Gafisa S.A.
Form 6-K
March 14, 2014

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, 2014

(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

Financial Statements

Gafisa S.A.

December 31, 2013

with Independent Auditor's Report

on the Financial Statements

(A free translation of the original report in Portuguese as published in Brazil containing Financial Statement prepared in accordance with accounting practices adopted in Brazil)

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

Gafisa S.A.

Financial Statements

December 31, 2013

Table of contents

2013 MANAGEMENT REPORT

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

Dear Shareholders,

The Management of Gafisa S.A. (“Gafisa” or the “Company”) is proud to submit to your examination this Management Report and the accompanying Financial Statements, and the related Reports of Independent Auditors and Fiscal Council, for the year ended December 31, 2013. All information is reported in millions of Reais and on a consolidated basis, except when otherwise indicated, and in accordance with the accounting practices adopted in Brazil.

MESSAGE FROM MANAGEMENT

The end of 2013 marks the completion of the work on the strategic repositioning devised by the Company in the beginning of 2012. Our goal at that time was clear: we had to reduce our indebtedness and limit the Company’s exposure in non-profitable markets and businesses. This process has positively evolved over the past two years in several fronts, among which is the improvement in margins and focus on cash generation, culminating with the sale of the 70% interest in Alphaville, which brought significant value to Gafisa, contributing to the reduction in the Company’s leverage, and adjusting its capital structure.

In the beginning of 2012 significant changes were made in our strategic positioning, through the implementation of a new structure, segmented by brand, and the appointment of respective executives, besides the redesign of each business operations. Confident that throughout 2012 we had successfully completed the initial phase of our turnaround plan, and that the cash generation was no longer a top priority, we developed a plan for 2013 aimed at achieving a better balance between cash generation, investment, deleverage and profitability, in order to begin a new cycle of sustainable development for the Company.

Gafisa ended 2013 very confident about the operating and financial results achieved over the period. The volume of launches reached R$1.6 billion for the 4Q13, consolidating R$2.9 billion in launches for the year, in line with the disclosed guidance. Sales totaled R$1.3 billion for the 4Q13 and R$2.6 billion for the year, reflecting a healthy market performance. Over 2013, with the reduction in the operational complexity, combined with the strategic consolidation of Gafisa, and the resumption of Tenda’s launches, we noted a gradual evolution of the Company’s margins, the gross margin having reached 31.2% in 2013 while it stood at 24.4% in 2012 before interests.

We should also stress the good cash performance noted in 2013, especially in the second half of the year. The Company reached an operating cash generation of R$667.6 million in 2013 in the operations of Gafisa and Tenda, attaining a free cash generation in the amount of R$97.3 million.

The completion of the Alphaville transaction represented a cash inflow of R$1.5 billion, and had a strong contribution to the profit for the 4Q13, which reached R$921.3 million, ending the year with R$867.4 million. With this event, we could adjust the capital structure of the company, reducing leverage, and arriving at a net debt to equity ratio of 36%.

The funds from the settlement of the Alphaville transaction are being used in the amortization of approximately R$700 million in corporate debt falling due until December 2014. In addition to debt reduction, the funds were used in the distribution to the Company's shareholders throughout the payment of nearly R$130 million in interest on equity in February, plus R$32 million as additional dividends, payable throughout 2014. We also launched a new share repurchase program in the amount of 32 million shares, ratifying the confidence of Gafisa in the value and future prospects for the Company.

1

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

Finally, at the end of 2013 we completed the formulation of our five-year business plan for 2014-2018. In this planning process, we set out the guidelines for the development of our business over the following years, like the expected size of Gafisa and Tenda's operations, the adequate leverage, profitability guidelines, and mainly our commitment to capital discipline and creating value to shareholder, reflected in our guidance disclosed to the market at the end of 2013.

Gafisa begins 2014 well positioned so that it is able to get benefits from all initiatives implemented in the last two years. The reduction in our operational complexity, the adjustment of our cost and expense structure, the new operating model of Tenda and the consolidation of Gafisa's strategic positioning, combined with the financial flexibility obtained with the sale of the interest in Alphaville, were important measures in the preparation of the Company for future challenges.

As a consequence, we have announced on February 7, 2014 the beginning of studies on the potential separation of the business units Gafisa and Tenda into two publicly-held and independent companies. In the Company's evaluation, the separation would be the next step in a grand management plan primarily aimed at improving and reinforcing the capacity of both business units of creating value. The management team that conducted the turnaround process is now prepared to lead Gafisa and Tenda in a profitable and sustainable way, in a moment when these brands are embarking on a new phase in the company's history.

Finally, I would like to mention that this year GAFISA commemorates its 60th anniversary, a milestone in the Brazilian real estate sector. Its many accomplishments are evidenced in development of over 1,100 real estate ventures, but the most important of all is the intensity, determination and passion that we invest to keep going forward.

Congratulations, Gafisa!

CONSOLIDATED OPERATING AND FINANCIAL PERFORMANCE

In 2013, the total launched by the Company was R$ 2.9 billion, representing a decrease of 2.2% on 2012. The volume launched is in line with the guidance on launches that the Company reported for the year, in the range R$ 2.7 to R$ 3.3 billion.

In 2013, 37 ventures/stages were launched in 11 states. In terms of total sales value, Gafisa accounted for 38% of launches for the year, Tenda for 12% and Alphaville for the remaining 50%.

Contracted sales totaled R$ 2.5 billion in 2013, stable as compared to the R$ 2.6 billion for 2012, sales of launches accounted for 60% of this total, while inventory sales accounted for the remaining 40%. In the end of the period, consolidated inventory at market value increased 9.6%, reaching R$ 3.9 billion, as compared to R$ 3.6 billion in the end of the 3Q13.

The consolidated sales-to-inventory ratio showed a strong expansion, reaching 24.8% for the 4Q13, whereas it stood at 10.6% for the previous quarter. In 2013, the consolidated sale speed reached 38.7%.

Throughout 2013, the Company delivered 13,842 units, within the range of delivery guidance for the year (13,500 – 17,500).

Regarding financial indicators, in 2013 our net sales dropped 11.7% year-on-year, totaling R$ 2.5 billion; whereas the gross profit reported for the period reached R$ 614.1 million, as compared to R$ 528.8 million in 2012, an expansion of 16.1%. The adjusted gross margin increased to 24.8%, as compared to 18.9% reported in the previous year.

Adjusted EBITDA amounted to R$978.9 million for the 4Q13 and R$1.3 billion for 2013, reflecting the contribution of the Alphaville transaction. If we do not consider the result of the Alphaville transaction, the adjusted EBITDA reached R$138.9 million for the 4Q13 and R$430.6 million for the year.

Net income for the 4Q13 reached R$921.3 million, and in 2013 the net income amounted to R$867.4 million. If we do not add the result of the Alphaville transaction, the net income amounted to R$81.3 million for the 4Q13 and R$27.4 million for the year.

Our key indicators of the balance sheet have significantly improved due to the better operating performance of the Company and also because of the contribution to liquidity from the sale of interest in Alphaville. The Gafisa Group ended 2013 with R$2.0 billion in cash, above the R$781.6 million at the end of the 3Q13.

The Company's total indebtedness was reduced to R$3.1 billion, as compared to R$3.5 billion at the end of the pervious quarter, while net indebtedness dropped to R$ 1.2 billion as of December 31, 2013, as compared to R$2.9 billion for the previous period.

The leverage level, calculated by the net debt-to-equity ratio, dropped to 36.1% in 2013, a strong reduction compared to 126.0% for the 3Q13, and also compared to 89.2% in 2012. Excluding the venture funding, the ratio stands at -26.6% (positive net cash).

2013 was marked by the successful response to important challenges. The operating and financial results for the year reflect the Company's assertiveness in the implementation of the corrective actions adopted since the beginning of the turnaround process, the maintenance of the Gafisa consolidation strategy in Rio de Janeiro and São Paulo, the reduction in the number of ventures related to the legacy, the resumption of the launches of the Tenda brand according to its new operating model, and also the improvement in the capital structure of the Company by means of the Alphaville transaction, producing the reduction in our indebtedness, thus positioning the Company for a new cycle of sustainable growth and profitability.

Gafisa Segment

Launches for the year totaled R$1.1 billion, a 32.5% decrease year-on-year, with the Gafisa segment accounting for 38% of the consolidated launches for the period.

Contracted sales for the year totaled R$ 961 million, down 39.9% on 2012. Sales of units launched over the year accounted for 60% of total, while sales of inventories accounted for the other 40%. The sale speed stood at 31.4% in 2013.

In 2012, Gafisa delivered 22 ventures/stages and 4,315 units, attaining 102% of the mean of the guidance (3,500 – 5,000) for the year.

The market value of Gafisa inventories, at the end of 2013, accounts for 52% of total inventories, reaching R$2.1 billion.

In 2013 Gafisa reached R$1.6 billion in net sales.

Tenda Segment

The year 2013 marked the resumption of Tenda's launches. Throughout 2012, Tenda worked to reduce the complexity of its operations and master the fundamentals of its new operating model.

3

Tenda resumed the launch of new ventures in 2013, reaching R$ 338.8 million in the launches of 8 new developments. In the year that has passed, the brand accounted for 12% of the consolidated launches for 2013.

In view of this new scenario, net contracted sales of Tenda for the year totaled R$490.4 million, as compared to the negative net sales of R$ 74.3 million noted in 2012. It reflected the good sales performance of the ventures launched in 2013, and also Tenda's assertiveness in the completion of works and consolidation of inventory sales. Sales speed reached for the segment stood at 44% in 2013.

We should also emphasize the strong reduction in the cancellation level noted throughout 2013, among the main factors that contributed to this reduction we could undoubtedly mention the higher efficiency and control achieved by Tenda in the process of passing on sales to financial agents. Noteworthy is that out of the R$ 338.8 million launched in 2013, we recorded sales of R$ 217.4 million, of which R$ 122.0 million were already passed on and the remaining R$ 95.4 million are in the passing on process. It also represents 1,096 units relating to Tenda's launches for the year, already effectively passed on to financial institutions.

In 2013, Tenda delivered 41 ventures/stages, and 7,027 units, attaining 101% of the mean of the guidance (6,500 – 7,500) on deliveries for the year.

The market value of Tenda inventories totaled R$ 618.4 million at the end of 2013, accounting for 16% of total inventory for the period.

In 2013, Tenda reached R$817.5 million in net sales.

Alphaville Segment

In the segment, launches for 2013 totaled R$ 1.5 billion, an increase by 9% year-on-year, accounting for 50% of consolidated launches for the period.

Net contracted sales for the year totaled R$ 1.0 billion, remaining stable as compared to the result of R$ 1.1 billion recorded in the previous year. Sales speed reached 45.6%.

In 2013, Alphaville delivered 5 ventures/stages and 2,500 units, attaining 59% of the mean of the guidance (3,500 – 5,000) on delivery for the year. The deviation in relation to the estimated guidance is related to delays in obtaining the final documentation for the effective delivery of units.

The market value of Alphaville inventories totaled R$ 1,265 billion at the end of 2013, accounting for 32% of the consolidated inventory for the period.

In 2013 Alphaville reached R$959.2 million in net sales.

People and Management

Gafisa has People as its main asset. Our team is composed of people with unique nature: aligned with the corporate vision, values and culture built throughout 60 years of history. The commitment of Gafisa People to the achievement of results and to respect to customers is the base of the competitive differential of the brand.

We have a professionalized, experienced and vanguard team in the Brazilian real estate sector. Some of the professionals that are in our staff began their careers in the Company, an example of the excellence in the management training program of Gafisa. Nearly 70% of our leaders – Executive Officers, Managers and Coordinators – were trained in house, through talent development programs: Internship, Trainee and International MBA.

§ Internship program: we have permanently in our staff about 500 interns who are Civil Engineering undergraduates.

§ Trainee program: about 20 recent graduates are employed every year. They are trained over a year, period when they are prepared to take on outstanding positions in the Company.

§ International MBA: recruiting of Brazilian youths graduated in courses abroad and who want to continue their career in Brazil.

The selection, assessment and compensation of our employees are based on the daily exercise of our values. These should be perceived by everybody in day-to-day activities, decision-making, strategic actions and in the relationship with customers, suppliers, investors and community.

The Company's employee compensation policy, which includes that of members of the Board of Director and Fiscal Council, and Officers (statutory and non-statutory) is in line with the best corporate governance practices. We thus aim at attracting and retaining the best professionals in the market. Compensation is established based on market surveys and is directly related to the alignment of the interests of the executives with those of the Company's shareholders.

The meritocratic model is based on variable compensation. A significant percentage of total compensation is tied to the fulfillment of corporate results and individual goals. All employees have individual objective goals directly related to the Company's strategy and our main business indicators.

In the case of Executive Officers and Managers, besides the short-term variable compensation, there is also a portion of long-term incentives (by granting stock options), which enable sharing the risk and results of the Company with its main executives, a characteristic of a policy that is transparent and focused on the fulfillment of long-lasting results.

Occupational safety and accident prevention are priorities. Accordingly, we maintain a continuous program for identification, prevention and mitigation of risks that aims at not only preserving the physical condition of our employees, but also offering basis for a healthier life. For us, investing in safety is ensuring wellness in and out of the work environment. We offer training programs to the fieldwork teams (directly related to works), as well as to outsourced employees, who provide services on our sites.

The Company currently counts on the collaboration of 3,345 employees in the Gafisa, Tenda and Alphaville brands (basis Dec/13).

Research & Development

Gafisa, with the objective of exercising its leading role, has since 2006 an area named Operations and Technology Development (DOT, in Portuguese), mainly focused on the search for technological innovation and process improvements that bring competitive market advantage in the market. In order to approve a development project it is necessary to analyze if the project will:

- Enhance the quality perceived by the customer,

- Reduce the construction period,

- Cut cost.

At present, DOT is composed of ten professionals who also use the resources allocated to all areas of the company in order to implement and provide feedback to development projects. Such structure requires an investment of approximately R$ 1 million per year.

Environmental protection

For each project to be launched there is a different approval dynamics, and several authorizations are required by the proper authorities, including environmental ones, since each municipality follows a specific land use regulation, and in many times their own environmental legislation. In this context, Alphaville has a fundamental role, as it contributes to the regulation of many municipalities that do not require important licenses, raising the standard and getting a closer relationship with such authorities.

At each beginning of the project, a complete research is conducted about the city's legislation, so that the Company may operate within its own standards, always considering and abiding by the local environmental legislation in the preparation of the Environmental Impact Study.

In order to assure the performance of the commitments assumed in the licensing process and minimize the environmental impacts, Alphaville created in 2008 the environmental management, which is, among other things, responsible for providing advisory on environmental licensing and monitoring construction works, mainly with the engineers in charge.

Giving continuity to the improvement in internal processes, the Company purchased environmental management software and started to store data of all stages of each venture, from licensing from proper authorities to the construction. Information such as hiring, agreements, costs and compliance with conditions are fed to the software. Therefore we created an easily accessible database, which will facilitate the preparation and setting of controls and goals. The objective is to implement over the coming years an Environmental Management System in the Company and, in this process, the employees will be trained to use and maintain (feed with data) this system.

CORPORATE GOVERNANCE

Board of Directors

The Board of Directors of Gafisa is the body responsible for making decisions and formulating general guidelines and policies related to the Company's businesses, including its long-term strategies. In addition, the Board also appoints executive officers and supervises their activities.

The Board of Directors' decisions are taken by the majority vote of its members. In case of a tie, the Board Chairman, besides his personal vote, must cast the tie-breaking vote.

The Board is formed by nine members, elected at the Annual Shareholders' Meeting, of which eight (89%) are independent, in compliance with the rules of the Novo Mercado of BM&FBovespa and also of the New York Stock Exchange (NYSE), which is stricter. The fact that the Company has 89% of independent members also meets the NYSE resolution, which sets forth that all listed companies must have a board of directors composed of a majority of independent members, while the BM&FBovespa listing rules establish a minimum of 20% of independent members. The term of office of each member is two years, with reelection permitted, and subject to removal by shareholders at a shareholders' meeting, as required by the

Novo Mercado Rules.

6

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

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

Odair Garcia Senra*	Effective Member	05/11/2012	AUG 2014
Nelson Machado	Effective Member	05/11/2012	AUG 2014
Guilherme Affonso Ferreira	Effective Member	05/11/2012	AUG 2014
Maurício Marcellini Pereira	Effective Member	05/11/2012	AUG 2014
Cláudio José Carvalho de Andrade	Effective Member	05/11/2012	AUG 2014
José Écio Pereira da Costa Junior	Effective Member	05/11/2012	AUG 2014
Gerald Dinu Reis	Effective Member	05/11/2012	AUG 2014
Rodolpho Amboss	Effective Member	05/11/2012	AUG 2014
Henri Philippe Reichstul	Effective Member	05/11/2012	AUG 2014

* Odair G. Senra is a member not independent of the board of directors, according to the NYSE rules and the Novo Mercado listing rules.

Fiscal Council

Gafisa's Bylaws provide for a non-permanent Fiscal Council, the annual shareholders' meeting being able to establish it and its members, as provided for in the Law. The Fiscal Council, when established, must be composed of three to five members, and an equal number of alternates.

The operation of the Fiscal Council, when established, ends at the first annual shareholders' meeting after its establishment, and its members can be reelected. The compensation of fiscal council members is set at the shareholders' meeting that elects them.

At the Annual Shareholders' Meeting held on April 19, 2013, the Fiscal Council was established for the fourth consecutive term of office, and will operate until the next Annual Shareholders' Meeting of the Company in 2014.

The Fiscal Council is currently composed of Messrs. Olavo Fortes Campos Rodrigues Junior, Adriano Rudek de Moura and Luis Fernando Brum de Melo as effective members, and Messrs. Marcello Mascotto Iannalfo and Marcelo Martins Louro, and Ms. Laiza Fabiola Martins de Santa Rosa as alternates.

Board of Executive Officers

Gafisa's Board of Executive Officers must be composed of a minimum of two and a maximum of eight members, including the CEO, the Financial Officer and the Investor Relations Officer, elected by the Board of Directors for a three-year term of office, their reelection being permitted, as provided for in the Bylaws.

In the current term of office, six members compose the Board of Executive Officers, the legal representative body of the Company and mainly responsible for the management and daily monitoring of the general policies and guidelines formulated at the Annual Shareholders' Meeting and the Board of Directors.

