Gafisa S.A.
Form 6-K
April 15, 2019

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of April, 2019

(Commission File No. 001-33356),

Gafisa S.A.

(Translation of Registrant's name into English)

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

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

Form 20-F ___X___ Form 40-F ______

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

Yes ______ No ___X___

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

Yes ______ No ___X___

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

Yes ______ No ___X___

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

Financial Statements

Gafisa S.A.

December 31, 2018

and Report of Independent Registered Public Accounting Firm

(A free translation of the original report in Portuguese as published in Brazil)

Gafisa S.A.

Financial Statements

December 31, 2018

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(A free translation of the original report in Portuguese as published in Brazil)

MANAGEMENT REPORT 2018

Dear Shareholders,

The Management of Gafisa S.A. ("Gafisa" or "Company") submits for your examination the Management Report and the related Financial Statements, accompanied by the Reports of Independent Registered Accounting Firm and Fiscal Council for the fiscal year ended December 31, 2018. The Management Report information is reported on a consolidated basis, unless if specified otherwise, and in accordance with the accounting practices adopted in Brazil and pursuant to the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

MESSAGE FROM MANAGEMENT

The Company underwent a restructuring process throughout 2018. In February, the increase in capital in the amount of R$250.8 million was completed, which reduced pressure on cash in that moment. In the end of September, the Company's management was changed, followed by the implementation of a turnaround strategy aimed at readjusting the structure and expenditures, and included the close down of the branch in Rio de Janeiro, the move of the registered office and review of processes.

The actions that have already been performed and those that will be carried out, in line with the above-mentioned strategy, shall result in a total saving of around R$110 million per year. The main reductions were: (i) headcount, in the order of 50%, which represents a saving of R$45 million/year; (ii) marketing – R$40 million/year (iii) IT – R$18 million/year; (iv) registered office's move – R$4 million/year; and (v) expenditures on sales stand and points of sale – R$4 million, among others. A portion of such gains has already materialized during November and December 2018, but will become more evident from the following quarters.

The needs for adjustment mapped during the 4Q18, such as the impairment of land, inventories and goodwill on the remeasurement of the investment in Alphaville, and the reversal/entry of provisions, among other adjustments, were recorded in the 4Q18, negatively affecting profit or loss by R$276 million.

Gafisa thus starts the year 2019 adjusted and well positioned to begin a new cycle in the real estate sector. The company has assets of quality and a traditional and well-known trademark. Besides, the pipeline of launches counts on residential ventures located in the city of São Paulo, very appropriate to satisfy market demand, and, for this reason, with expected attractive profitability. The largest volume of ventures is expected to be launched in the second half of 2019.

The Total Saves Value (TSV) in inventory amounts to R$1.2 billion, with higher concentration in residential units located in São Paulo and with higher market liquidity (73% of aggregate TSV in inventory).

Cancelled contracts, which have unbalanced many ventures over several years, have significantly reduced during the year. The monthly average volume of cancelled contracts changed from R$34 million in 2017 to R$19 million in 2018. This downward trend shall continue in 2019, with the approval of the Law that governs cancelled contracts. Under the new legislation, developers may retain up to 50% of the amounts paid by the consumer in case the latter cancels the purchase, providing more legal protection for the sector.

Net debt amounted to R$752 million in December 2018, which represents a reduction of 21% in relation to the closing balance of 2017. Leverage, measured by the ratio of net debt to equity, increased to 153% at the end of 2018, mainly impacted by the loss for the year and recognized impairment. Excluding venture financing, the net debt-to-equity ratio stands at 45%. Funding alternatives have been evaluated to readjust the Company's capital structure.

The prospects for 2019 are positive, once the macroeconomic scenario is more favorable and the market is already giving signs of recovery. Growth is expected to pick up gradually, sustainably, and aiming at delivering a solid performance and creating value to shareholders and other stakeholders.

OPERATIONAL AND FINANCIAL PERFORMANCE

In the year, launches totaled R$729 million in TSV, divided into six projects, all of which in São Paulo. At the end of December 2018, 55% of the volume launched in the year had already been sold, demonstrating the Company's assertiveness in selecting its ventures.

Gross sales reached R$1,040 million in 2018.

