Gafisa S.A.
Form 20-F
July 06, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F
(Mark One)

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

OR

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2010

OR

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

OR

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

Commission file number: 001-33356

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

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

The Federative Republic of Brazil

(Jurisdiction of incorporation or organization)
Av. Nações Unidas No. 8,501, 19th Floor
05425-070 - São Paulo, SP – Brazil
phone: + 55 (11) 3025-9000
fax: + 55(11) 3025-9348
e mail: ri@gafisa.com
Att: Alceu Duilio Calciolari – Chief Financial Officer and Investor Relations Officer
(Address of principal executive offices)

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

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

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

The number of outstanding shares of each class as of December 31, 2010.

Title of Class	Number of Shares Outstanding
Common Stock	431,515,375*

* Includes 599,486 common shares that were held in treasury.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes x No
If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934. o Yes x No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. o Yes x No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
x Large Accelerated Filer o Accelerated Filer o Non-accelerated Filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: o US GAAP o International Financial Reporting Standards as issued by the International Accounting Standards Board x OtherIf "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. o Item 17 x Item 18
If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

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INTRODUCTION

In this annual report, references to "Gafisa," "we," "our," "us," "our company" and "the Company" are to Gafisa S.A. and its consolidated subsidiaries (unless the context otherwise requires). In addition, the term "Brazil" refers to the Federative Republic of Brazil, and the phrase "Brazilian government" refers to the federal government of Brazil. All references to "real," "reais" or "R$" are to the Brazilian real, the official currency of Brazil, and all references to "U.S. dollar," "U.S. dollars or "US$" are to U.S. dollars, the official currency of the United States. References to "Brazilian GAAP" are to accounting practices adopted in Brazil in effect as of December 31, 2010 (with retroactive treatment to January 1, 2009 for comparative purposes) and "Prior Brazilian GAAP" are to accounting practices adopted in Brazil in effect at December 31, 2008; references to "US GAAP" are to generally accepted accounting principles in the United States. All references to "American Depositary Shares" or "ADSs" are to Gafisa's American Depositary Shares, each representing two common shares. Any reference to "financial statement" is related to consolidated financial statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

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

- Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, Brazilian Law No. 11,638/07 and Brazilian Law No. 12,431/11, which we refer to hereinafter as "Brazilian corporate law;"

- the rules and regulations of the Brazilian Securities Commission (Comissão de Valores Mobiliários), or the "CVM;" and

- the accounting standards issued by the Brazilian Federal Accounting Council (Conselho Federal de Contabilidade), or the "CFC" and the Accounting Standards Committee (Comitê de Pronunciamentos Contábeis), or the "CPC."

Brazilian corporate law was amended by Law No. 11,638 dated December 28, 2007 in order to facilitate the convergence of Brazilian GAAP with International Financial Reporting Standards, or "IFRS," and thereafter, the CPC issued new accounting standards that converged Brazilian GAAP with IFRS. Our Brazilian GAAP financial statements as of and for the years ended December 31, 2008, 2007 and 2006 reflect changes introduced by Law 11,638/07 and the new accounting standards issued by the CPC in 2008, which we retroactively applied beginning on January 1, 2006. The Brazilian Central Bank and the CVM set 2010 as the deadline for final convergence and adoption of IFRS, for the consolidated financial statements of financial institutions and publicly-held companies.

Our audited financial statements as of and for the years ended December 31, 2010 and 2009 have been prepared in accordance with Brazilian GAAP. In addition, our audited financial statements, prepared in accordance with Prior Brazilian GAAP, for the years ended December 31, 2009 and 2008 are included in this annual report for comparative purposes.

Through December 31, 2009, our financial statements were prepared in accordance with Prior Brazilian GAAP. We elected January 1, 2009 as a transition date to full adoption of the new accounting standards, or "new CPCs". Our financial statements as of and for the year ended December 31, 2009 and as of January 1, 2009 have been restated to reflect these adjustments. In preparing our financial statements, we have applied: (1) Guideline OCPC 04 – Application of the Technical Interpretation of ICPC 02 to the Brazilian Real Estate Development Entities – regarding revenue recognition, and the respective costs and expenses arising from real estate development operations over the course of the construction period (percentage of completion method), and (2) CPC 37 (R1), which requires that an entity develops accounting policies based on the standards and interpretations of the CPC. We have adopted all pronouncements, guidelines and interpretations of the CPC issued through December 31, 2010. Consequently, our financial statements are prepared in accordance with the new Brazilian GAAP, which allows revenue recognition on a percentage of completion basis for construction companies (i.e., revenue is recorded in accordance with the percentage of financial evolution of the construction project), and are therefore not compliant with IFRS as issued by the International Accounting Standards Board ("IASB"), which require revenue recognition on a delivery basis (i.e., revenue is recorded upon transferring the ownership risks and benefits to the purchaser of real estate, usually after the construction is completed and the unit is delivered). We understand that the IASB continues to consider alternatives to its current revenue recognition principles applicable to construction companies and we continue to follow developments as proposed by the CPC and other accounting standards bodies in other jurisdictions.

Reconciliations and descriptions of the effect of the transition to the new Brazilian GAAP are provided in Note 2.1 to our audited financial statements included elsewhere in this annual report.

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

Our financial statement presentation included in this annual report on Form 20-F is not in compliance with the Securities and Exchange Commission, or the "SEC" Rules and Regulations in that financial information for 2008 is presented in accordance with Prior Brazilian GAAP. Accordingly, the financial information presented for 2010 and 2009 is not comparable to 2008.

Our consolidated financial statements reflect income statement and balance sheet information for all of our subsidiaries, and also separately disclose the interest of noncontrolling shareholders. With respect to our jointly-controlled entities, in accordance with the shareholders agreements, we consolidate income statement and balance sheet information relating to those entities in proportion to the equity interest we hold in the capital of such investees for Brazilian GAAP purposes.

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Market Information

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

Rounding and Other Information

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

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- changes in the overall economic conditions, including employment levels, population growth and consumer confidence;

- changes in real estate market prices and demand, estimated budgeted costs and the preferences and financial condition of our customers;

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- demographic factors and available income;
- our ability to repay our indebtedness and comply with our financial obligations;
- our ability to arrange financing and implement our expansion plan;
- our ability to compete and conduct our businesses in the future;
- changes in our business;
- inflation and interest rate fluctuations;
- changes in the laws and regulations applicable to the real estate market;
- government interventions, resulting in changes in the economy, taxes, rates or regulatory environment;
- other factors that may affect our financial condition, liquidity and results of our operations; and
- other risk factors discussed under "Item 3. Key Information—D. Risk Factors."

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected financial data have been derived from our financial statements. The selected financial data as of and for the years ended December 31, 2010 and 2009 have been derived from our financial statements, prepared in accordance with Brazilian GAAP, included elsewhere in this annual report. The selected financial data as of and for the years ended December 31, 2008, 2007 and 2006 have been derived from our financial statements prepared in accordance with Prior Brazilian GAAP. Our financial statements, prepared in accordance with Prior Brazilian GAAP, for the years ended December 31, 2009 and 2008 are included in this annual report for comparative purposes.

Our financial statements are prepared in accordance with Brazilian GAAP which differs in significant respects from US GAAP. For a discussion of the significant differences relating to these financial statements and a reconciliation of net income and shareholders' equity from Brazilian GAAP to US GAAP, see notes to our audited financial statements included elsewhere in this annual report. See also "Presentation of Financial and Other Information."

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

The following table sets forth financial information as of and for the years ended December 31, 2010 and 2009 and have been prepared in accordance with Brazilian GAAP in effect as of December 31, 2010. Certain information below is presented in accordance with US GAAP.

	As of and for the year ended December 31,	
	2010 As restated (1)	2009 As restated (2)
	(in thousands except per share, per ADS and operating data)(4)	
Consolidated Income Statement data:		
Brazilian GAAP:		
Net operating revenue	R$ 3,403,050	R$ 3,036,357
Operating costs	(2,460,918)	(2,143,762)
Gross profit	942,132	892,595
Operating expenses, net	(549,403)	(600,815)
Financial expenses, net	(82,117)	(111,006)
Income before income and social contribution taxes	310,612	180,774

Income and social contribution taxes	(22,128)	(37,812)
Net income for the year	288,484	142,962
Net income for the year attributable to noncontrolling interest	(23,919)	(41,222)
Net income for the year attributable to owners of Gafisa S.A.	R$ 264,565	R$ 101,740
Share and ADS data(3):		
Per common share data—R$ pre share:		
Earnings per share—Basic	0.6415	0.3808
Earnings per share—Diluted	0.6109	0.3242
Weighted average number of shares outstanding—in thousands	412,434	267,174
Dividends and interest on equity declared—in thousands of R$	98,812	50,716