7

Alceu Duilio Calciolari	CEO	05/25/2012	05/25/2015
Andre Bergstein	CFO and Investor Relations Officer	05/25/2012	05/25/2015
Sandro Rogério da Silva Gamba	Executive Officer of Gafisa	05/25/2012	05/25/2015
Luiz Carlos Siciliano	Operations Executive Officer	05/25/2012	05/25/2015
Fernando Cesar Calamita	Operations Executive Officer	05/25/2012	05/25/2015
Rodrigo Ferreira Coimbra Pádua	Operations Executive Officer	05/25/2012	05/25/2015

Committees

The Board of Directors is supported by the following Committees:

§ **Nominating and Corporate Governance Committee:** it has the purpose of considering and periodically reporting on matters related to the size, identification, selection and qualification of the Boards of Directors and of Executive Officers, and the candidates nominated for the Board of Directors and its Committees, as well as preparing and recommending Governance principles applicable to the Company. This Committee is statutory and should be composed of three independent members of the Board of Directors of the Company.

§ **Audit Committee:** it is responsible for planning and reviewing the annual and quarterly reports of the Company – which is submitted to the review and final approval of the Board of Directors –, for the involvement of the auditors in the process and put special focus on the legal provisions and accounting standards, ensuring the maintenance of an effective internal controls system. This Committee is statutory and should be composed of three independent members of the Board of Directors of the Company, taking into account that members should have experience in matters related to accounting, audit, finance, taxation and internal controls, and one of the members must have extensive experience in accounting and financial management.

§ **Compensation Committee:** it has the duty to evaluate and make recommendations to the members of the Board of Directors regarding the policies on compensation and all forms of bonus to be provided to the Executive Officers and other employees of the Company. This Committee is statutory and should be composed of three independent members of the Board of Directors of the Company.

§ **Ethics Executive Committee:** it has the duty to monitor the practices adopted by the entire organization, assuring that they are compatible with the beliefs and values that represent Gafisa and the principles and instructions on conduct provided for in the Code of Ethics. This Committee is composed of the Executive Officers and Managers of the Company, with the duty of providing assistance to the Board of Directors and is overseen by the Audit Committee.

§ **Investment Executive Committee:** has the duty to analyze, discuss and recommend land acquisitions and new real estate developments; advise the executive officers during the negotiation of new deals and the structuring of new developments; follow-up the approval of budgets and the cash flow; and, in special cases, participate in the negotiation and structuring of new types of businesses. This Committee is composed of the Company's Statutory Officers with the duty of providing assistance to the Board of Directors.

8

§ **Finance Executive Committee:** it operates by evaluating and making recommendations to the members of the Board of Directors regarding risk and financial investments policies of the Company. This Committee is composed of the Company's Statutory Officers with the duty of providing assistance to the Board of Directors.

The members of each one of these committees can be found on the Investor Relations website of the Company: www.gafisa.com.br/ri.

Dividends, Shareholders' Rights and Share Data

In order to protect the interest of all of its shareholders equally, the Company establishes, according to the effective legislation and the best governance practices, the following rights to the holders of Gafisa's shares:

§ Vote at a Shareholders' Meeting, either Annual or Extraordinary, and make recommendation and give instructions to the Board of Directors related to decision making;

§ Receive dividends and share of profit or other distribution related to shares, in proportion to their interests in capital;

§ Oversee the management of Gafisa, according to the Bylaws, and resign from the Company in the events provided for in the Brazilian Corporate Law; and

§ Receive at least 100% of the price paid for common share of the controlling block, according to the "Novo Mercado" listing rules, in case of tender offer as a result of the disposal of the Company's control.

According to the terms of Article 36, Paragraph 2 (b) of the Bylaws, the net income for the year, calculated after the deductions prescribed in the Bylaws and adjusted as provided in Article 202 of the Brazilian Corporate Law, shall have 25% of its balance allocated to the payment of mandatory dividends to all shareholders of the Company.

In view of the result of R$921.3 million determined in the year ended December 31, 2013, the Company's management is going to propose for approval at the Annual Shareholders' Meeting the distribution of approximately R$32 million, about R$0.08 per share, in addition to the R$130 million paid as interest on equity on last February 12. This distribution of value allowed our shareholders have a dividend yield at nearly 11.0% in 2013.

CAPITAL MARKETS

The Company, which has diluted capital, continues to be the only Brazilian real estate development company to have its shares traded on the New York Stock Exchange, and has one of the most liquid shares in the real estate sector. In 2013, we reached an average daily trading volume of R$ 10.6 million at BM&FBovespa, in addition to an amount equivalent to approximately R$ 1.9 million at NYSE, totaling R$ 12.5 million in daily average volume.

In 2013, the Bovespa index recorded a drop of 15.5%, and the Company's shares ended the year at a closing price of R$3. 53 (GFSA3) and US$3.13 (GFA), which represents a drop of 25.0% and 35.2%, respectively, as compared to the closing price in 2012.

Gafisa's shares are included in the following indexes: IBOV - Bovespa, IBX - Bovespa, IBX50 – Bovespa.

Outlook for 2014

During 2013, we implemented our business plan satisfactorily and had a fourth quarter with strong operating results, with increase in launches and sales. Therefore, we ended the year with figures in line with the guidance established for 2013.

We thus announce our guidance for the following years.

Guidance on Launches (2014E)

Consolidated Launches	R$2.1 – R$2.5 bi
Breakdown by Brand	
Gafisa Launches	R$1.5 – R$1.7bi
Tenda Launches	R$600 – R$800 m

Leverage Guidance (2014E)

Consolidated data	55% - 65%

Administrative Expenses Guidance / Volume of Launches

Gafisa	7.5%
Tenda	Not Applicable

Gafisa	7.5%
Tenda	7.0%

In the Company's understanding, the Return on Invested Capital in three years shall stand between 14% and 16%, both for the Tenda and Gafisa segments.

Guidance of Return on Invested Capital (2014E)

Gafisa	14% - 16%
Tenda	14% - 16%

Independent Auditors

The policy on the Company's conduct in contracting services unrelated to external audit from our independent auditors is based on principles that preserve the autonomy of the independent auditor. These internationally accepted principles consist of the following: (a) an auditor cannot audit its own work; (b) an auditor cannot serve a management function at its client; and (c) an auditor shall not promote the interests of its clients.

According to Article 2 of CVM Instruction No. 381/03, Gafisa informs that KPMG Auditores Independentes, the independent audit firm of the Company and its subsidiaries, did not provide services other than independent audit in 2013.

2013 MANAGEMENT REPORT

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

Statement of the Board of Executive Officers

The Board of Executive Officers states, in accordance with Article 25, paragraph 1, items V and VI, of CVM Instruction 480/2009, that it revised, discussed and agrees with the Financial Statements contained in this Report and the related opinion issued in the Report of Independent Auditors.

Acknowledgements

Gafisa thanks the valuable contribution of its employees, customers, suppliers, partners, shareholders, financial institutions, governmental bodies, regulating authorities and other stakeholders for their support throughout 2013.

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

Independent Auditor's Report on the Financial Statements

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. (Company), identified as Company and Consolidated, respectively, comprising the balance sheet as of December 31, 2013 and the related statement of profit or loss, statement of comprehensive income, statement of changes in equity and cash flow statement 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

Management is responsible for the preparation and fair 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.

12

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the individual and consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error. In making those risk assessments, we 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 the 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.

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

In our opinion, the aforementioned individual (Company) and consolidated financial statements present fairly, in all material respects, the financial position of Gafisa S.A. as of December 31, 2013, and of its individual and consolidated financial performance, and its individual and consolidated 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 Federal Accounting Council (CFC)

In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gafisa S.A. as of December 31, 2013, and its 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), the Brazilian Securities Commission (CVM) and the Federal Accounting Council (CFC).

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

Emphasis of a matter

Guideline OCPC 04 issued by the Accounting Pronouncements Committee

As mentioned in Note 2.1, the individual (Company) 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 real estate development entities also consider Guideline OCPC 04 issued by the Accounting Pronouncements Committee (CPC). This guideline deals with the recognition of the revenue from this sector and involves matters related to the meaning and adoption 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 does not contain exception in view of this matter.

Other matters

Statement of added value

We have also examined the individual (Company) and consolidated statements of added value for the year ended December 31, 2013, prepared by management, whose presentation is required by Brazilian corporate law, but is not required under IFRS. These added value statements were included in the 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.

Audit of corresponding amounts

The corresponding amounts, individual and consolidated, related to the balance sheets as of January 1, 2012 (derived from the financial statements for the year ended December 31, 2011) and December 31, 2012, and the financial statements related to the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the cash flows statement and the statement of added value (supplementary information) for the year ended December 31, 2012, presented for comparison purposes, restated herein as a result of the matters described in Note 3.1, were audited by other independent auditors, who issued a report dated February 26, 2014, without any modification.

São Paulo (SP), February 26, 2014

KPMG Auditores Independentes

CRC 2SP014428/O-6

Original report in Portuguese signed by

Giuseppe Masi

Accountant CRC 1SP176273/O-7

14

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

Gafisa S.A.

Balance sheet

December 31, 2013

(In thousands of Brazilian Reais)

			Company			Consolidated	
	Notes	**2013**	**2012**	**01/01/2012**	**2013**	**2012**	**01/01/2012**
Assets			(restated)			(restated)	
Current assets							
Cash and cash equivalents	4.1	**39,032**	95,836	32,226	**215,194**	587,956	69,548
Short-term investments	4.2	**1,241,026**	307,704	90,962	**1,808,969**	979,799	788,803
Trade accounts receivable	5	**1,034,833**	826,531	1,412,866	**1,909,877**	2,493,170	3,337,157
Properties for sale	6	**780,867**	730,869	504,489	**1,442,019**	1,892,390	1,762,223
Receivables from related parties	22.1	**172,316**	156,494	118,146	**82,547**	164,884	317,005
Non-current assets held for sale	8	**7,064**	14,000	65,969	**114,847**	139,359	93,188
Derivative financial instruments	21.i.b	**183**	5,088	4,418	**183**	9,224	3,847
Prepaid expenses	-	**21,440**	40,470	41,946	**35,188**	61,685	68,711
Other accounts receivable	7	**15,749**	16,259	4,332	**71,083**	77,573	83,078
Total current assets		**3,312,510**	2,193,251	2,275,354	**5,679,907**	6,406,040	6,523,560
Non-current assets							
Trade accounts receivable	5	**182,069**	237,485	169,666	**313,791**	820,774	797,156
Properties for sale	6	**337,265**	194,765	405,958	**652,395**	274,034	701,151
Receivables from related parties	22.1	**98,272**	80,327	59,066	**136,508**	115,089	95,208
Derivative financial instruments	21.i.b	**-**	5,480	-	**-**	10,443	3,888
Other accounts receivable	7	**105,895**	119,948	95,869	**137,628**	163,145	134,654
Deferred income and social contribution tax	20	**49,099**					
		772,600	638,005	730,559	**1,240,322**	1,383,485	1,732,057
Investments	9	**2,679,833**	3,538,136	3,609,813	**1,120,076**	646,812	629,323
Property and equipment	10	**12,239**	16,908	12,074	**36,385**	46,145	50,073
Intangible assets	11	**46,023**	39,847	30,969	**106,340**	230,087	229,770
		2,738,095	3,594,891	3,652,856	**1,262,801**	923,044	909,166
Total non-current assets		**3,510,695**	4,232,896	4,383,415	**2,503,123**	2,306,529	**2,641,223**

Total assets	**6,823,205**	6,426,147	6,658,769	**8,183,030**	8,712,569	**9,164,783**

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

Gafisa S.A.

		Company			
	Notes	**2013**	**2012**	**01/01/2012**	**2013**
Liabilities			(restated)		
Current liabilities					
Loans and financing	12	**376,047**	356,781	468,455	**590,38**
Loans and financing – reclassified due to default	12	**-**	-	253,333	
Debentures	13	**354,271**	184,279	140,215	**563,83**
Debentures – reclassified due to default	13	**-**	-	1,145,961	
Payable for purchase of properties and advances from customers	18	**284,366**	246,218	232,792	**408,37**
Materials and service suppliers	-	**51,415**	44,484	54,295	**79,34**
Income and social contribution tax	-	**76,112**	-	-	**90,30**
Taxes and contributions	-	**39,663**	27,919	50,868	**126,31**
Salaries, payroll charges and profit sharing	-	**59,330**	46,901	26,996	**96,18**
Minimum mandatory dividends	-	**150,067**	-	-	**150,00**
Provision for legal claims	17	**72,119**	58,570	34,875	**72,11**
Obligations assumed on the assignment of receivables	14	**50,184**	70,360	32,567	**82,78**
Payables to venture partners	15	**108,742**	110,513	139,907	**112,88**
Payables to related parties	22.1	**202,175**	473,214	198,197	**133,67**
Other payables	16	**101,296**	90,953	98,773	**176,74**
Total current liabilities		**1,925,787**	1,710,192	2,877,234	**2,683,02**
Non-current					
Loans and financing	12	**873,137**	818,973	444,705	**1,047,92**
Debentures	13	**657,386**	989,620	-	**857,38**
Payables for purchase of properties and advances from customers	18	**35,729**	34,189	53,467	**79,97**
Deferred income and social contribution tax	20	**-**	63,926	66,801	**56,65**
Provision for legal claims	17	**67,480**	69,797	73,722	**125,80**
Obligations assumed on the assignment of receivables	14	**24,017**	62,423	264,342	**37,11**
Payables to venture partners	15	**10,794**	119,535	200,056	**10,79**
Other payables	16	**38,151**	22,047	36,489	69,87
Total non-current liabilities		**1,706,694**	2,180,510	1,139,582	**2,285,52**
Equity					
Capital	19.1	**2,740,662**	2,735,794	2,734,157	**2,740,66**
Treasury shares	19.1	**(73,070)**	(1,731)	(1,731)	**(73,07**
Capital reserves and reserve for granting stock options		**54,383**	36,964	18,066	**54,38**
Revenue reserve (accumulated losses)	19.2	**468,749**	(235,582)	(108,539)	**468,74**
		3,190,724	2,535,445	2,641,953	**3,190,72**
Noncontrolling interest		**-**	-	-	**23,75**

Total equity	**3,190,724**	2,535,445	2,641,953	**3,214,48**
Total liabilities and equity	**6,823,205**	6,426,147	6,658,769	**8,183,03**

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

16

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

Gafisa S.A.

Statement of profit or loss

Years ended December 31, 2013 and 2012

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

		Com
	Notes	**2013**
Continuing operations		
Net operating revenue	23	**1,301,152**
Operating costs		
Real estate development and sales	24	**(820,318)**
Gross profit		**480,834**
Operating (expenses) income		
Selling expenses	24	**(117,460)**
General and administrative expenses	24	**(136,720)**
Income from equity method investments	9	**165,890**
Remeasurement of investment in associate	9	**108,300**
Depreciation and amortization	10 and 11	**(50,309)**
Other income (expenses), net	24	**(98,073)**
Profit (loss) before financial income and expenses and income and social contribution taxes		**352,462**
Financial expenses	25	**(189,506)**
Financial income	25	**37,717**
Profit (loss) before income and social contribution taxes		**200,673**
Current income and social contribution taxes		**-**
Deferred income and social contribution taxes		**113,025**
Total income and social contribution taxes	20.i	**113,025**
Net profit (loss) from continuing operations		**313,698**

Net profit from discontinued operations		**553,745**
Profit (loss) for the year		**867,443**
(-) Profit (loss) attributable to:		
Noncontrolling interests		**-**
Owners of Gafisa		**867,443**
Weighted average number of shares (in thousands)	28	**426,300**
Basic earning (loss) per thousand shares - In Reais (Company)	28	**2.0348**
From continuing operations		**0.7358**
From discontinued operations		**1.2990**
Diluted earning (loss) per thousand shares - In Reais (Company)	28	**2.0226**
From continuing operations		**0.7315**
From discontinued operations		**1.2911**

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

17

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

Gafisa S.A.

Statement of comprehensive income

Years ended December 31, 2013 and 2012

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

	Company		**Consolidated**	
	2013	2012 (restated)	**2013**	2012 (restated)
Profit (loss) for the year	**867,443**	(127,043)	**867,678**	(77,679)
Total comprehensive income, net of taxes	**867,443**	(127,043)	**867,678**	(77,679)
Attributable to:				
Owners of Gafisa	**867,443**	(127,043)	**867,443**	(127,043)
Noncontrolling interests	**-**	-	**235**	49,364

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

18

Gafisa S.A.

Statement of changes in equity

Years ended December 31, 2013 and 2012

(In thousands of Brazilian Reais)

					Attributable to owners				
					Revenue reserves				
	Notes	**Capital**	**Treasury shares**	**Reserve for granting shares**	**Legal reserve**	**Reserve for investments**	**Accumulated losses**	**Total Company**	**Noncontrolli interests**
Balances at December 31, 2011 (restated)		2,734,157	(1,731)	18,066	-	-	(108,539)	2,641,953	101,6
Capital increase	19.1	1,637	-	-	-	-	-	1,637	12,4
Stock option plan	19.3	-	-	18,898	-	-	-	18,898	(1,52
Minimum mandatory dividends	-	-	-	-	-	-		-	(11,51
Loss for the year (restated)	-	-	-	-	-	-	(127,043)	(127,043)	49,3
Balances at December 31, 2012 (restated)		**2,735,794**	**(1,731)**	**36,964**	**-**	**-**	**(235,582)**	**2,535,445**	**150,3**
Capital increase	**19.1**	4,868	-	-	-	-	-	4,868	3,0
Stock option plan	**19.3**	-	-	17,419	-	-	-	17,419	2,6

Acquired treasury shares	**19.1**		(71,339)	-	-	-	-	(71,339)	(3,55
Acquisition of non-controlling interests									(120,05
Profit for the year	**-**	-	-	-	-	-	867,443	867,443	2
Allocation:	**19.2**								
Legal reserve		-	-	-	31,593	-	(31,593)	-	
Interest on equity		-	-	-	-	-	(130,192)	(130,192)	
Declared dividends		-	-	-	-	-	(32,920)	(32,920)	(9,00
Reserve for investments		-	-	-	-	437,156	(437,156)	-	
Balances at December 31, 2013		**2,740,662**	**(73,070)**	**54,383**	**31,593**	**437,156**	**-**	**3,190,724**	**23,7**

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

Gafisa S.A.