Cancelled contracts totaled R$228 million, a 45% reduction in relation to 2017, even with a higher volume of delivery in the period, demonstrating a better quality of sales. Net sales thus increased 13% in relation to 2017, recording R$813 million in 2018.

The SoS over the past 12 months reached 40%, up 8 p.p. on the same period of the previous year, boosted by inventory sales and the good performance of launches over the year.

At the end of 2018, inventory showed a 22.5% reduction in relation to the end of 2017, even with a 32% increase in the volume of launches in the period. Gafisa keeps trying to maintain commercial balance between the latest and completed ventures. In December 2018, the inventory of completed units represented 38% of TSV in inventory.

Deliveries totaled 2,354 units with a TSV of R$910 million, divided into 12 projects or phases in 2018. At present, Gafisa has 14 active construction sites and four projects which construction will start in 2019.

In recent years, the Company has taken measures to improve the process of receipt and transfer, seeking to maximize the return of the funds employed in projects. At present, 90% of eligible units are transferred in up to 90 days after the delivery of the venture or certificate of occupancy. In 2018, the transferred TSV totaled R$321 million.

In 2018, net revenues totaled R$960.9 million, a 22% increase in relation to 2017. The increased revenue recognition is a result of the larger sales volume and progress of works in the period.

Gross profit and gross margin were impacted by provisions amounting to R$63.1 million arising from the impairment recognized in certain land, located in the city of Rio de Janeiro, and in units in inventory. Without the effect of such adjustments and capitalized interests, recurring adjusted gross profit amounted to R$ 290.7 million in 2018, which is equivalent to more than double the amount reported in 2017. Adjusted gross margin was 30.3% in 2018, up 12.0 p.p on the margin reported in 2017.

General and administrative expenses changed from R$92.7 million in 2017 to R$57.1 million in 2018; a result of the net reversal of the reserve for bonus for previous and current years, in the amount of R$14.8 million, and the reduction in service and IT expenditures.

Recurring adjusted EBITDA (excluding expenses on contingencies; impairment of inventories, land, software, and loss on Alphaville investment) was positive by R$127 million in 2018 whereas it was negative by R$50.8 million in 2017.

In 2018, the accumulated net financial income (expenses) was negative by R$80.5 million, and in 2017 the net loss amounted to R$107.3 million.

The line item income tax and social contribution was positive by R$24.1 million in 2018, reflecting deferred tax assets of R$26 million arising from the impairment of goodwill accounted in the investment in Alphaville. For this same reason, the provision for IR/CSLL was positive by approximately R$21.8 million in 2018. As a result of the previously discussed effects, the net profit or loss for 2018, excluding the adjustments made in the pricing of inventories, land, and software, and in the goodwill on the interest in Alphaville, as well as the expenditures on contingency, was negative by R$66.2 million, while the net loss for 2017 amounted to R$190.1 million. As of December 31, 2018, the balance of cash, cash equivalents and short-term investments reached R$137.2 million.

At the end of 2018, gross debt reached R$889 million, with substantial decrease of 20% as compared to the end of 2017.

People and Management

We have an experienced team who is at the vanguard of the Brazilian real estate sector. Many of our professionals began their careers in the Company.

Approximately 50% of our leaders were trained in-house, through talent recruiting and training. So even after readjusting the Company's personnel, we will work hard to obtain results to shareholders, with quality and respect for customers.

Also, occupational safety and accident are central themes for Gafisa. Therefore, we maintain a continuous program of risk identification, prevention and mitigation, which aims, besides preserving the physical integrity of our employees, to offer a basis for a healthier life. For us, investing in safety is a guarantee of wellness in and out of the work environment. We offer training programs to the team in the field (directly related to construction works), as well as to our collaborators of third-party companies, who provide services in our sites and ventures.

The Company has 359 employees (base December 2018).

Research and Development

Gafisa has and encourages multiple fronts focused on innovation. In the end of 2018 Gafisa Service, was created, a business unit aimed at providing services post-warranty, house-up (customization of the unit to be delivered, according to the customer needs) and rental of residential and commercial units, own or of third parties.

House-up services were segmented in three waves:

ü Ready to move: custom finishing services;

ü Ready to live: custom finishing, furniture and decoration services;

ü House-Up after keys: custom services for ready units;

The post-warranty service will also be implemented in three phases, according to the delivery date of the Company's ventures.