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	As of and for the year ended December 31,	
	2010 As restated (1)	2009 As restated (2)
	(in thousands except per share, per ADS and operating data)(4)	
Earnings per share—R$ per share (10)	0.6140	0.6100
Number of common shares outstanding as at end of period—in thousands	430,915	166,778
Earnings per ADS—R$ per ADS (4)	1.2279	1.2200
US GAAP:		
Net operating revenue	1,929,130	1,700,940
Operating costs	(1,472,084)	(1,256,317)
Gross profit	457,045	444,623
Operating expenses, net	(575,777)	(575,024)
Financial expenses, net	(97,809)	(102,925)
Loss before income and social contribution taxes and equity pick-up	(216,540)	(233,326)
Income and social contribution taxes	(100,811)	40,367
Equity pick-up	42,161	88,913
Net loss for the year	(73,569)	(104,046)
Net income attributable to noncontrolling interests	(21,214)	(30,333)
Net loss attributable to owners of Gafisa S.A. (5)	(94,783)	(134,379)
Per share and ADS data(3):		
Per common share data—R$ per share:		
Earnings (loss) per share—Basic	(0.2298)	(0.5030)
Earnings (loss) per share—Diluted	(0.2298)	(0.5030)
Weighted average number of shares outstanding – in thousands	412,434	267,174
Dividends declared and interest on equity	98,812	50,716
Per ADS data—R$ per ADS(4):		
Earnings (loss) per ADS—Basic (4)	(0.4596)	(1.0060)
Earnings (loss) per ADS—Diluted (4)	(0.4596)	(1.0060)
Weighted average number of ADSs outstanding – in thousands	412,434	267,174
Dividends and interest on equity declared	98,812	50,716
Consolidated Balance Sheet data:		
Brazilian GAAP:		
Cash, cash equivalents and short term investments	R$ 1,201,148	R$ 1,424,053
Current and non-current properties for sale	2,206,072	1,748,457
Working capital(5)	4,808,337	3,195,413
Total assets	9,040,791	7,455,421
Total debt(6)	3,290,109	3,122,132
Total equity	3,632,172	2,384,181
US GAAP:		
Cash and cash equivalents, short-term and restricted short-term investments	1,127,382	1,395,668

Current and non-current properties for sale	3,690,328	3,068,738
Working capital(5)	3,940,576	2,762,165
Total assets	8,482,267	7,320,057
Total debt(6)	3,081,276	3,057,092
Total Gafisa equity	2,611,844	1,679,418
Equity for noncontrolling interests	20,833	18,426
Total equity	2,632,677	1,697,844
Consolidated Cash Flows provided by (used in):		
Brazilian GAAP		
Operating activities	(1,079,643)	(692,084)
Investing activities	122,888	(762,164)
Financing activities	920,197	1,555,745

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	As of and for the year ended December 31,	
	2010 As restated (1)	2009 As restated (2)
	(in thousands except per share, per ADS and operating data)(4)	
Consolidated Operating data:		
Number of new developments	127	69
Potential sales value(7)	R$ 4,491,835	R$ 2,301,224
Number of units launched(8)	22,233	10,810
Launched usable area (m2)(9)	3,008,648	1,415,110
Sold usable area (m2)(9)	1,690,160	1,378,177
Units sold	20,744	21,952

(1) Our 2010 consolidated financial statements previously filed with the Brazilian Securities Comission (CVM) on March 24, 2011 and those furnished as unaudited on Form 6-K to the U.S. Securities and Exchange Commission, filed on January 17, 2012, were restated to reflect a correction of errors related to budget of costs and certain reclassifications on the balance sheet, as disclosed in Note 2.1.4.

(2) Our Brazilian GAAP financial statements as of and for the years ended December 31, 2009 reflect the initial adoption of new Brazilian GAAP standards, which we retroactively applied beginning on January 1, 2009.

(3) On February 22, 2010, a stock split of our common shares was approved, giving effect to the split of one existing share into two new issued shares, increasing the number of shares from 167,077,137 to 334,154,274. All Brazilian GAAP and US GAAP information relating to the numbers of shares and ADSs have been adjusted retroactively to reflect the share split on February 22, 2010. All Brazilian GAAP and US GAAP earnings per share and ADS amounts have been adjusted retroactively to reflect the share split on February 22, 2010

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

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

(6) Total debt comprises loans, financings and short term and long term debentures. Amounts exclude loans from real estate development partners.

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

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

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

(10) Earnings per share is calculated from the number of common shares outstanding as at end of period.

The following table sets forth financial information as of and for the years ended December 31, 2008, 2007 and 2006 and have been prepared in accordance with Brazilian GAAP in effect at such time. See “Presentation of Financial and Other Information.” Significant changes were introduced to Brazilian GAAP in 2010 which were applied retroactively to January 1, 2009 but not to prior periods. Therefore the financial information as of and for the years as of ended December 31, 2008, 2007 and 2006 is not comparable to the financing information as of and for the years ended December 31, 2010 and 2009. Certain information below is presented in accordance with US GAAP.

	As of and for the year ended December 31,		
	2008(1)	2007(1)	2006(1)
	(in thousands except per share, per ADS and operating data)(2)		
Consolidated Income Statement data:			
Brazilian GAAP:			
Gross operating revenue	R$1,805,468	R$1,251,894	R$681,791
Net operating revenue	1,740,404	1,204,287	648,158
Operating costs	(1,214,401)	(867,996)	(464,766)
Gross profit	526,003	336,291	183,392
Operating expenses, net	(357,798)	(236,861)	(118,914)
Financial income (expenses), net	7,815	28,628	(11,943)
Income before income and social contribution taxes	176,020	128,058	52,535
Income and social contribution taxes	(43,397)	(30,372)	(8,525)
Net income for the year	132,623	97,686	44,010
Net income for the year attributable to noncontrolling interest	(22,702)	(6,046)	—

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	As of and for the year ended December 31,		
	2008(1)	2007(1)	2006(1)
	(in thousands except per share, per ADS and operating data)(2)		
Net income for the year attributable to owners of Gafisa S.A.	109,921	91,640	44,010
Share and ADS data(2):			
Per common share data—R$ pre share:			
Earnings (loss) per share—Basic	—	—	—
Earnings (loss) per share—Diluted	—	—	—
Weighted average number of shares outstanding—in thousands	—	—	—
Dividends and interest on equity declared	26,104	26,981	10,938
Earnings per share—R$ per share	0.8458	0.7079	0.4258
Number of common shares outstanding as at end of period	129,962,546	129,452,121	103,369,950
Earnings per ADS—R$ per ADS (3)	1.6916	1.4158	0.8516
US GAAP as restated:			
Net operating revenue	1,306,627	997,975	659,514
Operating costs	(979,604)	(817,770)	(487,881)
Gross profit	327,023	180,205	171,633
Operating expenses, net	(114,658)	(190,430)	(139,188)
Financial income (expenses), net	76,653	31,629	4,022
Income before income taxes, equity in results	289,018	21,404	36,467
Taxes on income	(49,279)	5,223	(11,776)
Equity in results	29,873	18,997	894
Cumulative effect of a change in an accounting principle:	—	—	(157)
Net income	269,612	45,624	25,428
Less: Net income attributable to noncontrolling interests	(17,485)	(15,236)	(1,125)
Net income attributable to owners of Gafisa S.A. (4)	252,127	30,388	24,303
Per share and ADS data(2):			
Per preferred share data—R$ per share:			
Earnings per share—Basic	—	—	0.0759
Earnings per share—Diluted	—	—	0.0749
Weighted average number of shares outstanding – in thousands	—	—	3,402
Per common share data—R$ per share:			
Earnings per share—Basic	0.9722	0.1206	0.1244
Earnings per share—Diluted	0.5726	0.0915	0.1229
Weighted average number of shares outstanding – in thousands	259,341	252,063	197,592
Dividends declared and interest on equity	26,104	26,981	10,938
Per ADS data—R$ per ADS(3):			
Earnings per ADS—Basic (3)	1.9444	0.2411	0.2487
Earnings per ADS—Diluted (3)	1.1452	0.1830	0.2458
Weighted average number of ADSs outstanding – in thousands	129,671	126,032	98,796
Dividends and interest on equity declared	26,104	26,981	10,938
Balance sheet data:			
Brazilian GAAP:			
Cash, cash equivalents and short-term investments	R$605,502	R$517,420	R$266,159

Current and non-current properties for sale	2,028,976	1,022,279	486,397
Working capital(5)	2,448,305	1,315,406	926,866
Total assets	5,538,858	3,004,785	1,558,590
Total debt(6)	1,552,121	695,380	295,445
Total equity	1,612,419	1,498,728	807,433
US GAAP:			
Cash and cash equivalents	510,504	512,185	260,919
Current and non-current properties for sale	2,663,737	1,204,881	500,026
Working capital(5)	2,653,630	1,322,692	926,866
Total assets	5,381,926	2,878,331	1,558,590

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	As of and for the year ended December 31,		
	2008(1)	2007(1)	2006(1)
	(in thousands except per share, per ADS and operating data)(2)		
Total debt(6)	1,525,138	686,524	289,416
Total Gafisa equity	1,465,866	1,264,919	793,539
Noncontrolling interests	420,165	29,156	1,050
Total equity	1,886,031	1,294,075	794,589
Consolidated Cash flow provided by (used in):			
Brazilian GAAP			
Operating activities	(812,512)	(451,929)	(271,188)
Investing activities	(78,300)	(149,290)	(25,609)
Financing activities	911,817	842,629	429,065
Operating data:			
Number of new developments	64	53	30
Potential sales value(7)	2,763,043	2,235,928	1,005,069
Number of units launched(8)	10,963	10,315	3,052
Launched usable area (m2)(9) (10)	1,838,000	1,927,821	407,483
Sold usable area (m2)(9) (10)	1,339,729	2,364,173	357,723
Units sold	11,803	6,120	3,049

(1) Our Brazilian GAAP financial statements as of and for the years ended December 31, 2007 and 2006 reflect the changes introduced by Law 11,638/07 and the new accounting standards issued by the CPC in 2008, which we retroactively applied beginning on January 1, 2006. The Brazilian GAAP financial information was restated to correct the accounting treatment for net income attributable to non-controlling interest related to an unincorporated venture to financial expenses.