Cash flow statement

Years ended December 31, 2013 and 2012

(In thousands of Brazilian Reais)

	Company		Conso
	2013	**2012**	**2013**
Operating activities		(restated)	
Profit (loss) before income and social contribution tax	**200,673**	(227,277)	**239,368**
Expenses/(income) not affecting cash and cash equivalents:			
Depreciation and amortization (Notes 10 and 11)	**50,309**	49,194	**63,014**
Expenses for stock option plans (Note 19.3)	**17,263**	18,319	**17,419**
Unrealized interests and charges, net	**19,047**	81,425	**28,476**
Warranty provision (Note 16)	**(5,258)**	3,336	**(20,928)**
Provision for legal claims and commitments (Note 17)	**63,462**	50,956	**78,402**
Provision for profit sharing (Note 26 (iii))	**35,886**	29,433	**59,651**
Allowance for doubtful accounts and cancelled contracts (Note 5)	**(9,989)**	11,444	**(27,102)**
Provision for realization of non-financial assets:			
Properties for sale (Note 6 and 8)	**2,381**	(28,584)	**2,829**
Intangible assets (Note 11)	**962**	11,690	**962**
Income from equity method investments (Note 9)	**(165,890)**	24,249	**(7,370)**
Remeasurement of investment in associate (Note 9)	**(108,300)**	-	**(375,853)**
Financial instruments (Note 21)	**5,103**	(6,150)	**5,103**
Provision for penalties due to delay in construction works (Note 16)	**(2,010)**	(3,792)	**(21,719)**
Write-off of property and equipment, net (Notes 10 and 11)	**8,658**	6,456	**23,708**
Write-off of investments (Note 9)	**13,400**	13,400	**-**
Decrease/(increase) in operating assets			
Trade accounts receivable	**(196,927)**	242,962	**260,557**
Properties for sale and land available for sale	**(187,943)**	65,366	**(189,968)**
Other accounts receivable	**110,734**	(1,069)	**24,659**
Prepaid expenses	**19,030**	1,477	**26,497**
Increase/(decrease) in operating liabilities			

Payables for purchase of properties and advances from customers	**39,687**	(5,852)	**(19,812)**
Taxes and contributions	**11,744**	(22,949)	**(31,158)**
Materials and service suppliers	**6,931**	(9,811)	**(8,314)**
Salaries, payable charges and profit sharing	**(23,457)**	(9,527)	**(47,517)**
Other payables	**184,613**	(88,323)	**198,585**
Transactions with related parties	**13,812**	344,261	**37,772**
Paid taxes	**-**	-	**(19,609)**
Cash and cash equivalents from (used in) operating activities	**104,101**	550,634	**297,652**
Investing activities			
Acquisition of 20% in AUSA (Note 8.2)	**-**	-	**(366,662)**
Sale of controlling interests in AUSA (Note 8.2)	**896,077**	-	**1,254,521**
Purchase of property and equipment and intangible assets (Notes 10 and 11)	**(60,475)**	(69,362)	**(80,993)**
Purchase of short-term investments	**(2,927,506)**	(1,246,017)	**(4,674,281)**
Redemption of short-term investments	**1,994,183**	1,029,275	**3,681,342**
Increase in investments	**(41,651)**	-	**(102,639)**
Dividends received (Note 9)	**231,177**	25,333	**342,176**
Cash from (used in) investing activities	**91,805**	(260,771)	**53,464**
Financing activities			
Capital increase	**4,868**	1,637	**4,868**
Redeemable shares of Credit Rights Investment Fund (FIDC)	**-**	-	**(5,089)**
Increase in loans, financing and debentures	**888,031**	667,115	**1,783,183**
Payment of loans, financing and debentures - principal	**(862,510)**	(621,293)	**(1,875,270)**
Payment of loans, financing and debentures - interest	**(133,381)**	(230,263)	**(259,285)**
Assignment of receivables	**-**	77,812	**-**
Payables to venture partners	**(110,513)**	(100,000)	**(112,743)**
Loan transactions with related parties	**(39,205)**	(21,261)	**(32,449)**
Repurchase of treasury shares (Note 19.1)	**-**	-	**(71,339)**
Cash and cash equivalents from financing activities	**(252,710)**	(226,253)	**(568,124)**
Net increase/(decrease) in cash and cash equivalents	**(56,804)**	63,610	**(217,008)**
Cash and cash equivalents			
At the beginning of the year	**95,836**	32,226	**432,201**
At the end of the year	**39,032**	95,836	**215,193**
Net increase (decrease) in cash and cash equivalents	**(56,804)**	63,610	**(217,008)**

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

Gafisa S.A.

Statement of added value

Years ended December 31, 2013 and 2012

(In thousands of Brazilian Reais)

	Company		Consolidated	
	2013	**2012** (restated)	**2013**	**2012** (restated)
Revenues	**1,981,758**	1,324,761	**3,330,981**	3,040,478
Real estate development and sales	**1,418,024**	1,336,205	**2,618,737**	2,784,983
Reversal (recognition) of allowance for doubtful accounts and cancelled contracts	**9,989**	(11,444)	**81,122**	255,495
Profit from discontinued operations	**553,745**	-	**631,122**	-
Inputs acquired from third parties (including taxes on purchases)	**(886,001)**	(813,629)	**(1,904,141)**	(2,132,154)
Operating costs - Real estate development and sales	**(738,665)**	(834,468)	**(1,706,554)**	(2,119,709)
Materials, energy, outsourced labor and other	**(147,336)**	20,839	**(197,587)**	(12,445)
Gross value added	**1,095,757**	511,132	**1,426,840**	908,325
Depreciation and amortization	**(50,308)**	(49,194)	**(63,014)**	(80,238)
Net added value produced (distributed) by the Company	**1,045,449**	461,938	**1,363,826**	828,087
Added value received on transfer	**311,907**	(5,956)	**464,306**	111,422

Profit of investment stated at fair value	**108,300**	-	**375,873**	-
Income from equity method investments	**165,890**	(24,250)	**7,350**	55,603
Financial income	**37,717**	18,294	**81,083**	55,819
Total added value to be distributed	**1,357,356**	455,982	**1,828,132**	939,509
Added value distribution	**1,357,356**	455,982	**1,828,132**	939,509
Personnel and payroll charges	**171,619**	173,367	**285,276**	352,066
Taxes and contributions	**40,946**	147,405	**264,795**	321,309
Interest and rents	**277,348**	262,252	**410,618**	393,177
Interest on equity	**130,192**	-	**130,192**	-
Dividends	**32,920**	-	**32,920**	-
Retained earnings (absorbed losses) attributable to noncontrolling interests	**-**	-	**(235)**	(49,364)
Retained earnings (absorbed losses)	**704,331**	(127,042)	**704,566**	(77,679)

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

Gafisa S.A.

Notes to the individual and consolidated financial statements

December 31, 2013

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

1. Operations

Gafisa S.A. ("Gafisa" or "Company") is a publicly traded company with headquarters at Avenida das Nações Unidas, 8.501, 19º andar, in the City of São Paulo, State of São Paulo, Brazil and started 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, taking into consideration that in the case of the latter, as construction company and proxy; (ii) selling and purchasing real estate properties in general; (iii) carrying out civil construction and civil engineering services and (iv) developing and implementing marketing strategies related to its own or third party real estate ventures; and (v) investing in other companies which have similar objectives as the Company's.

Real estate development projects entered into by the Company with third parties are structured through specific purpose partnerships ("Sociedades de Propósito Específico" or– "SPEs") or the formation of consortia and condominiums. Controlled entities substantially share the managerial and operating structures and the 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 June 7, 2013, the Company disclosed a material fact informing about the signature of a contract for selling the majority interest of 70% it held in Alphaville Urbanismo ("AUSA") to Private Equity AE Investimentos e Participações S.A., represented by Blackstone Real Estate Advisors L.P and Pátria Investimentos Ltda, giving continuity to the material fact disclosed on September 10, 2012, related to the analysis of strategic options regarding the AUSA business.

On July 3, 2013, the Company disclosed a material fact informing about the acquisition of the remaining shares of AUSA, corresponding to 20% of its capital stock, through the acquisition by the subsidiary Tenda of the totality of shares of EVP Participações S.A. amounting to R$366,662, giving continuity to the material fact disclosed on June 7, 2013.

On December 9, 2013, the Company disclosed a material fact informing about the completion of the above-mentioned sale transaction. All conditions precedent for the completion of the transaction were met. The transaction was carried out with the sale of an interest of 50% by the Company and 20% by the subsidiary Tenda. As of December 31, 2013, the Company holds a remaining 30% interest in the capital of AUSA. The funds from this transaction totaled R$1,545,183, of which R$1,254,521 through payment from the AE Fund for the acquisition of shares and R$290,662 received by means of dividends distributed by AUSA.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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 February 26, 2014, the Company's Board of Directors approved these individual and consolidated financial statements of the Company and has authorized their disclosure.

The individual financial statements, identified as "Company", were prepared according to the accounting practices adopted in Brazil issued by the Accounting Pronouncements Committee (CPC) and are disclosed together with the consolidated financial statements.

The individual financial statements present the evaluation of investments in subsidiaries using the equity method, according to the effective Brazilian legislation. Accordingly, these individual financial statements are not considered to be in compliance with the IFRS, which requires these investments to be evaluated in statements separate from the Company's at fair value or cost. As there is no difference between the consolidated equity and consolidated profit or loss attributable to the owners of the Company, according to the consolidated information prepared under the IFRS and the accounting practices adopted in Brazil, and the equity and the profit or loss of the Company according the individual information prepared following the accounting practices adopted in Brazil, the Company opted for presenting this 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 the meaning and application of the continuous transfer of the risks, benefits and control over the real estate unit sales.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

Certain matters related to the meaning and application of the continuous transfer of the risks, benefits and control over the real estate unit sales have been analyzed by the International Financial Reporting Interpretation Committee (IFRIC), at the request of some countries, including Brazil. However, in view of the project for issuing a revised standard relating to revenue recognition, IFRIC has been discussing this topic in its agenda, understanding that the concept for recognizing revenue is included in the standard that is currently under discussion. Accordingly, this issue is expected to be resolved only after the revised standard relating to revenue recognition is issued.

The presentation of the Statement of Added Value (DVA), individual and consolidated, is required by Brazilian corporate legislation and the accounting practices adopted in Brazil applicable to publicly-held companies. IFRS does not require the presentation of this statement. Consequently, under IFRS this statement is presented as additional information, without causing harm to the financial statements as a whole.

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. The Company is in compliance with all of its debt covenants at the date of issue of these 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 capacity of interfering in these returns because of the power that it exerts over the entity. The subsidiaries are fully consolidated from the date when the control is transferred to the Company. The consolidation is interrupted from the date when the Company ceases to have control. As of December 31, 2013 and 2012, the Consolidated Financial Statements include the full consolidation of the following companies, respectively:

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.1.1. Consolidated financial statements --Continued

	Interest %	
	2013	**2012**
Gafisa (*)	100	100
Construtora Tenda and subsidiaries (Tenda) (*)	100	100
Alphaville Urbanismo and subsidiaries (AUSA) (*) (a)	-	80

(*) Does not include jointly-controlled investees, which as of January 1st, 2013 are accounted for under the equity method, according to the CPCs 18(R2) and 19(R2) (See Note 3).

(a) According to Note 1, the Company sold its controlling interests in AUSA. According to CPC 31 – Non-current Asset Held for Sale and Discontinued Operation, for purposes of comparability, the information in the statements of profit or loss as of December 31, 2012 were restated and the profit from discontinued operations is presented at a sole amount, retrospectively, in the heading "Net profit from discontinued operations". The comparative information of balance sheets was not restated, in line with CPC 31.

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 on these subsidiaries and jointly-controlled investees in Note 9.

(i) Cease of control

As defined in paragraph 25 of CPC 36 (R3) – Consolidated Statements, in the event of cease of control, the Company:

- Derecognizes (write-off):

(i) The assets (including any goodwill) and liabilities of the subsidiary at the carrying value on the date control ceases; and

(ii) The carrying value of any noncontrolling interests in the former subsidiary on the date control ceases (including any components of other comprehensive income attributed to them).

- Recognizes:

(i) The fair value of the consideration received, if any, arising from the transaction, event or circumstances that resulted in the cease of control;

(ii) Any investment retained in the former subsidiary, at its fair value, on the date control ceases.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.1.2. Functional and presentation currency

The individual (Company) and consolidated financial statements are presented in Reais (presentation currency), which is also the functional currency of the Company and its subsidiaries.

2.1.3. Presentation of segment information

The information per operating segments is presented consistently with the internal report provided to the main decision makers of operational matters, represented by the Board of Executive Officers and the Statutory Board, who are responsible for allocating funds, assessing the performance of operating segments and making strategic decisions.

2.2. Summary of significant accounting policies

2.2.1. Accounting judgments, estimates and assumptions

The accounting estimates and judgments are continually evaluated based on historical experience and other factors, including expectations regarding 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 adopt assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the financial statements reporting date. Assets and liabilities subject to estimates and assumptions include the useful life of property and equipment, allowance for doubtful accounts and cancelled contracts, provision for fines due to delay in construction works, provision for impairment of assets, deferred tax assets, provision for warranty, provision for tax, labor and civil risks, and the measurement of the estimated cost of ventures and financial instruments.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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*

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*

Management reviews annually and/or when a specific event occurs the carrying amount of assets with the objective of evaluating events or changes in the economic, operational or technological circumstances that may indicate a decrease or loss of its recoverable amount. Should such evidence exist, and the carrying amount exceeds the recoverable amount, a provision is recognized by adjusting the carrying amount to the recoverable amount. These impairment losses are recorded in the statement of profit or loss when found. A test for impairment of intangible assets with indefinite useful lives and goodwill for expected future return is performed at least annually or when circumstances indicate a decrease in the carrying amount.

The carrying amount of an asset or of a certain cash-generating unit is defined as the highest between the value in use and the net sales value.

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

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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. <u>Accounting judgments, estimates and assumptions</u> --Continued

(ii) *Estimates and assumptions* --Continued

a) *<u>Impairment of non-financial assets</u> --Continued*

The value less costs to sell is determined, whenever possible, based on a binding sale agreement in an arm's length transaction between the knowledgeable and willing parties, adjusted by expenses attributable to the sale of the asset, or, in the absence of a binding sale agreement, based on the market price in an active market, or on a recent transaction with similar assets.

The main assumptions used for determining the recoverable amount of cash-generating unit are detailed in Note 11.

b) *<u>Inventory of properties for sale</u>*

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

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

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

b) *Inventories of properties for sale* --Continued

Land can be acquired in cash, in installments, bartered for units of a building to be constructed, bartered for units that are completed or in construction of other ventures, or bartered for receivables from future sales of ventures. The cost of land related to bartered units is formed by the estimated sale price in cash, this fair value being recorded as a contra-entry to the advances from customers-barter.

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

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

29

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

b) *Inventory of properties for sale* --Continued

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

c) 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. 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 19.3.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

d) Provision for legal claims

The Company recognizes a provision for tax, labor and civil claims (Note 17). The assessment of the probability of a loss includes the evaluation of the available evidence, the hierarchy of Laws, existing case law, the latest court decisions and their significance in the judicial system, as well as the opinion of external legal counsel. The provisions are reviewed and adjusted to take into account the changes in circumstances, such as the applicable statute of limitations, findings of tax inspections, or additional exposures found based on new court issues or decisions. The settlement of transactions involving these estimates may result in amounts different from those estimated in view of the inaccuracies inherent in the process for estimating them. The Company reviews its estimates and assumptions at least annually.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

e) 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 practiced in the market, when possible; 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 presented fair value of financial instruments.

f) Estimated cost of construction

Estimated costs, mainly comprising the incurred and future costs for completing the construction projects, are regularly reviewed, according to the construction progress, and adjustments arising from reviews are made to the statement of profit or loss of the Company. The effects of such estimate reviews affects the statement of profit or loss, according to the Technical Pronouncement CPC 23 - Accounting Practices, Changes in Accounting Estimates and Errors.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

g) Taxes

There are uncertainties in relation to the interpretation of complex tax rules and to the value and timing of future taxable income. The Company and its subsidiaries are subject in the ordinary course of their businesses to assessments, audits, legal claims and administrative proceedings in civil, tax and labor matters. Depending on the subject of the investigations, legal claims or administrative proceedings that are filed against the Company and its subsidiaries, we could be adversely affected, regardless of the respective final outcome.

h) Realization of deferred income tax

The initial recognition and subsequent estimates of deferred income tax are carried out when it is probable that a taxable profit for the following years will be available to offset the deferred tax asset, based on projections of results prepared and based on internal assumptions and future economic scenarios that enable its total or partial use should a full credit be recognized.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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. <u>Recognition of revenue and expenses</u>

(i) *Real estate development and sales*

Revenues, as well as costs directly relating to real estate development units sold and not yet finished, are allocated to profit or loss over the construction period and the following procedures have been adopted:

(a) For sales of completed units, revenues are recorded when the sale is completed and the transfer of significant risks and benefits has occurred, regardless of the timing of receipts from the customer.

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

- The incurred cost (including cost of land, and other directly related expenditure with inventory production) 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 2.2.8);

- Incurred costs of units sold (including land) are measured as a percentage of total estimated cost, and this percentage is applied to the total revenues of the units sold, adjusted in accordance with the terms established in the sales contracts, thus determining the amount of revenues to be recognized in direct proportion to costs;

- Any amount of revenue recognized that exceeds the amount actually received from customers is recorded as either a current or non-current asset in the account “Trade accounts receivable”. Any amount 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";

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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. <u>Recognition of revenues and expenses</u> --Continued

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

- Interest and inflation-adjustment charges on accounts receivable from the time the units are delivered, as well as the adjustment to present value of account receivable, are included in 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;

- 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;

- 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.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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 revenues and expenses --Continued

(iii) *Barter transactions*

Barter transactions have the objective of receiving land from third parties and are settled with the delivery of apartments or transfer of portions of the revenue from the sale of real estate units. The value of land acquired by the Company and its subsidiaries is calculated based on the fair value of real estate units to be delivered. At the time of acquisition, the fair value of the land is recorded as a component of inventory of properties for sale, with a resulting advances from customers liability. 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).

(iv) *ICPC 02 - Paragraphs 20 and 21*

In compliance with the aforementioned ICPC requirements, the amounts of recognized revenues and incurred costs are presented in the statement of profit or loss, and the advances received in the account “payables for purchase of land and advances from customers”.

2.2.3. Financial instruments

Financial instruments are recognized only from the date the Company becomes a party to the contractual provisions of financial instruments, which mainly consist of cash and cash equivalents, short-term investments, accounts receivable, loans and financing, suppliers, and other debts. The book value of financial instruments that are not recognized at fair value through profit or loss is increased by any directly attributable transaction costs.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

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

(i) *Financial instruments through profit or loss*

A financial instrument is classified into fair value through profit or loss if held for trading, that is, 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 decisions on purchase and sale based on their fair value according to the strategy of investment and risk management. After initial recognition, attributable 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 fluctuations are recognized in profit or loss.

