pronouncements corresponding to all of the new IFRS. Accordingly, entities that disclose their financial statements according to the accounting practices adopted in Brazil are not permitted to early adopt such IFRS.

There is no other standard, changes to standards or interpretation issued and not yet adopted that could, on the Management’s opinion, have significant impact arising from their adoption on its financial statements.

**Gafisa S.A.**

Notes to the financial statements--Continued

December 31, 2015

(Amounts in thousands of Brazilian Reais, except as otherwise stated)

## 4. Cash and cash equivalents and short-term investments

### 4.1. Cash and cash equivalents

| | **Company** | | **Consolidated** | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Cash and banks | **31,823** | 24,501 | **69,560** | 85,059 |
| Securities purchased under resale agreements (a) | **12,221** | 9,291 | **13,080** | 24,836 |
| Total cash and cash equivalents (Note 20.ii.a and 20.iii) | **44,044** | 33,792 | **82,640** | 109,895 |

(a) Securities purchased under resale agreement comprise securities issued by Banks with a repurchase commitment by the bank, and resale commitment by the customer, at rates and terms agreed upon, backed by corporate or government securities, depending on the bank. The securities are registered with the CETIP.

As of December 31, 2015, the securities purchased under resale agreement include interest earned through the balance sheet date, ranging from 75% to 100.5% of Interbank Deposit Certificates (CDI) (from 70% to 101% of CDI in 2014). All investments are carried out with what management considers to be top tier financial institutions.

### 4.2. Short-term investments

| | Company | | Consolidated | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Fixed-income funds (a) | **192,409** | 183,150 | **279,486** | 326,977 |
| Government bonds (LFT) (a) | **10,081** | 43,640 | **18,631** | 77,911 |
| Corporate securities (LF/DPGE) (a) | **51,835** | - | **95,801** | - |
| Securities purchased under resale agreements | **11,890** | 201,957 | **25,548** | 361,226 |
| Bank certificates of deposit (a) / (b) | **54,491** | 47,702 | **101,733** | 103,219 |
| Restricted cash in guarantee to loans (c) | **20,515** | 98,828 | **31,633** | 104,039 |
| Restricted credits (d) | **9,122** | 6,765 | **76,839** | 73,987 |