(2) On January 26, 2006, all our preferred shares were converted into common shares. On January 27, 2006, a stock split of our common shares was approved, giving effect to the split of one existing share into three newly issued shares, increasing the number of shares from 27,774,775 to 83,324,316. All US GAAP information relating to the numbers of shares and ADSs have been adjusted retroactively to reflect the share split on January 27, 2006. All US GAAP earnings per share and ADS amounts have been adjusted retroactively to reflect the share split on January 27, 2006. Brazilian GAAP earnings per share and ADS amounts have not been adjusted retroactively to reflect the share split on January 27, 2006.

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

(4) The following table sets forth reconciliation from US GAAP net income to US GAAP net income available to common shareholders:

	As of and for the year ended December 31,		
	2008	2007	2006

Reconciliation from US GAAP net income attributable to Gafisa to US GAAP net income available to common shareholders (Basic):			
US GAAP net income (Basic)	252,127	30,388	24,303
Undistributed earnings for Preferred Shareholders (Basic earnings)	—	—	(258)
US GAAP net income available to common shareholders (Basic earnings)	252,127	30,388	24,045
Reconciliation from US GAAP net income attributable to Gafisa to US GAAP net income available to common shareholders (Diluted):			
US GAAP net income	243,880	24,443	24,303
Undistributed earnings for Preferred Shareholders (Diluted earnings)		—	(259)
US GAAP net income available to common shareholders (Diluted earnings)	243,880	24,443	24,045

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

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(6) Total debt comprises loans, financings and short term and long term debentures. Amounts exclude loans from real estate development partners.

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

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

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

(10) Does not include data for FIT, Tenda and Bairro Novo.

Exchange Rates

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

The Central Bank has allowed the real to float freely against the U.S. dollar since January 15, 1999. Since the beginning of 2001, the Brazilian exchange market has been increasingly volatile, and, until early 2003, the value of the real declined relative to the U.S. dollar, primarily due to financial and political instability in Brazil and Argentina. According to the Central Bank, in 2005, 2006 and 2007, however, the period-end value of the real appreciated in relation to the U.S. dollar 13.4%, 9.5% and 20.7%, respectively. In 2008, the period-end value of the real depreciated in relation to the U.S. dollar by 24.2%. In 2009, the period-end value of the real appreciated in relation to the U.S. dollar by 34.2%. In 2010, the real appreciated by 4.3% against the U.S. dollar. On December 31, 2010, the period-end real/U.S. dollar exchange rate was R$1.666 per US$1.00. In 2011, the real depreciated by 11.2% against the U.S. dollar. In the five-month period ended May 31, 2012, the real depreciated by 7.8% against the U.S. dollar. On December 31, 2011, the period-end real/U.S. dollar exchange rate was R$1.8758 per US$1.00. Although the Central Bank has intervened occasionally to control unstable movements in the foreign exchange rates, the exchange market may continue to be volatile as a result of this instability or other factors, and, therefore, the real may substantially decline or appreciate in value in relation to the U.S. dollar in the future.

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

	Period-end	Average for period(1)	Low	High
	(per U.S. dollar)			
Year Ended:				
December 31, 2007	R$1.771	R$1.793	R$1.762	R$1.823
December 31, 2008	2.337	2.030	1.559	2.500
December 31, 2009	1.741	2.062	1.702	2.422
December 31, 2010	1.665	1.759	1.655	1.880
December 31, 2011	1.876	1.718	1.535	1.902
Month Ended:				
October 2011	1.689	1.787	1.689	1.886
November 2011	1.811	1.810	1.727	1.894
December 2011	1.876	1.829	1.783	1.876

January 2012	1.739	1.804	1.739	1.868
February 2012	1.709	1.720	1.702	1.738
March 2012	1.822	1.774	1.715	1.833
April 2012	1.892	1.859	1.826	1.892
May 2012	2.022	1.998	1.915	2.082
June 2012	2.021	2.054	2.018	2.090

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

Source: Central Bank.

On June 29, 2012, the selling rate was R$2.021 to US$1.00. The real/dollar exchange rate fluctuates and, therefore, the selling rate at June 29, 2012 may not be indicative of future exchange rates.

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B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

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

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

- employment levels;
- population growth;
- consumer demand, confidence, stability of income levels and interest rates;
- availability of financing for land home site acquisitions and the availability of construction and permanent mortgages;
- inventory levels of both new and existing homes;
- supply of rental properties; and
- conditions in the housing resale market.

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

For example, in 2008, the global financial crisis adversely impacted Brazil’s gross domestic product, or “GDP” resulting in a decrease in both the number of developments launched and the rate of sales of our units. Worldwide financial market volatility may also adversely impact government plans for the Brazilian real estate industry, which may have a material adverse effect on our business, our financial condition and results of operations.

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

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

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

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

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

We expect that the continued expansion and development of our business will require significant capital, including working capital, which we may be unable to obtain on acceptable terms, or at all, to fund our capital expenditures and operating expenses, including working capital needs. We may fail to generate sufficient cash flow from our operations to meet our cash requirements. Furthermore, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach expected levels or we have to incur unforeseen capital expenditures and make investments to maintain our competitive position. If this is the case, we may require additional financing sooner than anticipated, or we may have to delay some of our new development and expansion plans or otherwise forgo market opportunities. Future borrowing instruments such as credit facilities are likely to contain restrictive covenants, particularly in light of the recent economic downturn and unavailability of credit, and/or may require us to pledge assets as security for borrowings under those facilities. Our inability to obtain additional capital on satisfactory terms may delay or prevent the expansion of our business, which would have an adverse effect on our business. As of December 31, 2010, our net debt level payable to venture partners (indebtedness from debentures, working capital, project financing and payables to venture partners balance, net of our cash position) was in excess of R$2,469 million: our cash and cash equivalents and short-term investments was in excess of R$1,201 million and our total debt was R$3,290 million and obligations to venture partners was R$0.4 million.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Also, in March 2009, the Brazilian government announced the creation of a public housing program called "Minha Casa, Minha Vida," with an announcement in 2010 of a second phase of the program from 2011 until 2014, that aims to finance two million houses, twice as much as was financed in the first phase of the program. The Program aims to reduce the housing deficit in Brazil, which as of 2010 was estimated to be 5.5 million houses. The program calls for government investment of more than R$30 billion in the first phase and more than R$72 billion during the second phase, to be made through financing available from CEF, and is focused on building one million houses for families with monthly incomes of up to ten times the minimum wage. Under the second phase of this program, 800 thousand houses will be built for families with monthly incomes of three to ten times the minimum wage, which are our target clients through our Tenda brand. This program offers, among other things, long-term financing, lower interest rates, greater share of the property financed to the client, subsidies based on income level, lower insurance costs and the creation of a guarantor fund to refinance debt in case of unemployment.

Financing to the affordable entry-level segment is primarily made available through the CEF. Any changes in such financing would force us to seek new sources of financing and the availability of funds under similar conditions is limited, which would have an adverse effect on our results of operations.

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

As part of our strategy to focus our future operations on regions where our developments have historically been successful, and where we believe there is homebuilding potential based on market opportunities, we may sell portions of our landbank located outside of these regions. As a result, we will prepare an annual impairment analysis of our landbank based on the acquisition cost of the land in our portfolio. As of December 31, 2010, there was no landbank classified as available for sale and there were no impairment indicators identified, thus no provision for impairment was required at this date. During 2011 we made a decision to sell a portion of our landbank and our evaluation of impairment resulted in recording a provision for impairment in the amount of R$92.1 million.

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

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

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

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

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

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

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

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

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

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

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

The basic raw materials and fixtures used in the construction of our homes include concrete, concrete block, steel, aluminum, bricks, windows, doors, roof tiles and plumbing fixtures. Increases in the price of these and other raw materials, including increases that may occur as a result of shortages, duties, restrictions, or fluctuations in exchange rates, could increase our cost of sales. Any such cost increases could reduce our earnings and adversely affect our business.

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

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

We anticipate that we will need additional financing to implement our expansion strategy and we may not have access to the funding required for the expansion of our business or such funding may not be available to us on acceptable terms. We may finance the expansion of our business with additional indebtedness or by issuing additional equity securities. We could face financial risks and covenant restrictions associated with incurring additional indebtedness, such as reducing our liquidity and access to financial markets and increasing the amount of cash flow required to service such indebtedness, or associated with issuing additional stock, such as dilution of ownership and earnings.