In the year ended December 31, 2013, the Company held derivative 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. Derivative instruments are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss when incurred.

After the initial recognition at fair value, derivatives are measured at fair value and the changes are recognized in the consolidated profit or loss. As of December 31, 2013, the Company had R$183 in the Company’s and consolidated statements (R$10,568 in the Company’s statements and R$19,667 in the consolidated statements in 2012), recorded in assets under the account “Derivative financial instruments” related to the interest rate swap transaction described in Note 21. The Company does not adopt the hedge accounting practice.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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*

Financial assets are classified into financial assets at fair value through profit or loss, borrowings and 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 they are included in 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 that are directly attributable to the acquisition of the financial asset.

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

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 written-off when:

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

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

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 retained all risks and benefits 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 maintained.

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

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

Financial liabilities through profit or loss include trading financial liabilities and financial liabilities designated at the initial recognition at fair value through profit or loss.

Financial liabilities are classified into held for trading when they are acquired with the objective of selling them in the short term.

Loans and financing

After initial recognition, loans and financing accruing interest are subsequently 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 individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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 written-off when the obligation is revoked, 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 changed, 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 being recognized in the statement of profit or loss.

Financial instrument – net presentation

Financial assets and liabilities are stated at their net amounts on the balance sheet if, and only if, there is a current and executable legal right to offset the recognized amounts, and if there is the intention of offsetting, or making the simultaneous realization of the asset and settlement of the liability.

(iv) *Available-for-sale financial instruments*

For available-for-sale financial instruments, the Company assesses if there is any objective evidence that the investment is recoverable at each balance sheet date. After the initial measurement, the available-for-sale financial assets are measured at fair value, with unrealized gains and losses directly recognized in other comprehensive income, when applicable; except for impairment losses of interests calculated using the effective interest rate method, and the exchange gains or losses on monetary assets that are directly recognized in profit or loss.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.4. Cash and cash equivalents and short-term investments

Cash and cash equivalents are substantially composed of demand deposits and bank deposit certificates held under resale agreements, denominated in Reais, with high market liquidity and contractual maturities that do not exceed 90 days or in regard to which there are no penalties or other restrictions for the immediate redemption thereof.

Cash equivalents are classified into 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, whose fair values approximate their carrying amounts (Note 4.2).

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

Trade account receivables are stated at cost plus accrued interest and indexation adjustments, net of adjustment to present value. The allowance for doubtful account is recorded at an amount considered sufficient by management to cover estimated losses on realization of accounts receivable that are not secured.

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, after the delivery of the units.

The balance in current assets is represented by the financial flow of installments receivable in 12 months. The remaining balance is recorded in long term, limited to the amount recorded for the financial progress.

The fair value of the revenue from units sold is stated at present value based on the discount rate whose fundamental assumptions are the average rate of the financing obtained by the Company, net of inflation, between the contract signature date and the estimated date to transfer the completed property’s keys to the buyer (beginning on the date when the keys are transferred, an interest rate of 12% a.p.r. plus inflation is applied to accounts receivable).

The discount rates adopted by the Company and its subsidiaries range from 1.98% to 3.10% for the year ended December 31, 2013 (1.92% in 2012), net of INCC;

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

Subsequently, interest accrues over time and is included in the fair value of the revenue to be appropriated, over which the percentage of completion method will be applied.

In compliance with the provisions of item 9 of CPC 30, items 33 and 34 of OCPC01, and item 33 of CPC 12, the Company, in relation to installment sale of unfinished units, recognizes receivables adjusted for inflation, including the portion related to the handover of keys, without interest charges, and are discounted to present value, since the agreed-upon inflation indexes do not include any interest component. 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 period subsequent to the handover of keys. The discount rate adopted is based on fundamental assumptions about the average rate of loans and financing obtained by the Company, net of the inflation effect, as mentioned in Note 2.2.20.

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

The Company and its subsidiaries carry out the assignment and/or securitization of receivables related to completed projects and those still under construction. This securitization is carried out through the issuance of the “Housing loan certificate (“Cédula de Crédito Imobiliário” or “CCI”), which is assigned to financial institutions that grant loans. When there is no right of recourse, this assignment is recorded as a charge to accounts receivable. When there is right of recourse against the Company, the assigned receivable is maintained in the balance sheet. The funds from assignment, when it does not have right of recourse, are classified into the account “Obligations assumed on assignment of receivable”, until certificates are settled by customers.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

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

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

The financial guarantees, when a participation is acquired (subordinated CRI) and maintained to secure disposed receivables, are recorded on the balance sheet as “short-term investments” at the realizable value, which is equivalent to fair value. As of December 31, 2013 and 2012, the Company did not have subordinated CRIs on its balance sheet.

2.2.7. Credit Rights Investment Fund (FIDC)

The Company consolidates Credit Rights Investment Fund (FIDC) in which it holds subordinated shares, subscribed and paid in by the Company in receivables.

When consolidating the FIDC in its financial statements, the Company records the receivables in trade accounts receivable and the balance of the FIDC net assets are recorded in other accounts payable, with the subordinated shares held by the Company being eliminated in the consolidation process. The financial costs of these transactions are appropriated on a “pro rata” basis under the account “financial expenses” in the statement of profit or loss.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.8. Properties for sale

Land is initially stated at cost of acquisition only once the property deeds have been transferred to the Company. Land is recognized in the heading "Advances to suppliers" when there has been no transfer of the property deeds, not being recognized in the financial statements while under negotiation, regardless of the likelihood of success or construction stage. The Company and its subsidiaries acquire a portion of their land through barter transactions, which, in exchange for the land acquired, they undertake to deliver (a) real estate of ventures under construction or (b) a portion of the revenues originating from the sale of the real estate units of ventures. Land acquired through barter transaction is stated at fair value on the acquisition date, and the revenue and cost are recognized according to the criteria described in Note 2.2.2 (b)(iii). Subsequently, the interest on payables for barter transactions is capitalized to the cost of bartered land, net of the effects of the adjustment to present value.

Properties are stated at construction cost, which cannot exceed 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 Company capitalizes interest on developments during the period of the construction, and also land, while the activities for the preparation of assets for resale are being carried out, as long as there are loans outstanding, which are recognized in profit or loss in proportion to the units sold, using the same criteria as for other costs.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.8. Properties for sale --Continued

When the cost of construction of properties for sale exceeds the expected cash flow from sales, completed or under construction, an impairment charge is recognized in the year when the carrying amount is considered no longer to be recoverable.

Properties for sale are annually reviewed, at the closing date of the year, to assess the recoverability of the carrying amount of each real estate development unit, regardless of any events or changes in macroeconomic scenarios indicating that the carrying amount may not be recoverable. If the carrying amount of a real estate development unit is not recoverable, compared to its realizable value through expected cash flows, a provision for impairment is recorded.

2.2.9. Selling expenses - commissions

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

2.2.10. Prepaid expenses

These are appropriated to profit or loss when incurred using the accrual basis of accounting.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.11. Land available for sale

Land available for sale is measured based on the lower of the carrying amount and the fair value, less the cost to sell and is classified into held for sale if its carrying amount is recovered through a sale transaction of the land, and not through the development that was supposed to be built. This condition is considered fulfilled only when the sale is highly probable and the group of assets or of disposal is available for immediate sale in its current condition. Management shall undertake to sell it in a year after the classification date.

2.2.12. Investments in subsidiaries

The Company has control over an entity when it is exposed or is entitled to variable returns arising from its involvement with the entity and has the capacity of interfering in these returns because of the power that it exerts over the entity. 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 the net capital deficiency since it assumes obligations, make payments on behalf of these companies or makes advances for future capital increase. For this purpose, the Company recognizes a provision at an amount considered appropriate to meet the obligations of the subsidiary (Note 9).

47

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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. Property and equipment

Property and equipment are recorded at cost, less any applicable accumulated depreciation and/or any accumulated impairment losses, if applicable.

A property and equipment item 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 amount of the asset) is recorded in statement of profit or loss when the asset is derecognized.

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

The residual value, useful life, and depreciation methods are reviewed at the end of each year; no change was made in relation to the information for the prior year.

Expenditures incurred for the construction of sales stands, facilities, 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 of one year.

Property and equipment are subject to periodic assessments of impairment. As of December 31, 2013 and 2012 there were no impairment indicators regarding property and equipment.

2.2.14. Intangible assets

(i) Expenditures related to the acquisition and development 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.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.14. Intangible assets --Continued

(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, 2013 and 2012, applicable to real estate development entities in Brazil, refers to acquisitions before the date of transition to CPC/IFRS (January 1, 2009), and the Company opted for not retrospectively recognizing the acquisitions before the transition date, to adjust any of the respective goodwill.

The impairment test of goodwill is carried out annually or whenever circumstances indicate an impairment loss. As of December 31, 2013 no impairment of goodwill was found.

2.2.15. 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 stated at amortized cost, that is, added, when applicable, by interest and charges proportional to the incurred period (“pro rata” basis), net of adjustment to present value.

The obligations related to barter transactions of land in exchange for real estate units are stated at fair value at the acquisition date and subsequently adjusted based on the compensation agreed between the parties, are capitalized at cost of the bartered land, net of the effects of the adjustment to present value.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.16. Income and social contribution tax on net profit

(i) *Current income and social contribution tax*

Current income tax is the expected tax payable or receivable/to be offset in relation to taxable profit or loss for the year. To calculate the current income and social contribution tax, the Company adopts the Brazilian Transitory Tax Regime (RTT), which permits the exclusion of the effect from the changes, introduced by Laws No. 11,638/2007 and No. 11,941/2009, from the tax basis of such taxes.

Taxes on income 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 provided on all temporary tax differences at the balance sheet date between the tax bases of assets and liabilities, and their carrying amounts.

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

50

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.16. <u>Income and social contribution tax on net profit</u> --Continued

(i) *Current income and social contribution* tax --Continued

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

(ii) *Deferred income and social contribution tax*

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

51

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.16. Income and social contribution tax on net profit --Continued

(ii) *Deferred income and social contribution tax* --Continued

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

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

2.2.17. Other current and non-current liabilities

These liabilities are stated at their known or estimated amounts, plus, when applicable, the corresponding charges and inflation-indexed variations through the balance sheet date, whose 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 individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.18. Stock option plans

As approved by its Board of Directors, the Company offers to executives and employees share-based compensation ("Stock Options"), according to which services are received as consideration for granted options.

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

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

53

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

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

2.2. Summary of significant accounting policies --Continued

2.2.19. Other employee benefits

The salaries and benefits granted to the Company's employees and executives include fixed compensation (salaries, social security contributions (INSS), Government Severance Indemnity Fund for Employees (FGTS), vacation and 13th monthly salary, among others) and variable compensation such as profit sharing, bonus, and share-based payment. 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 ones and, finally, individual goals.

The Company and its subsidiaries do not offer private pension or retirement plans or other post-employment benefits.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.20. 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 have receivables adjusted by 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 for amounts used 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 to the inventories of properties for sale, as the case may be, until the period of construction of the project is completed.

Accordingly, certain asset and liability items 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 individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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 ventures during the construction period and land, when the development of the asset for sale is being performed, are capitalized as part of the cost of that asset, since there are borrowings outstanding, which are recognized in profit or loss to the extent units are sold, the same criteria for other costs. All other borrowing costs are recorded as expense when incurred. Borrowing costs comprise interest and other related costs incurred, including those for raising finances.

Charges that are not appropriated to profit or loss of subsidiaries shall be 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, and it is probable future economic benefits are required to settle the payable, and a reliable estimate can be made of the amount of the obligation.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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*

The Company is party to various lawsuits and administrative proceedings. Provisions are recognized for all contingencies related to lawsuits, in which it is probable that an outflow of resources will be made to settle the contingency, and a reliable estimate can be made. The assessment of the probability of loss includes the evaluation of available evidence, the hierarchy of Laws, the available case law, the most recent court decisions, and their relevance in the legal system, as well as the opinion of external legal counsel.

Provisions are reviewed and adjusted to take into account the change in circumstances, such as the statute of limitations, findings of tax inspections, or additional identified exposures based on new issues or court decisions. Actual results may differ from management's estimates.

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

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, 2013 and 2012 there are no claims involving contingent assets recorded in the balance sheet of the Company.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

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

The Company reviews annually its assumptions to set up an allowance for doubtful account and cancelled contracts, in view of 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 over 90 past due, in several types of construction work: construction works on time, construction works delayed (within the grace period), works that are late (out of the grace period) and for delivered completed units. This allowance is calculated based on the percentage of the construction work completion, 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 provided for in contract, the Company adopts the practice of provisioning the charges payable to customers for projects with over 180 days of delay to their delivery, according to the respective contractual clause.

(iv) *Warranty provision*

The Company and its subsidiaries recognize a provision to cover expenditures for repairing construction defects covered during the warranty period, 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 individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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*

Management reviews at least annually, at each balance sheet date, the net carrying amount of assets with the objective of evaluating events or changes in economic and operational circumstances that may indicate impairment. When such evidence is found, and the net carrying amount exceeds the recoverable amount, a provision for impairment is recorded, adjusting the net carrying to the recoverable amount. The goodwill and intangible assets with indefinite useful lives have the recovery of their amounts tested annually, regardless if there are any indications 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

Revenues, expenses and assets are recognized net of sales taxes, except the following:

- 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.

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

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.24. Sales taxes --Continued

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 non-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. Statements of cash flows and added value

The statement of cash flows are prepared and presented in accordance with CVM Resolution No. 641, of October 7, 2010, which approved the accounting pronouncement CPC No. 03 (R2) – Statement of Cash Flows, issued by the Accounting Pronouncements Committee (CPC). The statements of added value are prepared and presented in accordance with CVM Resolution No. 557, of November 12, 2008, which approved the accounting pronouncement CPC No. 09 – Statement of Added value, issued by CPC.

Certain debt agreements require the Company to maintain short-term investments as guarantee for outstanding balances. Such investments are restricted while held in guarantee. The Company accounts for the investments and redemptions of such investments as investing activities in the statement of cash flows.

2.2.26. 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 individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.27. 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", because it is considered as 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.

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

Earnings (loss) per share are calculated by dividing the net profit (loss) available (allocated) to ordinary shareholders by the average number of shares outstanding over the period.

Diluted earnings per share are calculated similarly to the basic ones, except for the fact that the number of shares outstanding is increased, to include the additional shares that would be outstanding, in case the shares with dilutive potential attributable to stock option had been issued over the respective periods, using the weighted average price of shares.

2.2.29. Statement of comprehensive income

In order to meet the statutory provisions (CPC 26 (R1)), the Company reported the statement of comprehensive income in its financial statements. The Company does not have other comprehensive income other than the profit or loss for the year.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.30. Business combination

Business combination transactions are accounted for by applying the acquisition method. The cost of an acquisition is measured by the sum of the transferred consideration, measured at fair value at the acquisition date, and the amount of any noncontrolling interest in the acquiree. The costs directly attributable to the acquisition shall be recognized as expense when incurred.

In the acquisition of a business, Management measures the financial assets and liabilities assumed with the objective of classifying and designating them according to the contractual terms, economic conditions, and the pertinent conditions at the acquisition date.

Goodwill is initially measured as the excess of transferred consideration in relation to the fair value of net assets acquired (identifiable assets and liabilities assumed, net). If the consideration is lower than the fair value of the net assets acquired, the difference shall be recognized as a gain in statement of profit or loss.

After initial recognition, goodwill is measured at cost, less any accumulated impairment. For purposes of the impairment test, the goodwill acquired in a business combination, as of the acquisition date, shall be designated to each cash-generating unit of the Company that are expected to benefit from the synergies of the combination, whether or not other assets or liabilities of the acquiree are designated to these units.

In the year ended December 31, 2013, the Company carried out two business combination transactions, as follows:

(i) On February 27, 2013, regarding SPE Parque Ecoville, as detailed in Note 9.1 (i).

(ii) On September 12, 2013, regarding the real estate ventures Manhattan Square Empreendimentos Imobiliários Comercial 02 and Manhattan Square Empreendimentos Imobiliários Residencial 02, as detailed in Note 9.1 (ii).

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.31. Non-current assets held for sale and profit of discontinued operations

The Company classifies a non-current asset into held for sale if its carrying value is recoverable by means of a sale transaction. In such case, the asset or the group of assets held for sale shall be available for immediate sale on current conditions, only subject to the usual and customary terms for selling such assets held for sale. Therefore its sale is highly probable.

For a sale to be highly probable, Management shall be committed to a plan to sell the asset, and have initiated a solid program for finding a buyer and completing the plan. In addition, the asset held for sale shall be effectively held for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to be completed in up to one year after the classification date, unless events that are beyond the control of the Company change this period.

The asset held for sale is measured at the lower of its carrying value and fair value, less cost to sell. In case the carrying value exceeds its fair value, an impairment loss is recognized in the statement of profit or loss for the year. Any reversal or gain shall only be recorded until the limit of such recognized loss.

Assets and liabilities of the group of discontinued assets are reported in separate lines in assets and liabilities. The profit of discontinued operations is presented at a single amount in statement of profit or loss, which includes the total profit after income tax of these operations, less any impairment-related loss. The net cash flow amounts attributable to operating, investing and financing activities of discontinued operations are presented in Note 8.2.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

(Amounts in thousands of 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

2.2.31. Non-current assets held for sale and profit of discontinued operations—Continued

According to Note 1, on December 9, 2013, the Company disclosed a material fact informing about the completion of transaction for selling the majority interest it held in 70% of AUSA, as detailed in Note 8.2.

As required by CPC 31 – Non-current Asset Held for Sale and Discontinued Operations, for purposes of comparability, the information in the statement of profit or loss as of December 31, 2012 were restated and its retrospective effects are shown in Note 3.1.

2.2.32. Goodwill of indefinite useful life

According to Note 1, on July 3, 2013, the Company disclosed a material fact informing that the acquisition of the remaining shares of AUSA, corresponding to 20% of its capital stock, was completed through the acquisition by Tenda of the totality of shares of EVP Participações S.A., a holding company which held such remaining shares amounting to R$366,662, completing the arbitration process.

In view of this transaction, goodwill was recorded in the amount of R$252,449. With the disclosure of the material fact on December 9, 2013 informing about the completion of the sale transaction of the former subsidiary AUSA, this goodwill was included in the cost of investment in the measurement of gain in subsidiary Tenda (Note 8.2).

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

3. Pronouncements (new or revised) and interpretation adopted from 2013 or applicable as of January 1, 2014 and 2015

3.1 Pronouncements (new or revised) and interpretation adopted from January 1, 2013

The Company adopted all of the pronouncements (new or revised) and interpretations issued by the CPC applicable to its operations which were effective as of December 31, 2013.

The pronouncements (new or revised) and the interpretation listed below, issued by CPC and approved by CVM, are mandatory for the years beginning January 1, 2013 or later. They are the following:

- CPC 18 (R2) – Investments in associates and joint ventures – CVM Resolution no. 696 of December 13, 2012;
- CPC 19 (R2) – Joint arrangements – CVM Resolution no. 694 of November 23, 2012;
- CPC 33 (R1) – Employee benefits –CVM Resolution no. 695 of December 13, 2012;
- CPC 36 (R3) – Consolidated statements – CVM Resolution no. 698 of December 20, 2012;
- CPC 44 – Combined financial statements – CVM Resolution no. 708 of May 2, 2013;
- CPC 45 – Disclosure of interests in other entities – CVM Resolution no. 697 of December 13, 2012;;
- CPC 46 – Fair value measurement – CVM Resolution no. 699 of December 20, 2012; and
- OCPC 06 – Presentation of pro-forma financial information – CVM Resolution no. 709 of May 2, 2013.

Of the pronouncements listed above, the only ones that impacted the Company were CPC 19(R2), and, consequently, CPC 18(R2) and CPC 36(R3). These pronouncements establish that subsidiaries shall be fully consolidated from the date control is acquired, and continue to be consolidated until such control ceases, except the joint ventures which were stated at equity method in the individual and consolidated financial statements.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

3. Pronouncements (new or revised) and interpretation adopted from 2013 or applicable as of January 1, 2014 and 2015--Continued

3.1 Pronouncements (new or revised) and interpretation adopted from January 1, 2013--Continued

The financial statements of subsidiaries and joint-controlled investees are prepared for the same reporting year as those of the Company, adopting the accounting policies consistent with those adopted by the Company. For consolidation, the following criteria are adopted:

(i) elimination of investment in subsidiaries, as well as their Income from equity method investments;

(ii) the profit from transactions between consolidated companies, as well as those corresponding to balances of assets and liabilities are equally eliminated; and

(iii) noncontrolling interests are calculated and reported separately.

The following jointly-controlled investees, which used to be recognized in the consolidated statements under the proportionate consolidation method until December 31, 2012, are recognized under the equity method as of January 1, 2013 and for the corresponding periods reported in these financial statements.

	% - Interest	
Investees	**2013**	2012
Gafisa SPE 48 S.A. (**)	**80%**	80%
Sítio Jatiuca Emp Im.SPE Ltda.	**50%**	50%
GAFISA SPE-116 Emp. Imob. Ltda.	**50%**	50%
Gafisa SPE 47 Emp. Imob. Ltda. (**)	**80%**	80%
Gafisa SPE 85 Emp. Imob. Ltda. (**)	**80%**	80%

Gafisa SPE 71 Emp. Imob. Ltda. (**)	**80%**	80%
Manhattan Square Emp. Imob. Coml. 1 SPE Ltda.	**50%**	50%
Manhattan Square Emp. Imob. Residencial. 1 SPE Ltda.	**50%**	50%
Jardim da Barra	**50%**	50%
Gafisa SPE 65 Emp. Imob. Ltda. (**)	**80%**	80%
Costa Maggiore Emp. Imob. Ltda	**50%**	50%
Gafisa SPE 73 Emp. Imob. Ltda. (**)	**80%**	80%
Gafisa SPE 46 Emp. Imob. Ltda.	**60%**	60%
Dubai Residencial Emp. Imob. Ltda.	**50%**	50%
Gafisa SPE 113 Emp. Imob. Ltda.	**60%**	60%
Grand Park-Parque das Arvores Em. Im. Ltda	**50%**	50%
O Bosque Empr. Imob. Ltda.	**60%**	60%
Grand Park - Parque das Aguas Emp Im Ltda.	**50%**	50%
Other (*)	Several	Several

(*) Includes companies with investment balances below R$5,000.

(**)In the adoption of CPC 18 (R2) – Investments in associates and joint ventures, based on the analysis of corporate documents and past decisions, the Company found that it does not hold the control of these companies, so the equity method was adopted for consolidation.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

3. Pronouncements (new or revised) and interpretation adopted from 2013 or applicable as of January 1, 2014 and 2015--Continued

3.1 Pronouncements (new or revised) and interpretation adopted from January 1, 2013--Continued

For purposes of comparability, the corresponding balances as of December 31, 2012 and the opening balance as of January 1, 2012 were adjusted considering the aforementioned change in accounting practice. As required by CPC 23 – Accounting Practices, Changes in Accounting Estimates and Errors, the retrospective effects of the adoption of CPCs 18(R2), 19 (R2) and 36 (R3) are as follows:

	Company			**Consolidated**		
	Balances originally reported as of 12/31/2012	**Impact of the adoption of CPC 18(R2), 19(R2) and 36(R3)** (a)	**Balances, after the adoption of CPC 18(R2), 19(R2) and 36(R3)**	**Balances originally reported as of 12/31/2012**	**Impact of the adoption of CPC 18(R2), 19(R2) and 36(R3)**	**Balances, after the adoption of CPC 18(R2), 19(R2) and 36(R3)**
<u>Balance sheet</u>						
Current assets	2,193,251	-	2,193,251	7,218,690	(812,650)	6,406,040
Non-current assets	638,005	-	638,005	1,575,371	(191,886)	1,383,485
Investments	3,547,195	(9,059)	3,538,136	-	646,812	646,812
Property and equipment and intangible assets	56,755	-	56,755	276,933	(701)	276,232
Total assets	6,435,206	(9,059)	**6,426,147**	9,070,994	(358,425)	**8,712,569**
Current liabilities	1,710,192	-	1,710,192	2,879,590	(238,306)	2,641,284
Non-current liabilities	2,180,510	-	2,180,510	3,499,037	(113,581)	3,385,456
Total liabilities	3,890,702	-	**3,890,702**	6,378,627	(351,887)	**6,026,740**

Equity	2,544,504	(9,059)	2,535,445	2,692,367	(6,538)	2,685,829
Total liabilities and equity	6,435,206	(9,059)	**6,426,147**	9,070,994	(358,425)	**8,712,569**

	Company				**Consolidated**		
	Balances originally reported as of 12/31/2012	**Impact of the adoption of CPC 18(R2), 19(R2) and 36(R3)** (a)	**Impact of the adoption of CPC 31 (note 2.2.31)**	**Balances, after the adoption of CPCs 18(R2), 19(R2) and 36(R3)**	**Balances originally reported as of 12/31/2012**	**Impact of the adoption of CPC 18(R2), 19(R2) and 36(R3)**	**Impact the adoptio of CPC 31 (not 2.2.31)**
<u>Statement of profit or loss</u>							
Net operating revenue	1,202,980	-	-	1,202,980	3,953,282	(363,014)	(785,18
Operating costs	(906,310)	-	-	(906,310)	(2,941,025)	287,150	377,0
Operating (expenses) / income	(327,582)	-	-	(327,582)	(840,452)	13,535	161,7
Income from equity method investments	75,711	(2,539)	(97,421)	(24,249)	-	63,335	(7,73
Financial income	(172,116)	-	-	(172,116)	(206,940)	(8,911)	35,5
Income and social contribution taxes	2,813	-	-	2,813	(41,228)	6,589	14,4
Noncontrolling interests	-	-	-	-	(48,141)	(1,223)	
Profit from discontinued operation	-	-	97,421	97,421	-	-	204,1
Net income for the year	**(124,504)**	**(2,539)**	**-**	**(127,043)**	**(124,504)**	**(2,539)**	
<u>Cash flow</u>							
Operating activities	556,274	(5,640)	-	550,634	650,945	(33,208)	(232,86
Financing activities	(266,411)	5,640	-	(260,771)	161,488	10,336	(9,74
Investing activities	(226,253)	-	-	(226,253)	(322,894)	(104,014)	242,6
<u>Statement of added value</u>							
Net added value produced by the entity	369,680	92,258	-	461,938	1,020,761	(557,005)	364,3
Added value received on transfer	94,005	(99,961)	-	(5,956)	80,629	5,752	25,0
Added value to be distributed	463,685	(7,703)	-	455,982	1,101,390	(551,253)	389,3

(a) Amount related to capitalized financial charges of joint ventures, which became accounted for under equity method.

67

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

3. Pronouncements (new or revised) and interpretation adopted from 2013 or applicable as of January 1, 2014 and 2015--Continued

3.1 Pronouncements (new or revised) and interpretation adopted from January 1, 2013--Continued

Reconciliation of the opening balance sheet as of January 1, 2012.

	Company			**Consolidated**		
	Balances originally reported as of 01/01/2012	**Impact of the adoption of CPC 18(R2), 19(R2) and 36(R3)** (a)	**Balances, after the adoption of CPC 18(R2), 19(R2) and 36(R3)**	**Balances originally reported as of 01/01/2012**	**Impact of the adoption of CPC 18(R2), 19(R2) and 36(R3)**	**Balances, after the adoption of CPC 18(R2), 19(R2) and 36(R3)**
<u>Balance sheet</u>						
Current assets	2,275,354	-	2,275,354	7,314,358	(790,798)	6,523,560
Non-current assets	730,559	-	730,559	1,909,989	(177,932)	1,732,057
Investments	3,616,333	(6,520)	3,609,813	-	629,323	629,323
Property and equipment and intangible assets	43,043	-	43,043	282,277	(2,434)	279,843
Total assets	6,665,289	(6,520)	**6,658,769**	9,506,624	(341,841)	**9,164,783**
Current liabilities	2,877,234	-	2,877,234	4,815,939	(140,690)	4,675,249
Non-current liabilities	1,139,582	-	1,139,582	1,943,591	(197,633)	1,745,958
Total liabilities	**4,016,816**	**-**	**4,016,816**	**6,759,530**	**(338,323)**	**6,421,207**
Equity	2,648,473	(6,520)	2,641,953	2,747,094	(3,518)	2,743,576
Total liabilities and equity	**6,665,289**	**(6,520)**	**6,658,769**	**9,506,624**	**(341,841)**	**9,164,783**

(a) Amount related to capitalized financial charges of joint ventures, which became accounted for under equity method.

The notes related to the corresponding amounts that are being restated are identified as “restated”.

There is not any other new standard or interpretation issued and not yet adopted that could, in the opinion of Management, produce significant impact on the profit (loss) for the year or on the equity reported by the Company.

3.2. Pronouncements (new or revised) and interpretation applicable to the years beginning on January 1, 2014 and 2015

- IFRIC 21 – “Levies”, issued in May 2013. The IFRIC 21 interpretation clarifies when an entity should recognize a liability regarding levies according to the legislation. The liability should only be recognized when the event that gives rise to the liability takes place. This interpretation is applicable beginning as of January 1, 2014.

- IFRS 9 – “Financial Instruments”, addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and supersedes the passages of IAS 39 related to the classification and measurement of financial instruments.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

3. Pronouncements (new or revised) and interpretation adopted from 2013 or applicable as of January 1, 2014 and 2015--Continued

3.2. Pronouncements (new or revised) and interpretation applicable to the years beginning on January 1, 2014 and 2015--Continued

IFRS 9 requires the classification of financial assets into two categories: measured at fair value and measured at amortized cost. Classification is made at the initial recognition. The classification basis depends on the business model of the entity and the contractual characteristics of the cash flow of financial instruments. In relation to financial liability, the standard also maintains most of the requirements established by the IAS 39. The main change is that in the events in which the fair value option is adopted for financial liabilities, the portion of change in fair value in view of the credit risk of the entity itself is recorded in other comprehensive income and not in the statement of profit or loss, except when it results in accounting mismatch. The Company is assessing the impact of the IFRS 9.

These issued standards are not yet in effect in 2013. The early adoption of standards, although encouraged by the IASB, is not permitted by the Accounting Pronouncements Committee (CPC).

There is no other IFRS or IFRIC interpretation that are not yet in effect and that could have a significant impact on the Company.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

4. Cash and cash equivalents and short-term investments

4.1. Cash and cash equivalents

	Company			Consolidated		
	2013	**2012**	**01/01/2012**	**2013**	**2012**	**01/01/2012**
			(restated)			(restated)
Cash and banks	**11,940**	30,546	31,116	**121,222**	219,453	43,786
Securities purchased under agreement to resell (a)	**27,092**	65,290	1,110	**93,972**	368,503	25,762
Total cash and cash equivalents (Note 21.i.d and 21.ii.a)	**39,032**	95,836	32,226	**215,194**	587,956	69,548

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

As of December 31, 2013, the securities purchased under agreement to resell include interest earned from 75% to 101.8% of Interbank Deposit Certificates (CDI) (from 75% to 102.5% of CDI in 2012). All transactions are made with financial institutions considered by management to be first class.

4.2. Short-term investments

	Company	Consolidated

	2013	2012	01/01/2012 (restated)	2013	2012	01/01/2012 (restated)
Fixed-income funds (a)	**587,878**	-	-	**706,481**	1,190	2,686
Government bonds (LFT) (a)	**116,888**	-	-	**140,210**	-	-
Securities purchased under agreement to resell (a)	**328,169**	-	-	**393,648**	-	-
Bank certificates of deposit (b)	**113,611**	258,164	6,187	**291,871**	586,276	411,333
Restricted cash in guarantee to loans (c)	**74,305**	21,005	56,139	**105,380**	95,887	59,106
Restricted credits (d)	**20,175**	22,697	17,837	**171,367**	290,608	304,820
Other	**-**	5,838	10,799	**12**	5,838	10,858
Total short-term investments (Note 21.ii.a)	**1,241,026**	307,704	90,962	**1,808,969**	979,799	788,803

(a) In December 2013, a structure of exclusive Investment Funds was established aimed at earning interest on funds in excess of the variation in the Interbank Deposit Certificate (CDI). These funds have mandates of risks that are periodically monitored and observe the internal investment policies in effect.

(b) As of December 31, 2013, Bank Certificates of Deposit (CDBs) include interest earned varying from 70% to 109% (from 70% to 104% in 2012) of Interbank Deposit Certificates (CDI).The CDBs earn an average income in excess of those from securities purchased under agreement to resell; however, the Company invests in short term (up to 20 working days) through securities purchased under agreement to resell taking into account the exemption of IOF, which is not granted in the case of CDBs.

(c) Restricted cash in guarantee to loans are investments in fixed-income funds, with appreciation of shares through investments only in federal government bonds, indexed to fixed rates or to price indexes, and pledged to guarantee a portion of the Company's issuances. These amounts are periodically released, when there is a surplus of guarantee in the issuance and/or as provided for in the indenture. See further information in Notes 13 and 17(b).

(d) Restricted credits are represented by onlending of the funds from associate credit ("*crédito associativo*"), a type of government real estate financing, which are in process of approval at the Caixa Econômica Federal (a Federally owned Brazilian bank used for real estate financing purpose). These approvals are made to the extent the contracts signed with customers at the financial institutions are regularized, which the Company expect to be in up to 90 days.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

5. Trade accounts receivable of development and services

	Company			Con	
	2013	**2012**	**01/01/2012**	**2013**	**2012**
		(restated)			(r
Real estate development and sales (i)	**1,205,137**	1,068,562	1,575,022	**2,356,976**	3,638,7
(-) Allowance for doubtful accounts and cancelled contracts (i)	**(7,040)**	(17,029)	(5,585)	**(179,372)**	(260,4
(-) Adjustments to present value	**(10,188)**	(9,590)	(19,080)	**(14,484)**	(89,0
Services and construction and other receivables	**28,993**	22,073	32,175	**60,548**	24,8
	1,216,902	1,064,016	1,582,532	**2,223,668**	3,313,9
Current	**1,034,833**	826,531	1,412,866	**1,909,877**	2,493,1
Non-current	**182,069**	237,485	169,666	**313,791**	820,7

The current and non-current portions become due as follows:

	Company			Consol		
Maturity	**2013**	**2012**	**01/01/2012**	**2013**	**2012**	**0**
		(restated)			(resta	
2012	**-**	-	1,437,531	**-**	-	

2013	**-**	853,150	72,893	**-**	2,842,759
2014	**1,052,062**	109,962	49,829	**2,103,733**	350,615
2015	**95,610**	70,853	11,130	**183,140**	223,494
2016	**43,011**	15,092	9,326	**61,963**	75,692
2017 onwards	**43,447**	41,578	26,488	**68,688**	170,973
	1,234,130	1,090,635	1,607,197	**2,417,524**	3,663,533
(-) Adjustment to present value	**(10,188)**	(9,590)	(19,080)	**(14,484)**	(89,095)
(-) Allowance for doubtful account and cancelled contracts	**(7,040)**	(17,029)	(5,585)	**(179,372)**	(260,494)
	1,216,902	1,064,016	1,582,532	**2,223,668**	3,313,944

(i) The balance of accounts receivable from units sold and not yet delivered is not fully reflected in the financial statements. Its recovery is limited to the portion of the recorded revenues net of the amounts already received, according to the accounting practice mentioned in Note2.2.2(i)(b).

As of December 31, 2013. advances from clients (development and services) in excess of the revenues recorded in the period amount to R$39,868 (R$22,895 in 2012) in the Company's statements andR$48,220 (R$132,789 in 2012) in the consolidated statements, without the effect of adjustment to present value, and are classified in "Payables for purchase of properties and advances from customers" (Note 18).

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

5. Trade accounts receivable of development and services --Continued

Accounts receivable from completed real estate units financed by the Company are in general subject to annual interest of 12% plus IGP-M variation, the revenue being recorded in profit or loss in the account “Revenue from real estate development and sale, barter transactions and construction services". The interest amounts recognized, in the Company and consolidated statements for the year ended December 31, 2013 totaled, R$20,672 (R$36,357 in 2012), and R$31,419 (R$52,184 in 2012), respectively.

The balances of allowance for doubtful accounts and cancelled contracts, net of accounts receivable and properties for sale, in the amounts of R$7,040 (R$17,029 in 2012) in the Company’s statement and R$72,200 (R$80,095 in 2012) in the consolidated statement as of December 31, 2013 and 2012, are considered sufficient by the Company’s management to cover the estimate of future losses on realization of the accounts receivable.