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

We maintain insurance policies with coverage for certain risks, including damages arising from engineering defects, fire, landslides, storms, gas explosions and civil liabilities stemming from construction errors. We believe that the level of insurance we have contracted for accidents is consistent with market practice. However, there can be no assurance that such policies will always be available or provide sufficient coverage for certain damages. In addition, there are certain risks that may not be covered by such policies, such as damages resulting from war, force majeure or the interruption of certain activities and, therefore any requirement to pay amounts not covered by our insurance may have a negative impact on our business and our results of operations. Furthermore, we are required to pay penalties and other fines whenever there is delay in the delivery of our units, and such penalties and fines are not covered by our insurance policies.

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

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

As of December 31, 2010, our total debt and investor obligations was R$3.7 billion and our short-term debt was R$0.8 billion. In addition, as of December 31, 2010, our cash and cash equivalents and short-term investments available was R$1.2 billion and our net debt represented 68.0% of our shareholders’ equity including the noncontrolling interest. Our indebtedness has variable interest rates. A hypothetical 1% adverse change in interest rates would have had an annualized unfavorable impact of approximately R$36.7 million on our earnings and cash flows, based on the net debt level as of December 31, 2010.

Our level of indebtedness could have important negative consequences for us. For example, it could:

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

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

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

Certain of our existing debt agreements contain restrictions and covenants and require the maintenance or satisfaction of specified financial ratios, ratings and tests. Our ability to meet these financial ratios, ratings and tests can be affected by events beyond our control and we cannot assure that we will meet those tests, especially given the lower yield environment in which the industry currently operates. Failure to meet or satisfy any of these covenants, financial ratios or financial tests could result in an event of default under these and other agreements, as a result of cross-default provisions. If we are unable to comply with our debt covenants, we could be forced to seek waivers. We cannot guarantee that we will be successful in obtaining any waivers or renewing existing waivers. As of December 31, 2011, we and our subsidiary Tenda were in default on the contractual covenants provided for in certain of our debentures, for which we obtained a waiver and renegotiated certain covenant ratios in March 2012. In each of January, April and June 2012, we were in default on restrictive covenants for a bank loan (cédula de crédito imobiliário) or CCB in the amount of R$100 million as a result of a downgrade in our corporate rating. In each instance, we obtained a waiver to avoid early redemption of this indebtedness. If we are unable to renew these and/or receive other waivers, a large portion of our debt could be subject to acceleration. While we do not believe such occurrence to be likely, if it were to happen, we could be required to renegotiate, restructure or refinance our indebtedness, seek additional equity capital or sell assets, which could materially and adversely affect us.

We may not be successful in managing and integrating the businesses and activities of Alphaville, Cipesa and Tenda.

We have acquired controlling stakes in three Brazilian real estate companies: (1) Alphaville Urbanismo S.A., one of the largest residential community development companies in Brazil; (2) Cipesa Empreendimentos Imobiliários S.A., the leading homebuilder in the State of Alagoas; and (3) Construtora Tenda S.A., a residential homebuilder with a focus on the affordable entry-level segment. However, we may not be successful in managing and integrating these companies, which could adversely affect our business.

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

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

Unfavorable judicial or administrative decisions may adversely affect us.

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

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

We may be held responsible for the labor liabilities of our third party contractors and obligated to pay for fines imposed by the relevant authorities in the event that our third party contractors do not comply with applicable legislation. As of December 31, 2010, we had a total of R$80.7 million of labor liabilities and provisions for such liabilities in the amount of R$23.8 million. 86% of the labor claims were commenced by employees of our third party contractors. An adverse result in such claims would cause an adverse effect on our business.

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

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

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

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

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

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

Through December 31, 2009, our financial statements were prepared in accordance with Brazilian GAAP in effect at the time. We elected January 1, 2009 as a transition date to full adoption of the new Brazilian GAAP as generally adopted by construction companies in Brazil, and amended certain accounting practices in the Brazilian GAAP financial statements. Our financial statements as of and for the year ended December 31, 2009 have been restated to reflect these adjustments. As the prior period Brazilian GAAP financial statements were not adjusted to the new Brazilian GAAP as generally adopted by construction companies in Brazil, these financial statements are not comparable to the restated financial statements as at and for the years ended December 31, 2010 and 2009 (restated). Guideline OCPC 04 - Application of the Technical Interpretation ICPC 02 to the Brazilian Real Estate Development Entities and CPC 37 has been applied in preparing the financial statements for the years ended December 31, 2010 and 2009 (restated).

Certain matters related to the meaning and application of the continuous transfer of the risks, benefits and control over the real estate unit sales are under consideration by the International Financial Reporting Interpretation Committee or "IFRIC." The results of this consideration may cause us to revise our accounting practices related to the recognition of our revenues.

There can be no assurance that these modifications will not materially and adversely affect our financial statements, on a retrospective or prospective basis, in particular the recognition of our revenues and related costs and our financial position and results of operations and impact the comparability of our financial statements for future periods with our financial statements presented herein and our financial covenants as defined in our credit facilities.

Material weaknesses identified in our internal control over financial reporting could result in a material misstatement in our financial statements as well as result in our inability to file periodic reports within the timeframes required by federal securities laws, which could have a material adverse effect on our business and stock price.

We are required to design, implement and maintain effective controls over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis.

In connection with the preparation of our financial statements as of and for the year ended December, 31, 2010, we identified material weaknesses as discussed more fully in Item 15 regarding the following:

- revenue recognition under U.S. GAAP principally related to evaluation of the contractual provisions existing within our sales contracts that provide for a potential refund to our customers and classification of certain items in both the income statement and balance sheet;

- budgets of the costs of works in progress for both Brazilian and U S GAAP where we did not identify the adjustments to budgets in connection with our revenue recognition accounting;

- cash equivalents classification under U.S. GAAP;

- business combination accounting under U.S. GAAP related to accounting for goodwill and related income taxes and the purchase obligation for the non-controlling interest related to the Alphaville Urbanismo S.A. purchase contract;

- income tax accounting in respect to deferred tax asset realization assessment, presentation net and classification of presumed income tax payable; and

- financial statement closing process as related to consolidation and other matters.

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Failure to remediate timely any identified deficiencies in internal control could cause us to spend significant resources and costs in an attempt to complete remediation and ensure compliance with our reporting obligations. The rules of the SEC require that we file periodic reports containing our financial statements within a specified time following the completion of annual fiscal periods, and we were not in compliance with these timely filing requirements with respect to our 2010 and 2011 annual reports on Form 20-F. This and any future failure by us to timely file our periodic reports with the SEC may result in a number of adverse consequences that could materially and adversely affect our business, including, without limitation, potential action by the SEC against us, shareholder lawsuits, delisting of our stock and general damage to our reputation.

Risks Relating to Brazil

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

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

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

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

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

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

At times in the past, Brazil has experienced high rates of inflation. According to the General Market Price Index (Índice Geral de Preços—Mercado), or "IGP-M", inflation rates in Brazil were 3.8% in 2006, 7.8% in 2007, 9.8% in 2008, (1.7)% in 2009, 11.3% in 2010, 5.1% in 2011 and 2.5% in the five month period ended May, 2012. In addition, according to the Expanded Consumer Price Index (Índice de Preços ao Consumidor Ampliado), or "IPCA," Brazilian consumer price inflation
rates were 3.1% in 2006, 4.5% in 2007, 5.9% in 2008, 4.3% in 2009 and 5.9% in 2010, 6.5% in 2011 and 2.2% in the five month period ended May, 2012. Our term sales agreements usually provide for an inflation adjustment linked to the National Construction Cost Index (Índice Nacional de Custo de Construção), or "INCC". The INCC increased by 6.2% in 2007, 11.9% in 2008, 3.14% in 2009, 7.77% in 2010, 7.49% in 2011 and 4.39% in the five month period ended May, 2012. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

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

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

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

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

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

The Central Bank establishes the basic interest rate target for the Brazilian financial system by reference to the level of economic growth of the Brazilian economy, the level of inflation and other economic indicators. Debts of companies in the real estate industry, including ours, are subject to the fluctuation of market interest rates, as established by the Central Bank. Should such interest rates increase, the costs relating to the service of our debt obligations would also increase.

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As of December 31, 2010 our indebtedness was denominated in reais and subject to Brazilian floating interest rates, such as the Reference Interest Rate (Taxa Referencial), or “TR,” and the Interbank Deposit Certificate Rate (Certificado de Depósito Interbancário), or “CDI rate.” Any increase in the TR rate or the CDI rate may have an adverse impact on our financial expenses, our results of operations and on the market price of our common shares or the ADSs. We are not a party to any hedging instruments with respect to our indebtedness.

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

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

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

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

Risks Relating to Our Common Shares and the ADSs

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

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

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

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

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

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

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may limit your ability to sell our common shares and the common shares underlying your ADSs at the price and time at which you wish to do so. The BM&FBOVESPA, the only Brazilian stock exchange, had a market capitalization of approximately US$1.4 trillion as of March 31, 2012 and an average daily trading volume of US$3.5 billion for 2012. In comparison, the NYSE had a domestic market capitalization of US$12.4 trillion (excluding funds and non-U.S. companies) as of March 31, 2012 and an average daily trading volume of approximately US$45 billion for 2012.