During the years ended December 31, 2013 and 2012, the changes in the allowance for doubtful accounts and cancelled contracts are summarized as follows:

	Company	
	2013	**2012**
		(Restated)
Balance at December 31	**(17,029)**	(5,585)
Additions (Note 23)	**(10,758)**	(34,071)
Write-offs (Note 23)	**20,747**	22,627

Balance at December	**(7,040)**	(17,029)

	Consolidated		
	Receivables	Properties for sale (Note 6)	Net
Balance at December 31, 2011	(515,989)	394,830	**(121,159)**
Write-offs	255,495	(214,431)	**41,064**
Balance at December 31, 2012	(260,494)	180,399	**(80,095)**
Additions	(24,113)	14,895	**(9,218)**
Write-offs	105,235	(88,122)	**17,113**
Balance at December 31, 2013	(179,372)	107,172	**(72,200)**

The reversal of the adjustment to present value recognized in revenue from real estate development for the year ended December 31, 2013 totaled R$598 (R$9,490 in 2012), in the Company's statements and R$1,214 (R$26,495 in 2012) in the consolidated statements.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

5. Trade accounts receivable of development and services --Continued

Receivables from units not yet completed were measured at present value considering the discount rate determined according to the criteria described in Note 2.2.2. The discount rate applied by the Company and its subsidiaries ranged from 1.98 to 3.10% in 2013 (1.92% in 2012), net of Civil Construction National Index (INCC).

(ii) On June 26, 2009, the Company entered into a CCI transaction, which consists of an assignment of a portfolio comprising select residential real estate receivables from Gafisa and its subsidiaries. The Company assigned its receivables portfolio amounting to R$89,102 in exchange for cash, at the transfer date, discounted to present value, of R$69,315, classified under the account “obligations assumed on assignment of receivables”. In the year ended December 31, 2013, the remaining balance of this transaction amounts to R$12,295 (R$14,666 in 2012) (Note 14).

(iii) On June 27, 2011, the Company and its subsidiaries entered into a Definitive Assignment of Real Estate Receivables Agreement (CCI). The purpose of said Assignment Agreement is the definitive assignment by the assignor to the assignee. The assignment refers to a portfolio comprising select residential real estate receivables performed and to be performed arising out of Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$203,915 (R$185,210 – Gafisa’s interest) in exchange for cash, at the transfer date, discounted to present value, for R$171,694 (R$155,889 – Gafisa’s interest), recorded under the account “obligations assumed on the assignment of receivables” (Note 14). As of December 31, 2013, the balance of this transaction is R$13,407 (R$24,362 in 2012) in the Company’s statements and R$17,146 (R$40,376 in 2012) in the consolidated statements (Note 14).

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

5. Trade accounts receivable of development and services --Continued

(iv) On September 29, 2011, the Company and its subsidiaries entered into a Private Instrument for Assignment of Real Estate Receivables and Other Covenants. The purpose of said assignment agreement is the assignment by the assignor ("Company") to the assignee of the select portfolio of residential real estate receivables performed or to be performed from Gafisa and its subsidiaries, comprising the financial flow of the portfolio (installments, charges and the portion related to the handover of keys). The amount of real estate receivables assignment paid by the Assignee amounts to R$238,356 (R$221,376 - Gafisa's interest) on September 29, 2011. The assignment amount will be settled by the Assignee by offsetting the Housing Financial System (SFH) debt balance of its own bank. On July 6, 2012, the remaining balance was partially settled by handing over the balance of Bank Deposit Certificate (CDB) guaranteed in favor of the assignee. In the year ended December 31, 2013, the Company settled the balance of this transaction (R$8,729 in 2012 in the Company's and consolidated statement) (Note 14).

(v) On December 22, 2011, the Company and its subsidiaries entered into a Definitive Assignment of Real Estate Receivables Agreement (CCI). The purpose of said assignment agreement is the definitive assignment by the Assignor to the Assignee of a portfolio comprising select residential real estate receivables performed and to be performed from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$72,384 in exchange for cash at the transfer date, discounted to present value, amounting to R$60,097, classified into the account "obligations assumed on assignment of receivables". As of December 31, 2013 the balance of this transaction is R$10,991 (R$11,590 in 2012) in the Company's statements and R$13,686 (R$16,864 in 2012) in the consolidated statements (Note 14).

(vi) On May 9, 2012, the Company and its subsidiaries entered into a Definitive Assignment of Real Estate Receivables Agreement (CCI), which purpose is the definitive assignment by the Assignor to the Assignee of a portfolio comprising select residential real estate receivables performed and to be performed from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$64,887 in exchange for cash at the transfer date, discounted to present value, amounting to R$45,225, classified into the account "obligations assumed on assignment of receivables", and the subscription of Subordinated CRI for the unit value of R$1,809. In the year ended December 31, 2013, the Company settled the balance of this transaction, and, consequently, the totality of the Subordinated CRI share which was tied to this transaction was amortized (R$11,179 in the Company's statements and R$22,818 in the consolidated statements in 2012) (Note 14).

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

5. Trade accounts receivable of development and services --Continued

(vii) On July 6, 2012, the Company and its subsidiaries entered into an agreement for the Definitive Assignment of Real Estate Receivables Agreement (CCI). The purpose of said agreement is the definitive assignment by the Assignor to the Assignee of a portfolio comprising select residential real estate receivables performed and to be performed from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$18,207 in exchange for cash at the transfer date, discounted to present value, amounting to R$11,489 (Gafisa's interest), classified under "Obligations assumed on assignment of receivables". As of December 31, 2013, the balance of this transaction was R$2,578 (R$7,561 in 2012) in the Company's and consolidated statements (Note 14).

(viii) On November 14, 2012, the affiliate Alphaville and its subsidiaries entered into an Real Estate Receivables Assignment Agreement (CCI), whose purpose is the assignment by the Assignor to the Assignee of a portfolio comprising select residential real estate receivables performed and to be performed from the affiliate and its subsidiaries and joint ventures of the Company. The assigned gross portfolio of receivables totals $134,609 in the consolidated statements (AUSA's interest) and in exchange for cash, at the transfer date, discounted to present value, by R$110,689 in the consolidated statements (AUSA interest's), classified into the account "Obligations assumed on assignment of receivables". As of December 31, 2013, the balance of this transaction is R$10,639 in consolidated statements (R$113,462 in 2012) (Note 14).

(ix) On December 27, 2012, the Company entered into a Definitive Assignment of Real Estate Receivables Agreement (CCI), whose purpose is the definitive assignment by the Assignor to the Assignee of a portfolio comprising select residential and commercial real estate receivables performed and to be performed from Gafisa. The assigned portfolio of receivables amounts to R$72,021 in exchange for cash at the transfer date, discounted to present value, by R$61,647, classified into the account "Obligations assumed on assignment of receivables". As of December 31, 2013, , the balance of this transaction is

R$35,831 (R$62,235 in 2012) in the Company's and consolidated statements (Note 14).

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

5. Trade accounts receivable of development and services --Continued

(x) On November 29, 2013, the Company entered into a Definitive Assignment of Real Estate Receivables Agreement (CCI), whose purpose is the definitive assignment by the Assignor to the Assignee of a portfolio comprising select residential and commercial real estate receivables performed and to be performed from Gafisa and its subsidiaries. The assigned portfolio of receivables amounts to R$23,753 in exchange for cash at the transfer date, discounted to present value, by R$18,861, classified into the account “Obligations assumed on assignment of receivables”. As of December 31, 2013, the balance of this transaction is R$5,675 in the Company’s statement and R$17,154 in the consolidated statements (Note 14).

(xi) On May 28, 2013, the Company settled its obligations of Gafisa FIDC (Note 16). The Company had obligations arising from the pledge of guarantees in favor of the assignee, which were maintained by the successor of Gafisa FIDC. Until the total fulfillment of the latter, these amounts are classified in a specific account in current and non-current liabilities. As of December 31, 2013, the balance in the Company’s statements amounts to R$5,337 and in the consolidated statements amounts to R$6,381 (Note 14).

For items (ii) to (ix) above, the Company was engaged to perform, among other duties, the management of the receipt of receivables, the assignment’s underlying assets, collection of defaulting customers, among other, according to the criteria of each investor, being paid for these services.

When applicable, the difference between the face value of the portfolio of receivables and the amount discounted to present value was recorded in profit or loss in the which the transaction was made under the account “Discount related to Securitization Transaction” in the financial expenses group.

6. Properties for sale

	Company		
	2013	**2012**	**01/01/201**
			(restate
Land	**720,448**	665,100	582,95
(-) Adjustment to present value	**(1,268)**	(919)	(3,63
Property under construction	**327,343**	175,610	305,10
Real estate cost in the recognition of the provision for cancelled contracts - Note 5(i)	**-**	-	
Completed units	**74,907**	85,843	32,60
(-) Provision for realization of properties for sale	**(3,298)**	-	(6,64
	1,118,132	925,634	910,44
Current portion	**780,867**	730,869	504,48
Non-current portion	**337,265**	194,765	405,95

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

6. Properties for sale --Continued

In the years ended December 31, 2013 and 2012, the change in the provision for realization is summarized as follows:

	Company	**Consolidated**
Balance at December 31, 2012 (restated)	(6,643)	(50,049)
Additions	-	(4,018)
Write-offs	6,643	18,315
Transfer among land available for sale (Note 8.1)	-	28,089
Balance at December 31, 2012 (restated)	**-**	**(7,663)**
Additions	**(3,298)**	**(23,758)**
Write-offs	**-**	**11,009**
Transfer among land available for sale (Note 8.1)	**-**	**9,136**
Balance at December 31, 2013	**(3,298)**	**(11,276)**

The Company has undertaken commitments to build units in exchange for land, accounted for based on the fair value of the bartered units at acquisition date. As of December 31, 2013, the net balance of land acquired through barter transactions amounts to R$165,703 (R$150,396 in 2012) in the Company's statements and R$178,100 (R$187,041 in 2012) in the consolidated statements (Note 18).

As disclosed in Note 12, the balance of capitalized financial charges as of December 31, 2013 amounts to R$142,860 (R$ 135,582 in 2012) in the Company's statements and R$214,298 (R$239,327 in 2012) in the consolidated statements.

The adjustment to present value in the property for sale balance refers to the contra-entry to the adjustment to present value of payables for purchase of properties with no effect on profit or loss for the year (Note 18). The total amount of the reversal of the adjustment to present value recognized in the costs of real estate development in the year ended December 31, 2013 amounts to R$(50) (R$(796) in 2012) in the Company's statements and R$(1,137) (R$(415) in 2012) in the consolidated statements.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

7. Other accounts receivable

	Company			Consolidated		
	2013	**2012**	**01/01/2012**	**2013**	**2012**	**01/01/2012**
			(restated)			(restated)
Advances to suppliers	**2,544**	931	1,080	**5,266**	4,262	7,021
Recoverable taxes (IRRF, PIS, COFINS, among other)	**23,679**	26,804	13,417	**70,054**	76,241	95,940
Judicial deposit (Note 17)	**95,343**	101,456	85,702	**127,405**	130,371	109,411
Other	**78**	7,016	2	**5,986**	29,844	5,360
	121,644	136,207	100,201	**208,711**	240,718	217,732
Current portion	**15,749**	16,259	4,332	**71,083**	77,573	83,078
Non-current portion	**105,895**	119,948	95,869	**137,628**	163,145	134,654

8. Non-current assets held for sale

8.1 Land available for sale

The Company, in line with its strategic direction, opted to sell land not included in the Business Plan approved for 2014. Therefore, it devised a specific plan for the sale of such land. The carrying amount of such land, adjusted to market value when applicable, after the test for impairment, is shown as follows:

Consolidated

	Cost	Provision for impairment	Net balance
Balance at December 31, 2011 (restated)	**135,195**	**(42,007)**	**93,188**
Transfer of properties for sale (Note 6)	108,074	(28,089)	79,985
Reversal/Write-offs	(57,806)	23,992	(33,814)
Balance at December 31, 2012 (restated)	**185,463**	**(46,104)**	**139,359**
Transfer of properties for sale (Note 6)	14,715	(9,136)	5,579
Reversal/Write-offs	(28,068)	(2,023)	(30,091)
Balance at December 31, 2013	**172,110**	**(57,263)**	**114,847**
Gafisa and SPEs	**14,999**	**(7,935)**	**7,064**
Tenda and SPEs	**157,111**	**(49,328)**	**107,783**

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

8. Non-current assets held for sale--Continued

8.2 Non-current assets held for sale and profit from discontinued operations

As mentioned in Note 1, on December 9, 2013, the Company disclosed a material fact informing about the completion of the sale transaction of the 70% interest in AUSA. As a result of this transaction, a profit of R$553,745 was recorded in the Company's balance and R$631,122 in the consolidated balance in the heading profit from discontinued operations, as shown below:

	Company	**Consolidated**
Amount received	896,077	1,254,521
(-) Write-off of investments	(227,205)	(318,086)
(-) Write-off of goodwill	(127,380)	(379,829)
(-) Transaction cost	(16,336)	(16,336)
	525,156	**540,270**
Income from equity method investments	104,701	166,964
Tax expenses	(76,112)	(76,112)
	553,745	**631,122**

In order to meet the provisions of paragraph 38 of CPC 31 – Non-current Asset Held for Sale and Discontinued Operations, the Company shows below the main lines of the statement of profit or loss and cash flows of AUSA:

Statement of profit or loss	**2013(a)**	**2012** (restated)
Net operating revenue	810,397	785,182

Operating costs	(429,066)	(377,071)
Operating expenses, net	(137,920)	(159,448)
Depreciation and amortization	(2,918)	(2,262)
Income from equity method investments	3,445	7,732
Financial expenses	(27,258)	(35,588)
Income and social contribution tax	(21,783)	(14,417)
	194,897	204,128
Noncontrolling interests	(18,459)	(7,543)
Profit for the year	176,438	196,585

Cash flows	**2013(a)**	**2012** (restated) (restated)
Operating activities	(197,093)	63,010
Investing activities	66,664	(52,455)
Financing activities	(1,350)	119,359

(a) Balance referred to the period ended December 9, 2013, date of completion of the sale of controlling interests in AUSA.

79

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

9. Investments in subsidiaries

(i) Ownership interest

(a) *Information on subsidiaries and jointly-controlled investees*

									Company		Consolid
	Ownership interest - %		**Total assets**	**Total liabilities**	**Equity and advance for future capital increase**		**Profit (loss) for the period**		**Investments**		
Direct investees	**2013**	**2012**	**2013**	**2013**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
						(restated)		(restated)		(restated)	(
Construtora Tenda S.A.	**100%**	**100%**	2,411,798	1,283,829	1,127,969	1,845,739	(90,926)	(123,601)	1,127,969	1,845,739	-
Alphaville Urbanismo S/A	**10%**	**60%**	1,853,605	1,395,917	454,054	533,218	176,021	157,268	45,405	319,931	136,216
Shertis	**100%**	**100%**	358,394	90,979	267,415	104,144	211,489	38,967	267,340	104,144	(75)
Gafisa Spe 89 Ltda.	**100%**	**100%**	80,853	3,197	77,656	67,668	23,388	21,605	77,656	67,668	-
Gafisa Spe 51 Ltda.	**100%**	**100%**	64,616	7,239	57,377	52,351	(399)	(6,676)	57,377	52,351	-
Parque Ecoville Spe 29	**100%**	**50%**	127,256	87,248	40,008	32,292	8,101	10,461	40,008	16,146	-
Gafisa Spe 48 Ltda. (a)	**80%**	**80%**	73,011	4,359	68,652	68,687	(35)	13,967	54,922	54,950	54,922
	100%	**100%**	49,602	8,006	41,596	45,868	(4,272)	2,564	41,596	45,868	-

Gafisa Spe 72 Ltda.											
Gafisa Spe-116 Empr Imob (a)	**50%**	**50%**	84,163	2,088	82,075	64,030	8,939	5	41,038	32,015	41,038
Edsp 88 - Cipesa Holding	**100%**	**100%**	39,895	12	39,883	46,479	(6,596)	(1,171)	39,883	46,479	-
Sitio Jatiuca (a)	**50%**	**50%**	69,962	5,927	64,035	69,989	(5,951)	10,083	32,018	34,995	32,018
Citta Ville	**50%**	**50%**	60,880	4,994	55,886	17,098	2,365	(3,493)	27,943	17,098	-
Gafisa Spe 41 Ltda.	**100%**	**100%**	28,310	1,953	26,357	26,858	(502)	(5,646)	26,357	26,858	-
Gafisa Spe 50 Ltda.	**100%**	**100%**	26,599	762	25,837	26,283	(446)	(377)	25,837	26,283	-
Gafisa Spe-110 Empr Imob	**100%**	**100%**	58,909	33,164	25,745	15,457	10,288	3,987	25,745	15,457	-
Gafisa Spe 31 Ltda.	**100%**	**100%**	25,794	300	25,494	26,014	(520)	(861)	25,494	26,014	-
Gafisa Spe 47 Ltda. (a)	**80%**	**80%**	31,274	(1)	31,275	31,151	(1)	(387)	25,020	24,921	25,020
Parque Arvores (a)	**50%**	**50%**	44,798	6,808	37,990	13,871	9,749	(14,321)	24,550	6,936	24,550
Manhattan Comercial 01 (a)	**50%**	**50%**	67,186	25,556	41,630	29,501	4,337	188	20,815	14,751	20,815
Gafisa Spe 32 Ltda.	**100%**	**100%**	19,103	1,033	18,070	18,043	27	(1,386)	18,070	18,043	-
Gafisa Spe 30 Ltda.	**100%**	**100%**	17,600	1,567	16,033	16,243	(210)	(2,357)	16,033	16,243	-
Gafisa Spe 71 Ltda. (a)	**80%**	**80%**	21,034	1,417	19,617	18,908	709	49	15,694	15,126	15,694
Varandas (a)	**50%**	**50%**	105,756	79,774	25,982	6,136	2,341	2,664	12,991	3,068	12,991
Apoena	**100%**	**80%**	14,150	1,209	12,941	13,253	1,198	6,095	12,941	10,602	-
Dubai Residencial (a)	**50%**	**50%**	21,319	1,919	19,400	19,578	10,985	(1,623)	12,895	9,789	12,895
Fit 13 Spe Empr Imobiliários Ltda. (a)	**50%**	**50%**	37,711	6,504	31,207	47,958	15,386	37,924	12,203	26,939	-
Parque Aguas (a)	**50%**	**50%**	20,722	3,534	17,188	7,004	3,671	(1,155)	11,640	3,502	11,640
Alta Vistta (a)	**50%**	**50%**	24,024	1,081	22,943	22,124	819	1,326	11,472	11,062	11,472
Gafisa Spe 65 Ltda. (a)	**80%**	**80%**	16,213	2,382	13,831	14,214	(383)	2,075	11,065	11,371	11,065
	80%	**80%**	13,525	136	13,389	12,668	8	(2,968)	10,711	10,134	10,711

Gafisa Spe 73 Ltda (a).											
Gafisa Spe-111 Empr Imob	**100%**	**100%**	34,509	23,948	10,561	4,556	6,005	658	10,561	4,556	-
Gafisa Spe-123 Empr Imob	**100%**	**100%**	45,340	34,878	10,462	5,953	4,508	8,525	10,462	5,953	-
Costa Maggiore (a)	**50%**	**50%**	17,131	1,668	15,463	19,426	3,789	2,189	10,307	10,379	10,307
Gafisa Spe-119 Empr Imob	**100%**	**100%**	30,237	20,074	10,163	5,043	5,120	(3,129)	10,163	5,043	-
Gafisa Spe 46 Ltda. (a)	**60%**	**60%**	18,551	2,160	16,391	16,585	(194)	294	9,835	9,951	9,835
Gafisa Spe-113 Empr Imob (a)	**60%**	**60%**	47,942	32,294	15,648	15,795	(3,559)	10,217	9,389	9,477	9,389
Gafisa Spe 38 Ltda.	**100%**	**100%**	8,332	442	7,890	7,850	40	(1,574)	7,890	7,850	-
Gafisa Spe 36 Ltda.	**100%**	**100%**	8,269	578	7,691	6,605	1,087	(2,315)	7,691	6,605	-
Gafisa Spe 37 Ltda.	**100%**	**100%**	7,629	818	6,811	6,647	164	2,601	6,811	6,647	-
Aram	**100%**	**80%**	13,328	7,347	5,981	13,207	1,328	(2,478)	6,387	8,391	306
Gafisa Spe 27 Ltda.	**100%**	**100%**	6,528	555	5,973	5,430	543	(1,995)	5,973	5,430	-
Gafisa Spe 42 Ltda.	**100%**	**100%**	7,414	1,620	5,794	5,881	(97)	(4,659)	5,794	5,881	-
Gafisa Spe-85 Empr Imob L (a)	**80%**	**80%**	71,791	64,727	7,064	22,890	(15,952)	148	5,651	18,312	5,651
O Bosque Empr. Imob. Ltda. (a)	**60%**	**60%**	9,208	85	9,123	9,371	(701)	(374)	5,460	5,623	5,460
80											

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

9. Investments in subsidiaries --Continued

(i) Ownership interest --Continued

(a) *Information on subsidiaries and jointly-controlled investees* --Continued

										Company
	Ownership interest - %		**Total assets**	**Total liabilities**	**Equity and advance for future capital increase**		**Profit (loss) for the period**		**Investme**	
Direct investees	**2013**	2012	**2013**	**2013**	**2013**	2012 (restated)	**2013**	2012 (restated)	**2013**	2012 (restated)
Gafisa Spe 22 Ltda.	**100%**	**100%**	5,864	609	5,255	5,280	(25)	(1,381)	5,255	5,280
Gafisa Spe 53 Ltda.	**100%**	**100%**	5,688	1,606	4,082	5,455	(1,379)	(3,084)	4,082	5,455
Gafisa Spe-118 Empr Imob	**100%**	**100%**	3,498	7	3,491	3,496	(5)	115	3,491	3,496
Manhattan Residencial 02	**100%**	**50%**	19,655	16,826	2,829	-	(46)	(61)	3,211	1,209
Gafisa Spe 35 Ltda.	**100%**	**100%**	2,955	102	2,853	-	94	(2,480)	2,853	2,759
OCPC01										
Adjustment – Capitalized interests(b)			-	-	-	-	-	-	24,185	20,993
Other			450,245	328,096	122,148	93,246	(34,119)	(144,423)	31,898	76,809
	80%	**100%**	51,598	4,006	47,591	39,628	-	(1,681)	-	-

Gafisa Spe 55 Ltda.										
Saí Amarela S/A	**50%**	**50%**	2,366	430	1,935	3,001	(153)	3,679	-	-
Sunshine SPE S/A	**60%**	**60%**	1,137	777	360	3,373	(14)	(410)	-	-
Other			18,152	345	17,806	3,247	(18,396)	(5,379)	-	-
Indirect subsidiaries Gafisa			73,253	5,558	67,692	49,249	(18,563)	(3,791)	-	-
Consolidated FIT 13	**50%**	**50%**	37,711	6,504	31,207	47,958	15,386	37,924	-	-
Fit Jardim Botanico Spe	**55%**	**55%**	39,816	413	39,404	15,256	1,303	1,759	-	-
Fit 34 Spe Emp. Imob.	**70%**	**70%**	31,774	1,810	29,964	8,516	4,286	602	-	-
Fit Spe 11 Emp. Imob.	**70%**	**70%**	57,144	29,692	27,452	8,543	6,180	2,712	-	-
Ac Participações	**80%**	**80%**	39,255	15,500	23,755	(85)	1,929	(1,328)	-	-
FIT 31 SPE Emp. Mob.	**70%**	**70%**	37,607	22,452	15,155	8,138	(5,303)	2,043	-	-
Maria Ines Spe Emp. Imob.	**60%**	**60%**	21,279	443	20,836	3,297	305	297	-	-
Fit Planeta Zoo/Ipitanga	**50%**	**50%**	17,619	663	16,957	12,887	(378)	-	-	-
Fit Spe 03 Emp. Imob	**80%**	**80%**	10,937	893	10,044	-	(2,041)	(2,558)	-	-
Cittá Itapoan	**50%**	**50%**	16,293	939	15,354	1,870	(597)	-	-	-
FIT SPE 02 Emp. Mob.	**60%**	**60%**	11,770	12	11,758	(2,871)	2	248	-	-
Fit Cittá Imbuí	**50%**	**50%**	9,469	570	8,899	9,097	(203)	-	-	-
Parque Dos Pássaros	**50%**	**50%**	40,755	5,526	35,230	3,415	9,538	-	-	-
Fit Campolim Spe	**55%**	**55%**	6,534	(90)	6,623	-	(8)	42	-	-
Klabin Segall Fit 1 Spe Ltda	**50%**	**50%**	7,147	17	7,130	6,305	(90)	-	-	-
Other			88,013	18,084	69,928	969	11,978	(118)	-	-
Indirect subsidiaries Tenda			473,123	103,428	369,696	123,295	42,287	41,623	-	-
Spe Leblon S.A.	**-**	90%	-	-	-	44,360	-	-	-	-
Krahô Empreendimentos Imobiliário S.A.	**-**	48%	-	-	-	28,205	-	-	-	-
SL Sociedade Loteadora Ltda.	**-**	40%	-	-	-	40,551	-	-	-	-
Alphaville Reserva Santa Clara Empreendimentos Imobiliarios Ltda	**-**	25%	-	-	-	14,566	-	-	-	-
Other			-	-	-	29,175	-	-	-	-
Indirect subsidiaries AUSA			-	-	-	156,857	-	-	-	-

Subtotal	7,228,552	3,678,427	3,546,489	3,894,944	360,739	37,832	2,360,037	3,140,582	7
Other investments (c)							91,056	226,131	
Goodwill on acquisition of subsidiaries (d)							43,080	171,423	
Goodwill based on inventory surplus (Note 9.1)							77,360	-	
Addition to remeasurement of investment in associate (e)									
Gafisa							108,300	-	1
Shertis							-	-	2
Total investments							**2,679,833**	3,538,136	**1,**

(*)Includes companies with investment balances below R$3,000.

81

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

9. Investment in subsidiaries --Continued

(i) Ownership interest --Continued

(a) *Information on subsidiaries and jointly-controlled investees* —Continued

									Company		Consolidat	
	Interest - %		**Total assets**	**Total liabilities**	**Equity and advance for future capital increase**		**Profit (loss) for the period**		**Provision for capital deficier**			
Direct investees	**2013**	2012	**2013**	**2013**	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	20
Provision for capital deficiency (f):						(restated)		(restated)		(restated)		(rest
Manhattan Square Emp. Imob. Res.1SPELtda	**50%**	50%	**146,102**	**189,385**	**(43,283)**	(29,760)	**(1,401)**	(7,389)	**(21,642)**	(14,880)	**(10,821)**	(18
Gafisa SPE 117 Emp .Im .Ltda.	**100%**	100%	**15,187**	**20,922**	**(5,735)**	(5,918)	**182**	(5,953)	**(5,735)**	(5,918)	**-**	
Gafisa SPE45 Emp .Im. Ltda.	**100%**	100%	**6,664**	**12,062**	**(5,398)**	81	**(5,479)**	480	**(5,398)**	81	**-**	

Gafisa SPE 69 Emp. Im. Ltda.	**100%**	100%	**4,190**	7,052	**(2,862)**	(2,172)	**(690)**	(4,359)	**(2,862)**	(2,172)	**-**	
Península SPE2 S/A	**50%**	50%	**1,117**	5,004	**(3,887)**	(4,521)	**420**	(3,743)	**(1,943)**	(1,851)	**(972)**	(2
Other (*)			134,719	125,931	8,788	(11,236)	8,611	(9,012)	(6,020)	(10,830)	(13,656)	
Total provision for capital deficiency			**307,979**	360,356	**(52,377)**	(53,525)	**1,643**	(29,976)	**(43,600)**	(35,570)	**(25,448)**	(19
Total Income from equity method investments									**-**	-	-	

(a) Joint ventures.

(b) Charges not appropriated to the profit or loss of subsidiaries, as required by paragraph 6 of OCPC01.

(c) As a result of the establishment in January 2008 of a unincorporated venture (SCP), the Company holds interests in such company that as of December 31, 2013 amounts to R$91,056 (December 31, 2012 - R$226,131) - Note 15.

(d) See composition in Note 11.

(e) According to Note 1, with the sale of and cease of control over AUSA, and in line with the definition provided for in paragraph 25 of CPC 36 (R3) – Consolidated Statements, the Company derecognized the assets and liabilities of AUSA of the financial statements as of December 31, 2013, and recognized the addition related to the remeasurement of the portion of the remaining investment of 30%, in the amount of R$375,853, of which R$108,300 refers to the portion of 10% in Gafisa and R$267,553 refers to the portion of 20% in Shertis.

(f) Provision for capital deficiency is recorded in account “Other payables” (Note 16).

82

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

9. **Investment in subsidiaries** --Continued

(b) *Change in investments*

	Company	
	2013	**2012**
		(restated)
Opening balance at December 31	**3,544,335**	3,609,813
Income from equity method investments	**165,890**	(24,249)
Income from equity method investments of discontinued operation	**104,701**	97,421
Portions of the continuing operations of AUSA	**-**	-
Effect on the change in the consolidation criteria due to acquisition or sale of interest	**-**	-
Capital contribution	**53,482**	1,426,429
Upstream effect of the reduction in capital reserve by Tenda	**(551,594)**	-
Redemption of shares of subsidiaries (a)	**(100,000)**	(1,046,310)
Advance for future capital increase	**9,839**	(474,509)
Acquisition/sale of interest	**(18,182)**	(1,339)
Dividends receivable (b)	**(231,177)**	(53,346)
Write-off of investment and goodwill of AUSA (d)	**(354,584)**	-
Addition to remeasurement of investment in associate (d)	**108,300**	-
Upstream effect of the program for repurchase of treasury shares of Gafisa by Tenda (c)	**(71,339)**	-
Other investments	**34,184**	40,111
FIDC	**(11,125)**	(6,340)
Write-off of Cipesa goodwill for sale of land	**(962)**	-
Provision for investment losses	**11,465**	(16,145)
Usufruct of shares (paid dividends) (note 15)	**(13,400)**	(13,400)
Balance at December 31	**2,679,833**	3,538,136**1**

(a) Refers to the redemption of shares of the Company's associate (note 15(a))

(b) Of this amount, R$151,986 refers to dividends received from the associate AUSA by the Company in the year ended December 31, 2013.

(c) The Board of Directors of Tenda approved the creation of the following programs for repurchase of common shares of Gafisa in order to hold them in treasury for subsequent disposal:

(i) On November 27, 2012 a program was approved with an acquisition limit of 10,000,000 shares. In the year ended December 31, 2013, the totality of shares was acquired under this program in the total amount of R$39,970.

(ii) On December 9, 2013 a program was approved with an acquisition limit of 32,938,554 shares to be performed in up to 365 days. In the year ended 2013, 8,500,000 shares were acquired in the total amount of R$31,369.

In both programs, the acquisition is made at market price of Gafisa's share at BM&F Bovespa, and is carried out by debiting the capital reserve account of the subsidiary Tenda.

(d) According to Note 1, with the sale of and cease of control over AUSA, and in line with the definition provided for in paragraph 25 of CPC 36 (R3) – Consolidated Statements, the Company derecognized the assets and liabilities of AUSA in the financial statements as of December 31, 2013, and recognized the remaining investment of 30% at fair value, in the amount of R$375,853, of which R$108,300 in the Company, referred to the 10% interest, and R$267,553 in Shertis, referred to the 20% interest in AUSA.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

9. **Investment in subsidiaries** --Continued

9.1. Business combination

(i) SPE Parque Ecoville

On February 27, 2013, the Company carried out a business combination related to the barter for interest in the joint ventures SPE Reserva Ecoville (interest of 50% granted) for SPE Parque Ecoville (interest of 50% received).

The base value of the transaction of barter for interests, supported by an economic appraisal report, amounted to R$ 59,592. This transaction gave rise to a goodwill amounting to R$22,644, which, according to CPC15 (R1) – Business Combinations, represents the residual value in the determination of the fair value of net assets acquired, allocated to the heading “Properties for Sale”.

The following table shows the calculation of the acquisition cost as provided by CVM Resolution No. 665/11:

Net assets granted by SPE Reserva Ecoville	41,118
Net assets received from SPE Parque Ecoville	18,474

We show below the goodwill arising from the barter for SPEs interests:
Carrying amount of acquisition:

Acquisition cost	41,118

Net assets acquired	18,474
Goodwill based on inventory surplus	22,644

The Company commissioned a specialized company to do a study on the Purchase Price Allocation (PPA) for allocating the goodwill arising from the barter for interests. We show below a summary of the allocation of goodwill arising from the barter for interest in SPEs, taking into account the fair values of assets and liabilities of SPE Parque Ecoville at the acquisition date:

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

9. Investment in subsidiaries --Continued

9.1. Business combination --Continued

	Net assets acquired	CPC 15 (R1) adjustments	Net assets acquired at fair value
Properties for sale	55,097	7,627	62,724
Other	40,852	-	40,852
Total current assets	**95,949**	**7,627**	**103,576**
Properties for sale	-	15,017	15,017
Other	11,322	-	11,322
Total non-current assets	**11,322**	**15,017**	**26,339**
Total assets	**107,271**	**22,644**	**129,915**
Total current liabilities	69,100	-	69,100
Total non-current liabilities	1,223	-	1,223
Equity	36,948	22,644	59,592
Total liabilities	**107,271**	**22,644**	**129,915**

In the year ended December 31, 2013, the Company amortized R$7,626 of the fair value transferred in the purchase price allocation.

(ii) Manhattan

On September 12, 2013, the Company made a business combination regarding the acquisition of control, by purchasing 50% of interest in the joint ventures Manhattan Square Empreendimentos Imobiliários Comercial 02 and Manhattan Square Empreendimentos Imobiliários Residencial 02. As a result of this transaction, the Company allocated the amount of R$62,343 to the heading “Properties for Sale”, in the consolidated information. In the individual information, this amount is recorded in the heading “Investments". The definitive allocation of this amount will be carried out in up to one year, according to CPC 15(R1) – Business Combinations.

The Company commissioned a specialized company to estimate the Purchase Price Allocation (PPA) for allocating the goodwill arising from the transaction. We show below the allocation of goodwill from the Company’s perspective:

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

9. **Investment in subsidiaries** --Continued

9.1. **Business combination** --Continued

	Manhattan Residencial 02	Manhattan Comercial 02
Current assets	19,674	8,196
Total acquired assets	19,674	8,196
Total assumed liabilities	(18,104)	(5,086)
Net assets acquired	1,570	3,110

Net Assets Manhattan Residencial 02	1,570
Net Assets SPE Manhattan Comercial 02	3,110
Carrying amount of acquisition:	
Acquisition cost	64,683
Net assets acquired	2,340
Goodwill based on inventory surplus	62,343

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

10. Property and equipment

	Company					Consol	
Type	2012 (restated)	Addition	Write-off	2013 (restated)	2012 (restated)	(-) Operations for sale	Addition
Cost							
Hardware	15,919	2,652	(471)	**18,100**	29,440	2,301	9,809
Vehicles and aircrafts	31	-	(31)	**-**	7,627	7,336	719
Leasehold improvements and installations	8,545	-	-	**8,545**	33,375	4,143	12,192
Furniture and fixtures	1,471	246	-	**1,717**	7,822	2,134	819
Machinery and equipment	2,636	1	-	**2,637**	4,162	52	266
Molds	-	-	-	**-**	8,130	-	-
Sales stands	121,719	18,039	-	**139,758**	194,952	-	9,906
	150,321	20,938	(502)	**170,757**	285,508	15,966	33,711
Accumulated depreciation							
Hardware	(11,321)	(1,870)	14	**(13,177)**	(19,443)	(1,586)	(4,092)
Vehicles and aircrafts	(31)	-	31	**-**	(6,038)	(5,096)	(68)
Leasehold improvements and installations	(4,771)	(2,033)	-	**(6,804)**	(17,225)	(1,894)	(7,096)
Furniture and fixtures	(992)	(368)	-	**(1,360)**	(4,408)	(1,367)	(1,175)
Machinery and equipment	(553)	(264)	-	**(817)**	(737)	(13)	(385)
Molds	-	-	-	**-**	(7,253)	-	(178)
Sales stands	(115,745)	(20,615)	-	**(136,360)**	(184,259)	-	(12,270)
	(133,413)	(25,150)	45	**(158,518)**	(239,363)	(9,956)	(25,264)
	16,908	(4,212)	(457)	**12,239**	46,145	6,010	8,447

	Company				Consolidated		
Type	01/01/2012 (restated)	Additions	Write-off	2012 (restated)	01/01/2012 (restated)	Additions	Write-o
Cost							
Hardware	14,525	2,580	(1,186)	15,919	27,977	2,649	(1,18

Vehicles and aircrafts	31	-	-	31	7,627	-	
Leasehold improvements and installations	4,634	3,911	-	8,545	29,454	3,921	
Furniture and fixtures	1,457	14	-	1,471	7,799	23	
Machinery and equipment	2,609	27	-	2,636	4,136	26	
Molds	-	-	-	-	8,130	-	
Sales stands	98,393	23,326	-	121,719	180,498	14,454	
	121,649	29,858	(1,186)	150,321	265,621	21,073	(1,18
Accumulated depreciation							
Hardware	(9,206)	(2,196)	81	(11,321)	(17,156)	81	(2,36
Vehicles and aircraft	(31)	-	-	(31)	(6,038)	-	
Leasehold improvements and installations	(4,346)	(425)	-	(4,771)	(16,284)	-	(94
Furniture and fixture	(845)	(147)	-	(992)	(4,218)	-	(19
Machinery and equipment	(291)	(262)	-	(553)	(475)	-	(26
Molding	-	-	-	-	(7,253)	-	
Sales stands	(94,856)	(20,889)	-	(115,745)	(164,124)	(20,135)	
	(109,575)	(23,919)	81	(133,413)	(215,548)	(20,054)	(3,76
	12,074	5,939	(1,105)	16,908	50,073	1,019	(4,94

The following useful lives and rates are used to calculate depreciation:

	Useful life	**Annual depreciation rate - %**
Leasehold improvement	4 years	25
Furniture and fixture	10 years	10
Hardware	5 years	20
Machinery and equipment	10 years	10
Vehicles	5 years	20
Molding	10 years	10
Sales stands	1 years	100

87

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

11. Intangible assets

	Company			
	2012			**2013**
	Balance	**Addition**	**Write-down / amortization**	**Balance**
	(restated)			
Software – Cost	62,123	26,439	(8,156)	**80,406**
Software – Depreciation	(30,572)	(12,321)	106	**(42,787)**
Other	8,296	108	-	**8,404**
	39,847	14,226	(8,050)	**46,023**

	Company			
	01/01/2012			**2012**
	Balance	**Addition**	**Write-down / amortization**	**Balance**
	(restated)			(restated)
Software – Cost	43,237	22,870	(3,984)	62,123
Software – Depreciation	(21,850)	(9,471)	749	(30,572)
Other	9,582	-	(1,286)	8,296
	30,969	13,399	(4,521)	39,847

	Consolidated				
	2012				**2013**
	Balance	**(-) Operations for sale**	**Addition**	**Company**	**Balance**
Goodwill	(restated)				
AUSA (a)	**152,856**	(127,380)	-	-	**25,476**
Cipesa	**40,687**	-	-	-	**40,687**
Provision for non-realization / Write-off – sale of land	**(22,120)**		(963)	-	**(23,083)**

	171,423	(127,380)	(963)	-	**43,080**
Software – Cost	**83,753**	(3,877)	34,127	(9,378)	**104,625**
Software – Depreciation	**(39,193)**	1,021	(17,035)	499	**(54,708)**
Other	**14,104**	-	6,844	(7,605)	**13,343**
	58,664	(2,856)	23,936	(16,484)	**63,260**
	230,087	(130,236)	22,973	(16,484)	**106,340**

(a) As a result of the sale of 70% interest in AUSA (Note 1), the Company wrote-off the goodwill corresponding to the portion sold of 50%, out of the 60% originally acquired, in the amount of R$127,380.