There is also a large concentration in the Brazilian securities market. The ten largest companies in terms of market capitalization represented 44.3% of the aggregate market capitalization of the BM&FBOVESPA as of March 31, 2012. The top ten stocks in terms of trading volume accounted for 44.3% of all shares traded on the BM&FBOVESPA in 2010. Gafisa's average daily trading volume on the BM&FBOVESPA and in the NYSE in 2012 was US$8.9 million and US$2.4 million, respectively.

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

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

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

We may need additional funds in the future, and as a result, we may issue additional common shares and/or convertible securities. Any additional funds obtained by such a capital increase may dilute your interest in our company. We will acquire the remaining 20% of Alphaville's shares that we currently do not own through the issuance of an estimated 70,251,551 shares, which we intend to complete by the first semester of 2012, as per material fact issued on June 8, 2012. As a result of these new issuances of shares, you may experience additional dilution of your investment in our company. See "Item 4. Information on the Company—A. History and Development of the Company."

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

According to our by-laws, we must generally pay our shareholders at least 25% of our annual net profit as dividends or interest on shareholders' equity, as calculated and adjusted under the Brazilian corporate law method. This adjusted net profit may used to absorb losses or for the payment of statutory participation on profits to debenture holders, employees or members of our management, which would ultimately reduce the amount available to be paid as dividends or interest on shareholders' equity. Additionally, the Brazilian corporate law allows a publicly traded company like us to suspend the mandatory distribution of dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability. For 2003, 2004 and 2005, we did not distribute dividends. In 2007, we distributed dividends for fiscal year 2006 in the total amount of R$11.0 million, or R$0.10 per share (without giving effect to the stock split of one existing share into two newly issued shares approved at our shareholders' meeting held on February 22, 2010 and excluding shares held in treasury). In April 2008, our shareholders approved the distribution of dividends for the fiscal year 2007 in the amount of R$27.0 million, or R$0.21 per share (without giving effect to the stock split of one existing share into two newly issued shares approved at our shareholders' meeting held on February 22, 2010 and excluding shares held in treasury), which were fully paid to our shareholders on April 29, 2008. On April 30, 2009, our shareholders approved the distribution of dividends for the fiscal year 2008 in the amount of R$26.1 million, or R$0.20 per share (without giving effect to the stock split of one existing share into two newly issued shares approved at our shareholders' meeting held on February 22, 2010 and excluding shares held in treasury), which was fully paid to our shareholders on December 18, 2009. On April 27, 2010, our shareholders approved the distribution of dividends for the fiscal year 2009 in the amount of R$50.7 million, or R$0.12 per share (giving effect to the stock split of one existing share into two newly issued shares approved at our shareholders' meeting held on February 22, 2010 and excluding shares held in treasury), which was fully paid to our shareholders on December 15, 2010. Based on the results of the fiscal year 2010, on April 29, 2011, our shareholders approved the distribution of a dividend in the amount of R$98.8 million, or R$0.23 per share, which were fully paid to our shareholders on December 28, 2011. See "Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The ADSs benefit from the certificate of foreign capital registration, which permits Citibank N.A., as depositary, to convert dividends and other distributions with respect to our common shares into foreign currency, and to remit the proceeds abroad. Holders of ADSs who exchange their ADSs for common shares will then be entitled to rely on the depositary's certificate of foreign capital registration for five business days from the date of exchange. Thereafter, they will not be able to remit non-Brazilian currency abroad unless they obtain their own certificate of foreign capital registration, or unless they qualify under Resolution CMN 2,689, which entitles certain investors to buy and sell shares on Brazilian stock exchanges without obtaining separate certificates of registration.

If holders of ADSs do not qualify under Resolution CMN 2,689, they will generally be subject to less favorable tax treatment on distributions with respect to our common shares. There can be no assurance that the depositary's certificate of registration or any certificate of foreign capital registration obtained by holders of ADSs will not be affected by future legislative or regulatory changes, or that additional Brazilian law restrictions applicable to their investment in the ADSs may not be imposed in the future.

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

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

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

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ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

General

Gafisa S.A. is a corporation organized under the laws of Brazil. We were incorporated on November 12, 1996 for an indefinite term. Our registered and principal executive offices are located at Av. Nações Unidas No. 8,501, 19th floor, 05425-070, São Paulo, SP, Brazil, and our general telephone and fax numbers are + 55 (11) 3025-9000 and + 55 (11) 3025-9348, respectively.

We are a leading diversified national homebuilder serving all demographic segments of the Brazilian market. Established over 58 years ago, we have completed and sold more than 1,000 developments and constructed over 12 million square meters of housing under the Gafisa segment, which we believe is more than any other homebuilder in Brazil. Recognized as one of the foremost professionally-managed homebuilders, we are also one of the best-known brands in the real estate development market, enjoying a reputation among potential homebuyers, brokers, lenders, landowners, and competitors for quality, consistency and professionalism. Our segments include Tenda, which serves the affordable entry-level housing segments, Gafisa, which offers a variety of residential options to the mid to higher income segments and Alphaville, which focuses on the identification, development and sale of high quality residential communities. In addition, we provide construction services to third parties.

Our core business is the development of high-quality residential units in attractive locations. For the year ended December 31, 2010, approximately 48% of the value of our launches was derived from high and mid high-level residential developments under the Gafisa brand. We are also engaged in the development of land subdivisions, also known as residential communities, representing approximately 16% of the value of our launches under the Alphaville brand, and affordable entry-level housing, which represents approximately 36% of the value of our launches under the Tenda brand. In addition, we provide construction services to third parties.

We are one of Brazil’s most geographically-diversified homebuilders and currently operate in more than 140 cities, including São Paulo, Rio de Janeiro, Salvador, Fortaleza, Natal, Curitiba, Belo Horizonte, Manaus, Porto Alegre and Belém, across 23 states and the Federal District. Many of these developments are located in markets where few large competitors currently operate. For the year ended December 31, 2010, approximately 47% of the value of our launches was derived from our operations outside the states of São Paulo and Rio de Janeiro.

In the fourth quarter of 2011, we conducted an extensive review of our operations and the operations of our subsidiaries, and our combined business strategy. As a result of this review, the following changes were made: temporary reductions of the activities of the Tenda segment, increase in investments in the Alphaville segment and focus the Gafisa segment on the markets of Sao Paulo and Rio de Janeiro.

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

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

Historical Background and Recent Developments

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

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

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In October 2006, we entered into an agreement with Alphaville Participações S.A. to acquire 100% of Alphaville Urbanismo S.A., or "Alphaville," one of the largest residential community development companies in Brazil in terms of units and square meters, focused on the identification, development and sale of high quality residential communities in the metropolitan regions throughout Brazil targeted at upper and upper-middle income families. On January 8, 2007, we successfully completed the acquisition of 60% of Alphaville's shares for R$198.4 million, of which R$20 million was paid in cash and the remaining R$178.4 million was paid in exchange for 6.4 million common shares of Gafisa. The acquisition agreement provided for the purchase of the remaining 40% in two phases: 20% was purchased in 2010 for R$126.5 million through the issuance of 9,797,792 new common shares by Gafisa and the remaining 20% will be purchased in 2012, either in cash or shares issued by us, at our sole discretion. Alphaville is operating as one of our subsidiaries based in the city of São Paulo.

As per material fact released on June 8, 2012 regarding the Third Phase of the Investment Agreement and Other Covenants entered into on October 2, 2006 ("Investment Agreement"), which established rules and conditions for Gafisa acquiring and holding shares of the corporate capital of Alphaville Urbanismo S.A. ("AUSA"), the Company informs that the final amount of the operation (acquisition of remaining 20%) was established as R$359.0 million which will be settled by the issuance of an estimated 70,251,551 common shares, issued by Gafisa, as set forth in the Investment Agreement. The number of shares that will be issued to settle this transaction is going to be decided in an arbitration process, initiated by the other shareholders of AUSA, as per material fact release on July 3, 2012. In case of issuance of 70,251,551 common shares of Gafisa to the other shareholders of AUSA, these shareholders of AUSA will receive 13.96% of Gafisa's total capital stock and will become relevant shareholders of Gafisa.

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

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

On October 1, 2010, Equity International sold its remaining stake in our company and as a result, we do not have any shareholders holding over 5.0% of our shares.

Capital Expenditures

In 2008, we invested R$63.1 million in property and equipment, primarily information technology equipment, software, expenses for the construction of sales stands, facilities, model apartments and related furnishings and new office facilities in Rio de Janeiro and in São Paulo. Our main investments during the period were the construction of sales stands, which totaled R$35.5 million, investments in information technology equipment and software, which totaled R$3.7 million, in office facilities, which totaled R$4.2 million and the implementation of the enterprise application software SAP, which totaled R$2.0 million.

In 2009, we invested R$45.1 million in property and equipment, primarily information technology equipment, software, expenses for the construction of sales stands, facilities, model apartments and related furnishings and new office facilities in São Paulo. Our main investments during the period were the construction of sales stands, which totaled R$23.2 million, investments in information technology equipment and software, which totaled R$4.9 million, in office facilities, which totaled R$7.6 million and the SAP implementation, which totaled R$5.0 million.

In 2010, we invested R$63.5 million in property and equipment, primarily information technology equipment, software, expenses for the construction of sales stands, facilities, model apartments and related furnishings and new office facilities in São Paulo. Our main investments during the period were the construction of sales stands, which totaled R$43.4 million, investments in information technology equipment and software, which totaled R$10.8 million, in construction equipment, which totaled R$4.4 million and in machine and equipment, which totaled R$3.9 million.

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

B. Business Overview

General Overview

We believe we are one of Brazil's leading homebuilders. Over the last 50 years, Gafisa has been recognized as one of the foremost professionally-managed homebuilders, having completed and sold more than 1,000 developments and constructed over 12 million square meters of housing, which we believe is more than any other residential development company in Brazil. We believe our segments "Gafisa," "Alphaville," and "Tenda" are well-known brands in the Brazilian real estate development market, enjoying a reputation among potential homebuyers, brokers, lenders, landowners and competitors for quality, consistency and professionalism.

Our core business is the development of high-quality residential units in attractive locations. For the year ended December 31, 2010, approximately 48% of the value of our launches was derived from high and mid high-level residential developments under the Gafisa segment. We are also engaged in the development of land subdivisions, also known as residential communities, representing approximately 16% of the value of our launches under the Alphaville brand, and affordable entry-level housing, which represents approximately 36% of the value of our launches under the Tenda brand. In addition, we provide construction services to third parties.

We are one of Brazil's most geographically-diversified homebuilders currently operating in more than 140 municipalities, including São Paulo, Rio de Janeiro, Salvador, Fortaleza, Natal, Curitiba, Belo Horizonte, Manaus, Porto Alegre and Belém, across 23 states and the Federal District, which represents approximately 90% of the national population and approximately 90% of the gross domestic product as of December 31, 2010. Many of these developments are located in markets where few large competitors currently operate. For the year ended December 31, 2010 approximately 47% of the value of our launches was derived from our operations outside the states of São Paulo and Rio de Janeiro.

As a result of the review of our operations in the fourth quarter of 2011, the Gafisa segment will focus mainly on the São Paulo and Rio de Janeiro markets, as we will increase investments in the Alphaville segment and temporarily reduce the activities of the Tenda segment.

Our Markets

We are present in more than 140 municipalities, including Ananindeua, Aracajú, Barueri, Bauru, Belém, Belford Roxo, Belo Horizonte, Betim, Brasília, Camaçari, Campina Grande, Campinas, Campo Grande, Caruaru, Caxias do Sul, Contagem, Cotia, Cuiabá, Curitiba, Diadema, Duque de Caxias, Fortaleza, Foz do Iguaçú, Goiânia, Governador Valadares, Gramado, Gravataí, Jandira, João Pessoa, Juiz de Fora, Lauro de Freitas, Londrina, Macaé, Maceió, Manaus, Mossoró, Natal, Niterói, Nova Iguaçu, Nova Lima, Petrópolis, Piracicaba, Porto Alegre, Porto Velho, Recife, Resende, Ribeirão Preto, Rio das Ostras, Rio de Janeiro, Sabará, Salvador, Santos, São Bernardo do Campo, São Gonçalo, São José dos Campos, São Luis, São Paulo, São Vicente, Sobradinho, Sorocaba, Suzano, Teresina, Uberlândia, Vila Velha and Vitória, across 23 states and the Federal District throughout Brazil.

Our Real Estate Activities

Our real estate business includes the following activities:

- developments for sale of:

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- residential units;
- land subdivisions (also known as residential communities), and
- commercial buildings;
- construction services to third parties; and
- sale of units through our brokerage subsidiaries, Gafisa Vendas and Gafisa Vendas Rio, jointly referred to as "Gafisa Vendas."

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

	For year ended December 31,					
	2010 (in thousands of R$)	2010 (% of total)	2009 (1) (in thousands of R$)	2009 (% of total)	2008(2) (in thousands of R$)	2008 (% of total)
Residential buildings	3,751,242	83.1	1,726,399	73.9	1,829,780	80.4
Land subdivisions	740,593	16.4	419,512	17.6	405,678	17.8
Commercial	0	0.0	155,313	6.5	3,100	0.1
Pre-sales	4,491,835	99.5	2,301,224	98.0	2,238,558	98.4
Construction services	24,289	0.5	47,999	2.0	37,268	1.6
Total real estate sales	4,516,124	100.0	2,349,223	100.0	2,275,826	100.0

(1) Consolidates all sales of Tenda since January 1, 2009.

(2) Includes sales of Tenda since October 22, 2008.

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Developments for Sale

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

	As of and for year ended December 31,		
	2010	2009	2008
	(in thousands of R$, unless otherwise stated)		
São Paulo			
Potential sales value of units launched(1)	1,537,604	804,937	918,156
Developments launched (9)	26	11	13
Usable area (m2)(2)	357,699	157,755	288,028
Units launched(3)	3,336	1,490	2,301
Average sales price (R$/m2)(2)	4,568	5,102	3,188
Rio de Janeiro			
Potential sales value of units launched(1)	158,953	95,955	443,516
Developments launched (9)	3	3	8
Usable area (m2)(2)	36,075	19,015	196,189
Units launched(3)	285	436	837
Average sales price (R$/m2)(2)(4)	4,406	5,046	2,261
Other States (7)			
Potential sales value of units launched(1)	458,766	363,628	551,728
Developments launched (9)	17	13	15
Usable area (m2)(2)	221,747	138,503	163,61
Units launched(3)	1,504	1,487	1,811
Average sales price (R$/m2)(2)(4)	2,068	2,625	3,372
Total Gafisa			
Potential sales value of units launched(1)	2,155,323	1,264,520	1,913,400
Developments launched (9)	46	27	36
Usable area (m2)(2)	615,521	315,273	647,827
Units launched(3)	5,124	3,413	4,949
Average sales price (R$/m2)(2)(4)	3,626	4,011	2,954
Alphaville			
Potential sales value of units launched(1)	740,592	419,512	312,515
Developments launched (9)	15	10	11
Usable area (m2)(2) (8)	1,705,121	1,039,434	956,665
Units launched(3)	3,607	2,096	1,818
Average sales price (R$/m2)(2)(4)	434	403	327
Tenda(5)(6)			
Potential sales value of units launched(1)	1,595,919	617,191	1,448,325
Developments launched (9)	66	31	1
Usable area (m2)(2)	709,106	—	—
Units launched(3)	13,502	5,286	112
Average sales price (R$/m2)(2)(4)	2,251	—	—
FIT(7)			
Potential sales value of units launched(1)	—	—	496,147
Developments launched	—	—	16
Usable area (m2)(2)	—	—	—
Units launched(3)	—	—	3,759
Average sales price (R$/m2)(2)(4)	—	—	—

Bairro Novo(8)			
Potential sales value of units launched(1)	—	—	25,311
Developments launched	—	—	1
Usable area (m2)(2)	—	—	16,487
Units launched(3)	—	—	325
Average sales price (R$/m2)(2)(4)	—	—	1,535

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

(2) One square meter is equal to approximately 10.76 square feet. Values for Gafisa's interest in the project. For Gafisa, it includes the usable area of the projects acquired in 2010, ANAUÀ and Igloo Alphaville.

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

(4) Average sales price per square meter excludes the land subdivisions. Average sales price per square meter (including land subdivisions and excluding Tenda’s ventures) was R$1,259, R$1,369 and R$1,225 in 2010, 2009 and 2008, respectively.

(5) Because Tenda launched very few units in 2008, we believe the full impact of the merger was not reflected until 2009.

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

(7) FIT was merged into Tenda on October 21, 2008.

(8) On February 27, 2009, Gafisa and Odebrecht entered into an agreement to terminate the partnership created in February 2007 for the development, construction and management of large scale, low income residential projects with more than 1,000 units each. Gafisa withdrew from Bairro Novo, terminating the Shareholders’ Agreement then effective between Gafisa and Odebrecht. Therefore Gafisa is no longer a partner in Bairro Novo. The ongoing real estate ventures that were being jointly developed by the parties were separated as follows: Gafisa continued developing the Bairro Novo Cotia real estate venture and Odebrecht continued developing the other real estate ventures of the dissolved partnership, in addition to the operations of Bairro Novo. Further, on June 29, 2009, Gafisa sold its equity interest in the company developing the Bairro Novo Cotia real estate venture to Tenda.

(9) Does not consider stake acquisitions and cancelled projects for 2010 and 2009.

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

Overview of Residential Buildings

In the residential buildings category, we develop three main types of products: (1) luxury buildings targeted at upper-income customers; (2) buildings targeted at middle-income customers; and (3) affordable entry-level housing targeted at lower-income customers. Quality residential buildings for middle- and upper-income customers are our core products and we have developed them since our inception. A significant portion of our residential developments is located in São Paulo and Rio de Janeiro where we have held a leading position over the past five years based upon area of total construction. However, beginning in 2006, we began our national expansion to pursue highly profitable opportunities in residential buildings outside these cities. For the year ended December 31, 2010, approximately 47% of the value of our launches was derived from our operations outside the states of São Paulo and Rio de Janeiro and therefore these states are responsible for more than 50% of our operations.