	Consolidated			
	01/01/2012 Balance	**Addition**	**Write-down**	**2012 Balance**
Goodwill	(restated)			(restated)
AUSA	152,856	-	-	**152,856**
Cipesa	40,687	-	-	**40,687**
Provision for non-realization / Write-off – sale of land	(10,430)	(11,690)	-	**(22,120)**
	183,113	(11,690)	-	**171,423**
Other intangible assets				
Software – Cost	60,490	30,710	(7,447)	**83,753**
Software – Accumulated depreciation	(27,839)	(13,858)	2,504	**(39,193)**
Other	14,006	98	-	**14,104**
	46,657	16,950	(4,943)	**58,664**
	229,770	5,260	(4,943)	**230,087**

Other intangible assets refer to expenditures on acquisition and implementation of information systems and software licenses, amortized in five years (20% per year).

Goodwill arises from the difference between the consideration and the equity of acquirees, calculated on acquisition date, and is based on the expectation of future economic benefits.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

11. Intangible assets --Continued

The Company evaluated the recovery of the carrying amount of goodwill using the “value in use” concept, through discounted cash flow models of the cash-generating units. The process for determining the value in use involves the use of assumptions, judgments and estimates on cash flows, such as growth rate of revenues, costs and expenses, estimates of investment and future working capital, and discount rates. The assumptions on projections of growth, cash flow and future cash flows are based on the Company’s business plan, approved by the management, as well as on comparable market data, and represent the Management’s best estimate of the economic conditions that will prevail during the economic life of the different cash-generating units, group of assets that provides the generation of cash flows. The future cash flows were discounted based on the rate representative of the cost of capital. Consistent with the economic valuation techniques, the evaluation of the value in use is made for a five-year period, and after such period, considering the perpetuity of assumptions in view of the capacity for indefinite business continuity. The main assumptions used in the estimate of value in use are the following: a) revenue – revenues were projected between 2014 and 2018 considering the growth in sales and client base of the different cash-generating units; b) Operating costs and expenses – costs and expenses were projected in line with the Company’s historical performance, as well as the historical growth of revenues. The key assumptions were based on the Company’s historical performance over the past five years and on reasonable macroeconomic assumptions, and supported by the financial market projections. The impairment test of the Company’s intangible assets resulted in the need for recognizing a provision for impairment in the year ended December 31, 2013 in the amount of R$963 (R$11,690 in 2012), related to the goodwill on acquisition of CIPESA. The goodwill recorded in CIPESA was evaluated comparing the market values of lands.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

12. Loans and financing

Type	Maturity	Annual int
Certificate of Bank Credit - CCB (i)	June 2014 to July de 2017	0.59% to 2.20% + CDI /
Promissory notes (ii)	December 2013	125% of CDI
National Housing System - SFH (iii)	July 2014 to January 2018	8.30% to 11.00% + TR
Assumption of debt in connection with inclusion of subsidiaries 'debt and other	April 2013	TR + 12%
Current portion		
Non-current portion		

(i) On May 9, 2013, the Company issued Certificates of Bank Credit (CCB) in the amount of R$217,000, with secured guarantee, represented by first-priority mortgage of select real estate venture units of the Company, and the fiduciary assignment of these real estate receivables. On October 7, 2013 the Company settled all obligations arising from this issuance.

(ii) On December 20, 2012, the public distribution with restrict efforts of the 3rd issuance of commercial promissory notes, in sole series, in the amount of R$80,000 was approved. On December 16, 2013, the Company made the payment of the total balance of this obligation.

(iii) The SFH financing is used for covering costs related to the development of real estate ventures of the Company and its subsidiaries, and count on secured guarantee by the first-grade mortgage of real estate ventures and the fiduciary assignment of receivables.

On October 7, 2013, the Company took out a loan of the Real Estate Finance System (SFI) in the amount of R$300,000 and final maturity in July 2017, secured guarantee represented by first-grade mortgage of select real estate ventures of the Company and fiduciary assignment of real estate receivables of these ventures to provide funds only for housing projects. This contract has clauses that restrict the ability of taking some actions, and may require the early maturity in case these clauses are not fulfilled. As of December 31, 2013 the Company is compliant with all of its contractual obligations.

Rates

- CDI - Interbank Deposit Certificate;
- TR - Referential Rate.

The current and non-current installments become due as follows:

	Company			Consolidated		
Maturity	**2013**	**2012**	**01/01/2012**	**2013**	**2012**	**01/01/2012**
		(restated)			(restated)	
2012	-	-	721,788	-	-	943,388
2013	-	356,781	49,208	-	613,973	123,340
2014	376,053	436,324	163,174	590,393	701,401	210,510
2015	489,883	261,023	126,982	642,321	397,519	152,006
2016	275,118	105,528	-	296,464	161,883	83,180
2017	106,898	16,098	105,341	107,901	29,758	26,305
2018 forwards	1,232	-	-	1,231	-	-
	1,249,184	1,175,754	1,166,493	**1,638,310**	1,904,534	1,538,729

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

12. Loans and financing —Continued

The Company and its subsidiaries have restrictive covenants under certain loans and financing that limit its ability to perform certain actions, such as the issuance of debt, and that could require the early redemption or refinancing of loans if the Company does not fulfill such covenants. The ratio and minimum and maximum amounts required under such restrictive covenants as of December 31, 2013 and 2012 are disclosed in Note 13.

Financial expenses of loans, financing and debentures (Note 13) are capitalized at cost of each venture and land, according to the use of funds, and included the profit or loss for the year based on the criteria adopted for recognizing revenue, as shown below. The capitalization rate used in the determination of costs of loans eligible to capitalization ranges from 9.14% to 10.14% as of December 31, 2013 (11.61% in 2012).

The following table shows the summary of financial expenses and charges and the capitalized rate in the account properties for sale.

	Company		**Consolidated**	
	2013	**2012**	**2013**	**2012**
		(restated)		(restated)
Total financial charges for the period	**243,504**	242,571	**309,006**	285,964
Capitalized financial charges	**(88,931)**	(98,974)	**(132,183)**	(121,944)
Financial expenses (Note 25)	**154,573**	143,597	**176,823**	164,020

Financial charges included in “Properties for sale”

Opening balance	**135,582**	108,450	**239,327**	274,478
Capitalized financial charges	**88,931**	98,974	**132,183**	121,944
Charges included in profit or loss (Note 24)	**(81,653)**	(71,842)	**(157,212)**	(157,095)
Closing balance (Note 6)	**142,860**	135,582	**214,298**	239,327

13. Debentures

				Company			Consolidated		
Program/placement	**Principal - R$**	**Annual interest**	**Final maturity**	**2013**	**2012**	**01/01/2012**	**2013**	**2012**	**01/01/2012**
					(restated)			(restated)	
Third program /first placement - Fifth placement (i)	250,000	120% of CDI	May 2018	**-**	129,569	253,592	**-**	129,569	253,592
Sixth placement (ii)	100,000	CDI + 1.30%	June 2014	**151,513**	137,763	124,851	**151,513**	137,763	124,851
Seventh placement (iii)	600,000	TR + 10.17%	December 2015	**551,855**	601,200	601,234	**551,855**	601,200	601,234
Eighth placement /first series (v)	288,427	CDI + 1.95%	October 2015	**294,073**	291,956	293,819	**294,073**	291,956	293,819
Eighth placement /second series (v)	11,573	IPCA + 7.96%	October 2016	**14,216**	13,411	12,680	**14,216**	13,411	12,680
First placement (Tenda) (iv)	600,000	TR + 9.21%	October 2015	**-**	-	-	**409,561**	562,004	603,024
				1,011,657	1,173,899	1,286,176	**1,421,218**	1,735,903	1,889,200
Current portion				**354,271**	184,279	1,286,176	**563,832**	346,360	1,889,200
Non-Current portion	**-**			**657,386**	989,620	-	**857,386**	1,389,543	-

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

13. Debentures--Continued

Current and non-current installments fall due as follows.

		Company			Consolidated	
Maturity	**2013**	**2012**	**01/01/2012**	**2013**	**2012**	**01/01/2012**
		(restated)			(restated)	
2012	**-**	-	1,286,176	**-**	-	1,899,200
2013	**-**	184,279	-	**-**	346,360	-
2014	**354,271**	329,358	-	**563,832**	529,281	-
2015	**299,093**	300,000	-	**499,093**	500,000	-
2016	**158,292**	156,642		**158,292**	156,642	
2017 onwards	**200,001**	203,620		**200,001**	203,620	
	1,011,657	1,173,899	1,286,176	**1,421,218**	1,735,903	1,899,200

(i) On May 16, 2008, the Company obtained approval for its 3rd Debenture Placement Program, which allows it to place R$1,000,000 in simple debentures with a general guarantee maturing in five years. Under the 3rd Debenture Placement Program of Gafisa, the Company placed series of 25,000 debentures in the total amount of R$250,000.

On April 12, 2013, with the re-ratification on April 18, 2013, the Board of Directors approved the conditions to be provided to the debenture holders of the 5th placement 2nd Series because of the scheduled renegotiation established in the Indenture, on conditions that are identical to those effective in such indenture. On these same dates, the conditions were disclosed to debenture holders, who could accept the conditions and hold the debenture through maturity or reject them, having ensured the acquisition right by the Issuer. On May 6, 2013, the Company paid the interest established in the indenture of the 5th placement Debentures, and acquired the debentures related to the non-renegotiation option, in the amount of R$130,203, not having other restrictive covenants to be fulfilled regarding this placement. On January

21, 2014, the totality of debentures of this program was cancelled.

(ii) On August 12, 2009, the Company obtained approval for its 6th Placement of non-convertible simple debentures in two series, which have general guarantee, maturing in two years and unit face value at the issuance date of R$10,000, totaling R$250,000. In May 2010, the Company amended this indenture, changing the maturity from four to ten months, and the interest of the 1st series was adjusted to CDI+1.50%-2.00%, and that of the 2nd series to CDI+1.50%-3.25% . In October 2010, the Company made the early redemption of the 1st series of this placement in the amount of R$150,000.

(iii) On November 16, 2009, the Company obtained approval for its 7th Placement of nonconvertible simple debentures in a single and undivided lot, sole series, secured by a floating and additional guarantee, in the total amount of R$600,000, with semi-annual amortization between June 2013 and December 2017 over five years. The funds raised through this placement shall be used in the finance of real estate ventures.

On March 27, 2013, the change in the maturity schedule of the 7th Placement of Debentures of the Company was unanimously approved, and became effective as follows: R$25,000 on June 5, 2013, R$25,000 on December 5, 2013, R$25,000 on June 5, 2014, R$25,000 on December 5, 2014, R$75,000 on June 5, 2015, R$ 75,000 on December 5, 2015, R$75,000 on June 5, 2016, R$ 75,000 on December 5, 2016, R$100,000 on June 5, 2017, R$ 100,000 on December 5, 2017. On the same date, the calculation parameters of the placement remuneration were adjusted.

On October 1, 2013, the substitution of the Fiduciary Agent of the 7th Placement of Debentures of the Company was unanimously approved, this duty being currently performed by Pavarini Distribuidora de Títulos e Valores Mobiliários Ltda.

(iv) On April 14, 2009, the subsidiary Tenda obtained approval for its 1st Debenture Placement Program, which allowed it to place up to R$600,000 in non-convertible simple subordinated debentures, in a single and undivided lot, secured by a floating and additional guarantee, with semi-annual amortizations between October 1, 2012 and October 1, 2015. The funds raised through the placement shall be exclusively used in the finance of real estate ventures focused only in the popular segment.

(v) On September 17, 2010, the Company obtained approval for its 8th Placement of nonconvertible simple debentures, in the amount of R$300,000, in two series, the first maturing on October 15, 2015, and the second on October 15, 2016.

(vi) On June 19, 2013, the subsidiary Tenda approved the public distribution with restricted efforts of the 2nd Placement of simple nonconvertible debentures, with secured guarantee and additional personal guarantee, to be revalidated in general and additional personal guarantee, in sole series in the amount of R$250,000, with maturity in 24 months. The placement is guaranteed by the fiduciary disposal of shares of Alphaville Urbanismo S.A. held by the subsidiary Shertis Empreendimentos e Participações S.A. and the guarantee of the Company and the subsidiary AUSA. On December 10, 2013 the issuer settled the obligations of this placement as provided for in the indenture.

As mentioned in Note 4.2, as of December 31, 2013, the balance of cash in guarantee to loans in investment funds in the amount of R$74,305 (R$21,005 in 2012) in the Company statements, and R$105,380 (R$95,887 in 2012) in the consolidated statements, is pledged as part of the calculation of the guarantee of 1st debenture placement of the subsidiary Tenda and the 7th placement of the Company.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

13. Debentures--Continued

The Company and its subsidiaries have restrictive covenants under certain loans and financing that limit its ability to perform certain actions, such as the issuance of debt, and that could require the early redemption or refinancing of loans if the Company does not fulfill such covenants. The ratio and minimum and maximum amounts required under such restrictive covenants as of December 31, 2013 and 2012 are as follows:

	2013	**2012** (restated)
Fifth placement		
Total account receivable plus inventory of finished units required to be either greater than or equal to 2.2 times net debt or below zero	**n/a**	3.73 times
Total debt less venture debt [(3)] less cash and cash equivalents and short-term investments [(1)] cannot exceed 75% of equity	**n/a**	3.58%
Seventh placement		
Total account receivable plus inventory required to be below zero or 2.0 times net debt less venture debt [(3)]	**-6.21 times**	46.13 times
Total debt less venture debt [(3)], less cash and cash equivalents and short-term investments [(1)], cannot exceed 75% of equity plus noncontrolling interests	**-31.6%**	7.6%
Total account receivable plus unearned revenue plus total inventory of finished units required to be at least 1.5 times net debt plus payable for purchase of properties plus unappropriated cost	**2.79 times**	1.85 times
Eighth placement - first and second series, second issuance of Promissory Notes, first and second series		
Total account receivable plus inventory of finished units required to be below zero or 2.0 times over net debt less venture debt	**-4.31 times**	36.51 times
Total debt less venture debt, less cash and cash equivalents and short-term investments [(1)], cannot exceed 75% of equity plus noncontrolling interests	**-31.16%**	7.6%

First placement – Tenda	**2013**	2012 (restated)
Total accounts receivable plus inventory required to be either greater than or equal to 2.0 times net debt less debt with secured guarantee [3] or below zero, considering that TR[4] plus TE[5] is always above zero.	**-2.49 times**	-3.19 times
Net debt less debt with secured guarantee [3] required to be in excess of 50% of equity.	**-56.97%**	-41.97%
Total account receivable plus unearned revenue plus total inventory of finished units required to be greater than 1.5 times the net debt plus payable for purchase of properties plus unappropriated cost	**56.85 times**	6.18 times

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

(2) Total receivables, whenever mentioned, refers to the amount reflected in the Balance Sheet plus the amount not shown in the Balance Sheet

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

(4) Total receivables.

(5) Total inventory.

Gafisa S.A.

Notes to the individual and consolidated financial statements--Continued

December 31, 2013

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

14. Obligations assumed on assignment of receivables

The Company's transactions of assignment of receivables portfolio, described in Notes5(ii) to 5(x) are as follows:

	Company			Consolidated		
	2013	**2012**	**01/01/2012**	**2013**	**2012**	**01/01/2012**
		(restated)			(restated)	
Assignment of receivables:						
CCI obligation Jun/09 - Note 5(ii)	**-**	-	-	**12,295**	14,666	21,407
CCI obligation Jun /11 - Note 5(iii)	**13,407**	24,362	46,283	**17,146**	40,376	124,754
CCI obligation Sep/11 - Note 5(iv)	**-**	8,729	171,210	**-**	8,729	172,285
CCI obligation Dec/11 - Note 5(v)	**5,654**	11,590	47,505	**13,686**	16,864	72,384
CCI obligation May/12 - Note 5(vi)	**-**	11,179	-	**-**	20,824	