Luxury Buildings

Luxury buildings are a high margin niche. Units usually have over 180 square meters of private area, at least four bedrooms and three parking spaces. Typically, this product is fitted with modern, top-quality materials designed by brand-name manufacturers. The development usually includes swimming pools, gyms, visitor parking, and other amenities. Average price per square meter generally is higher than approximately R$9,000. Luxury building developments are targeted to families with monthly household incomes in excess of approximately R$30,000.

The table below sets forth our luxury building developments launched between January 1, 2008 and December 31, 2010:

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Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2010)
Fradique Coutinho - MOSAICO	2010	100	6,058	2012	62	96
Smart Perdizes	2010	100	7,310	2013	82	62
Smart Vila Mariana	2010	100	6,542	2013	74	100
Anauá	2010	80	11,395	2012	25	70
Zenith - It Fase 3	2010	100	8,464	2013	24	26
Vistta Laguna	2010	80	26,287	2012	129	36
Lumière	2010	100	6,701	2013	25	4
iGLOO	2010	50	4,544	2013	89	88
Lorian Qd2A	2010	100	34,429	2013	131	16
The Place - Stake Aqcuisition	2010	20	1,496	2012	4	46
Verdemar – Phase 2	2009	100	12,593	2012	77	34
Supremo Ipiranga	2009	100	13,904	2012	108	93
Sorocaba	2009	100	7,046	2012	81	85
Vistta Santana	2009	100	27,897	2012	179	95
The Place	2009	80	5,984	2012	17	46
Magno	2009	100	8,686	2012	34	93
London Ville	2009	100	18,768	2012	195	59
Vision Brooklin	2009	100	20,536	2012	266	91
IT Style	2009	100	16,208	2013	204	92
London Green – Phase 2	2008	100	15,009	2010	140	67
Horto – Phase 2	2008	50	22,298	2011	92	98
Costa Maggiore	2008	50	9,386	2010	60	92
Chácara Sant'Anna	2008	50	30,517	2011	158	57
Details	2008	100	7,802	2011	38	97
Quintas do Pontal	2008	100	21,915	2010	91	27
Laguna di Mare	2008	80	17,454	2011	146	35
Nouvelle	2008	100	5,367	2012	12	49
MontBlanc	2008	80	30,479	2011	112	35
Manhattan Square – Phase 1 Com	2008	50	25,804	2011	716	40
Reserva Laranjeiras	2008	100	11,740	2010	108	97
Verdemar – Phase 1	2008	100	13,084	2011	80	44

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

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

Middle Income Buildings

Buildings targeted at middle-income customers have accounted for the majority of our sales since our inception. Units usually have between 90 and 180 square meters of private area, three or four bedrooms and two to three underground parking spaces. Buildings are usually developed in large tracts of land as part of multi-building developments and, to a lesser extent, in smaller lots in attractive neighborhoods. Average price per square meter ranges from approximately R$5,000 to R$9,000. Developments in Rio de Janeiro tend to be larger due to the large tracts of land available in Barra da Tijuca. Middle-income building developments are tailored to customers with monthly household incomes between approximately R$10,000 and R$30,000.

The table below sets forth our middle-income building developments launched between January 1, 2008 and December 31, 2010:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2010)
Weekend (Vitória Régia)	2010	100	15,004	2013	37	44
Reserva Ecoville	2010	50	38,455	2012	256	65
Pq Barueri Cond Clube F2A - Sabiá	2010	100	15,101	2013	171	34
Alegria - Fase2B	2010	100	14,599	2012	139	62
Pátio Condomínio Clube - Harmony	2010	100	10,370	2012	96	67
Mansão Imperial - Fase 2b	2010	100	19,210	2012	89	61

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Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2010)
Golden Residence	2010	100	6,377	2012	78	70
Riservato	2010	100	4,078	2012	42	78
Pateo Mondrian (Mota Paes)	2010	100	16,012	2012	115	80
Jatiuca - Maceió - AL - Fase 2	2010	50	4,256	2012	48	19
Grand Park Varandas - FI	2010	50	14,654	2013	188	100
Canto dos Pássaros_Parte 2	2010	80	7,428	2012	112	16
Grand Park Varandas - FII	2010	50	12,242	2013	150	100
Grand Park Varandas - FIII	2010	50	8,965	2013	114	100
JARDIM DAS ORQUIDEAS	2010	50	20,811	2012	204	98
JARDIM DOS GIRASSOIS	2010	50	21,000	2012	300	98
Pátio Condomínio Clube - Kelvin	2010	100	10,370	2012	96	53
Vila Nova São José QF	2010	100	10,771	2012	152	36
CWB 34 - PARQUE ECOVILLE Fase1	2010	50	18,326	2013	204	62
GRAND PARK - GLEBA 05 - F4A	2010	50	6,085	2013	74	89
Barão de Teffé - Fase1	2010	100	14,479	2013	142	95
Jardins da Barra Lote 3	2010	50	15,470	2013	222	99
Luis Seraphico	2010	100	29,990	2013	233	46
Barão de Teffé - Fase 2	2010	100	12,742	2013	124	83
Parque Ecoville Fase 2A	2010	50	22,354	2013	202	17
GRAND PARK - GLEBA 05 - F4B	2010	50	6,085	2013	75	75
Igloo	2010	80	9,705	2012	184	100
Quadra C13 - direita - Jardim Goiás com outorga	2010	100	11,073	2013	111	9
Pq Barueri Cond Clube F2B - Rouxinol	2010	100	15,101	2013	171	37
GRAND PARK - GLEBA 05 - F4C	2010	50	6,085	2013	89	28
PA14 - SINDICATO - Fase 1	2010	80	21,002	2013	158	27
Euclides da Cunha 2	2010	100	14,345	2014	174	65
BOM RETIRO F1	2010	100	22,393	2013	252	80
BOM RETIRO F2	2010	100	22,393	2013	252	66
Prime - Gleba 6 - F1	2010	50	25,714	2013	222	51
Horizonte - Stake Aqcuisition	2010	20	1,501	2011	6	100
Parc Paradiso - Stake Aqcuisition	2010	5	2,321	2012	22	97
Reserva Ibiapaba - Stake Aqcuisition	2010	20	4,603	2012	52	97
Privilege - Stake Aqcuisition	2010	20	3,235	2011	39	95
Carpe Diem - Niterói - Stake Aqcuisition	2010	20	10,134	2011	23	61
Brink – Phase 2 – Campo Limpo	2009	100	8,576	2011	95	93

Alegria – Phase 2	2009	100	14,599	2012	139	84
Canto dos Pássaros	2009	80	7,428	2012	112	45
Grand Park - Parque Árvores - Seringueira(1)	2009	50	5,576	2011	76	99
Vila Nova São José – Phase 1 – Metropolitan	2009	100	10,370	2011	96	58
Grand Park - Parque Árvores - Salgueiro(1)	2009	50	5,576	2011	76	100
City Park Brotas	2009	50	9,404	2012	185	100
Grand Park Árvores – Bambu	2009	50	5,576	2011	76	99
Reserva Ibiapaba — Phase 1	2009	80	9,206	2012	104	91
City Park Acupe	2009	50	12,105	2012	190	96
Reserva Ibiapaba — Phase 2	2009	80	9,206	2012	104	66
Parque Maceió – Phase 2	2009	50	14,478	2012	252	3
Vista Patamares	2009	50	24,883	2012	336	80
City Park Exclusive	2009	50	8,779	2012	146	68
Stake Aquisition Horizonte	2009	80	6,004	2011	23	100
Stake Aquisition Parc Paradiso	2009	5	2,321	2012	22	100
Stake Aquisition Carpe Diem — Belem	2009	80	10,134	2012	93	61
Stake Aquisition Mistral	2009	10	1,485	2012	20	79
Stake Aquisition Reserva Bosque Resort — Phase 1	2009	20	3,448	2012	27	97
Stake Aquisition Reserva Bosque Resort — Phase 2	2009	20	3,481	2012	29	68
Mistral	2008	100	1,856	2011	25	82
Parque Barueri	2008	50	58,437	2012	677	75

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Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2010)
Brink - Campo Limpo – Phase 1	2008	100	17,280	2010	191	62
Patio Condominio Clube – Phase 1A	2008	100	20,741	2011	192	29
Mansão Imperial – Phase 1	2008	100	18,778	2011	87	19
Reserva do Bosque - Lauro Sodré – Phase 2	2009	100	4,200	2011	35	71
Alegria - Mãe dos Homens – Phase 1	2008	100	29,199	2011	278	66
Dubai	2008	50	19,316	2011	240	51
Reserva do Bosque – Phase 1	2008	100	4,151	2011	34	97
Ecolive	2008	100	12,255	2011	122	65
Manhattan Square - Res 2	2008	50	28,926	2011	270	20
Manhattan Square - Res 3	2008	50	37,879	2011	621	22
Reserva Santa Cecília	2008	100	8,350	2010	92	25
Terraças Tatuapé	2008	100	14,386	2011	105	50
Barueri II – Phase 1	2008	100	58,437	2011	677	50
Carpe Diem - Belém – Pará	2008	70	13,951	2011	90	65
Grand Park - Parque das Águas – Phase 2	2008	50	12,960	2011	150	56
Nova Petropolis	2008	100	41,182	2011	300	55
Terraças Alto da Lapa	2008	100	24,525	2010	192	70
Raízes Granja Viana	2008	50	18,022	2010	73	37
Magnific	2008	100	10,969	2010	31	64
Carpe Diem – Itacoatiara	2008	80	12,667	2010	116	53

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

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

Affordable Entry-Level Developments

Affordable entry-level housing consists of building and house units. Units usually have between 42 to 60 square meters of indoor private area and two to three bedrooms. Average price per square meter ranges from approximately R$2,000 to R$3,000. Affordable entry-level housing developments are tailored to families with monthly household incomes between approximately R$1,500 and R$3,600.

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

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

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

The table below sets forth our affordable entry-level housing developments launched by us between January 1, 2008 and December 31, 2010:

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Project Description	Year Launched	Gafisa Participatio (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (as of December 31, 2010)
Grand Ville das Artes - Monet Life IV	2010	100	2,983	2010	56	87
Grand Ville das Artes - Matisse Life IV	2010	100	2,983	2010	60	93
Fit Nova Vida - Taboãozinho	2010	100	8,326	2010	137	99
São Domingos (Fase Única)	2010	100	13,376	2011	192	93
Espaço Engenho III (Fase Única)	2010	100	9,919	2011	197	99
Portal do Sol Life IV	2010	100	3,188	2010	64	94
Grand Ville das Artes - Matisse Life V	2010	100	5,966	2010	120	75
Grand Ville das Artes - Matisse Life VI	2010	100	5,966	2012	120	80
Grand Ville das Artes - Matisse Life VII	2010	100	4,972	2012	100	90
Residencial Buenos Aires Tower	2010	100	6,518	2011	88	100
Tapanã - Fase I (Condomínio I)	2010	100	14,460	2012	274	62
Tapanã - Fase I (Condomínio III)	2010	100	8,676	2011	164	54
Estação do Sol - Jaboatão I	2010	100	9,749	2012	159	75
Fit Marumbi Fase II	2010	100	24,266	2010	335	89
Portal do Sol Life V	2010	100	4,883	2010	96	72
Florença Life I	2010	100	8,731	2010	199	71
Cotia - Etapa I Fase V	2010	100	11,929	2012	272	98
Fit Jardim Botânico Paraiba - Stake Acquisition	2010	100	23,689	2011	155	81
Coronel Vieira Lote Menor (Cenário 2)	2010	100	7,951	2012	158	97
Portal das Rosas	2010	100	8,158	2011	132	100
Igara III	2010	100	14,704	2012	240	21
Portal do Sol - Fase 6	2010	100	3,199	2011	64	62
Grand Ville das Artes - Fase 9	2010	100	6,709	2011	120	31
Gran Ville das Artes - Fase 8	2010	100	5,590	2011	100	54
Vale do Sol Life	2010	100	3,976	2012	79	85
Engenho Life IV	2010	100	9,919	2012	197	68
Residencial Club Cheverny	2010	100	28,215	2012	384	48
Assunção Life	2010	100	30,347	2012	440	89
Residencial Brisa do Parque II	2010	100	5,678	2012	105	43
Portal do Sol Life VII	2010	100	3,199	2011	64	45
Vale Verde Cotia F5B	2010	100	5,182	2011	116	95
San Martin	2010	100	9,242	2011	132	98
Jd. Barra - Lote 4	2010	50	9,683	2012	224	100
Jd. Barra - Lote 5	2010	50	9,683	2012	224	100
Jd. Barra - Lote 6	2010	50	9,683	2012	224	100
ESTAÇÃO DO SOL TOWER - Fase 2	2010	100	9,763	2011	160	81

Assis Brasil Fit Boulevard	2010	70	19,170	2012	319	29
Cesário de Melo II - San Marino	2010	100	8,731	2012	199	87
Parque Arvoredo - F1	2010	100	24,154	2013	360	80
GVA 10 a 14	2010	100	31,307	2012	559	56
Portal do Sol — Fase 8 a 14	2010	100	22,391	2011	448	37
Flamboyant Fase 1	2010	100	14,536	2013	264	38
Assunção Fase 3	2010	100	10,412	2012	158	89
Viver Itaquera (Agrimensor Sugaya)	2010	100	11,123	2012	199	28
Firenze Life	2010	100	11,855	2012	240	100
Villagio Carioca - Cel Lote Maior	2010	100	11,927	2012	237	46
FIT COQUEIRO I - Stake Acquisition	2010	100	35,614	2011	60	100
FIT COQUEIRO II - Stake Acquisition	2010	100	35,614	2011	48	100
Alta Vista	2010	100	10,941	2011	160	84
Bosque dos Pinheiros	2010	100	8,440	2012	118	77
Cassol F2a	2010	100	12,077	2013	180	58
Araçagy - F1	2010	50	38,584	2013	372	92
Vista Club (Estrada de Itapecerica)	2010	100	7,314	2013	157	43
PORTO BELLO	2010	100	13,144	2012	256	40
Vivendas do Sol	2010	100	18,977	2012	400	3

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Project Description	Year Launched	Gafisa Participatio (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (as of December 31, 2010)
Colubandê Life	2010	100	7,197	2012	160	26
Mirante do Lago F3	2010	100	13,298	2013	180	4
Residencial Germânia Life F1	2010	100	22,023	2012	340	12
Arpoador	2010	100	14,906	2012	218	48
Jardins do Horto	2010	100	17,090	2013	328	40
São Matheus II	2010	100	7,453	2012	160	40
Ananindeua	2010	80	22,286	2012	540	10
FELICITÁ F1	2010	100	9,017	2013	126	69
FELICITÁ F2	2010	100	9,017	2013	126	77
FELICITÁ F3	2010	100	9,017	2013	126	13
Vila Atlântico	2010	100	7,071	2012	128	47
Araçagy - F2	2010	50	14,469	2013	280	92
Guaianazes Life	2010	100	8,849	2012	168	30
Vivai - Stake Acquisition	2010	100	37,427	2012	64	86
Mirante do Lago F2 - Stake Acquisition	2010	30	33,947	2011	703	59
MIRANTE DO LAGO - Stake Acquisition	2010	30	33,947	2011	703	91
ICOARACI - Stake Acquisition	2010	20	6,541	2012	294	62
FIT MIRANTE DO PARQUE - Stake Acquisition	2010	40	42,259	2011	420	100
Vila Real Life - Sitio Cia	2009	100	10,603	2011	178	99
FIT Giardino – Phase 1	2009	80	10,864	2011	259	21
FIT Icoaraci	2009	80	6,540	2011	294	54
Le Grand Vila Real Tower	2009	100	1,588	2011	92	100
Green Park Life Residence	2009	100	16,002	2012	220	91
Vermont Life	2009	100	11,190	2011	192	100
FIT Dom Jaime - Bosque dos Passaros	2009	100	6,466	2011	364	54
Bairro Novo – Phase 3	2009	100	26,111	2010	448	100
Bariloche	2009	100	1,457	2011	80	100
Mirante do Lago – Phase 2A	2009	70	8,664	2011	188	63
Parma	2009	100	5,717	2010	36	100
Marumbi – Phase 1	2009	100	29,989	2011	335	46
Bosque das Palmeiras	2009	100	2,098	2011	144	100
Residencial Club Gaudi Life	2009	100	15,384	2011	300	99
Tony - Passos – Phase 1 - Recanto das Rosas	2009	100	23,996	2012	240	80
Residencial Jardim Alvorada	2009	100	10,320	2011	180	99
FIT Bosque Itaquera	2009	100	15,558	2012	256	94
FIT Lago dos Patos	2009	100	14,888	2011	140	99
Cotia – Phase 4 - Stage I	2009	100	4,256	2010	96	100
Clube Garden – Mônaco	2009	100	11,441	2011	186	100
Vivenda do Sol I	2009	100	7,744	2010	200	98

Parque Green Village	2009	100	3,991	2011	176	97
Fit Marodin – Jardins	2009	70	15,432	2011	171	64
Mirante do Lago – Phase 2B	2009	70	7,368	2011	310	53
Residencial Monet Life - Le Grand Villa das Artes	2009	100	1,165	2011	200	89
Cotia – Phase 4 - Etapa II	2009	100	4,256	2010	224	97
Portal do Sol Life I	2009	100	2,354	2012	64	78
Portal do Sol Life II	2009	100	2,354	2012	64	55
Portal do Sol Life III	2009	100	2,354	2012	64	83
Residencial Monet II (Grand Ville das Artes – Phase 3)	2009	100	4,937	2011	120	76
Residencial Mogi Das Cruzes Life	2008	100	16,009	2011	351	100
Residencial Itaim Paulista Life I	2008	100	1,166	2011	160	100
Residencial Curuca	2008	100	1,216	2009	160	98
Residencial Bunkyo	2008	100	13,944	2011	332	100
Residencial Ferraz Life I	2008	100	1,166	2012	792	100
Residencial Portal Do Sol	2008	100	16,889	2012	282	100
Residencial Das Flores	2008	100	1,166	2010	156	100
Residencial Colina Verde	2008	100	1,166	2011	200	100
Residencial Spazio Felicitta	2008	100	1,906	2011	180	