Complementing the sales strategy, rental services are expected to play a significant role as competitive advantage and as factor to win loyalty. These services reflect a market trend and show potential for both monetizing inventories and increasing the margin share of ventures.

CORPORATE GOVERNANCE

Board of Directors

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

The decisions of the Board of Directors are taken by the majority vote of its members. In the event of a tie vote, the Chair of the Board of Directors has, in addition to her/his personal vote, to cast a tie-breaking vote.

The current Board is formed by five members, most of whom are independent (80%). The members serve for a unified term of office of two years*, according to the Listing Rules of *Novo Mercado*, with reelection and removal being permitted by shareholders in Shareholders' Meeting.

The members of Board of Directors are shown in the following table.

Augusto Marques da Cruz Filho	Effective Member and Chair of the Board of Directors	2.17.2019	ESM APRIL/19
Antonio Carlos Romanoski	Effective Member	3.27.2019	ESM APRIL/19
Pedro Carvalho de Mello	Effective Member	9.25.2018	ESM APRIL/19
Thomas Cornelius Azevedo Reichenheim CCCcReichenheimReichenheim	Effective Member	3.15.2019	ESM APRIL/19
Roberto Luz Portella	Effective Member	3.15.2019	ESM APRIL/19

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*The election of members to the Board of Directors was held by multiple vote, and, according to the Company's Articles of Incorporation, there is no alternate. Accordingly, under the terms of paragraph 3 of Law 6404/76, when a Board seat becomes vacant, a new election of members shall be held, which will take place in the next ESM, scheduled for April 15, 2019.

Fiscal Council

Gafisa's Articles of Incorporation provide for a non-permanent Fiscal Council, the Shareholders' Meeting being able to determine its installation and members, as provided in the Law. The Fiscal Council, when installed, will comprise three to five members, and an equal number of alternates.

The operations of the Fiscal Council, when installed, ends in the first Annual Shareholders' Meeting (ASM) held after its installation, the re-election of its members being permitted. The compensation of fiscal council members is set at the Shareholders' Meeting that elect them.

In the ASM held on April 28, 2018, the Fiscal Council was again installed, and it will operate until the next Annual Shareholders' Meeting of the Company to be held in April 2019. On November 30, 2018, an ESM was held aimed at electing three members and their respective alternates to the Fiscal Council, for a term of office up to the ASM of 2019.

The members of the Fiscal Council elected on November 30, 2018 are as follows.

Olavo Fortes Campos Rodrigues Junior	Effective Member	11.30.2018	ASM 2019
Marcelo Martins Louro	Effective Member	11.30.2018	ASM 2019
Fabio N S Mansur	Effective Member	11.30.2018	ASM 2019
Thiago Fukushima	Alternate	11.30.2018	ASM 2019
Eliane de Jesus Santana	Alternate	11.30.2018	ASM 2019
Rafael Calipo Ciampone	Alternate	11.30.2018	ASM 2019

Executive Management

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

Gafisa's Executive Management shall be composed of a minimum of two and a maximum of eight members, including the CEO, the CFO and the IR Officer, elected by the Board of Directors for a three-year term of office, reelection being permitted, as established in the Articles of Incorporation. In the current term of office, six members comprise the Executive Management:

Roberto Luz Portella	CEO, CFO and IR Officer	3.27.2019	3.26.2022
Eduardo Larangeira Jácome	COO	3.27.2019	3.26.2022

Committees

The Company has two advisory committees of the Board of Directors, of permanent and statutory character, which are required to comprise three independent members of the Board of Directors.

§ **Corporate Governance and Compensation Committee:** originated from joining the Compensation Committee with the Appointment and Corporate Governance Committee, this committee accumulate the competences of these former committees and is aimed at periodically analyzing and reporting on matters related to the size, identification, selection and qualification of the Board of Directors, Executive Management and candidates appointed to serve on the Board and its Committees, prepare and recommend Governance principles applicable to the Company, and evaluate and make recommendations to the Board members on the compensation policies and all types of bonus to be offered to the Executive Officers and other employees of the Company. At present, it is presided by Thomas Cornelius Azevedo Reichenheim, and also relies on Augusto Marques da Cruz Filho and Pedro Carvalho de Mello as members.

§ **Audit Committee:** is responsible for planning and reviewing the Company's annual and quarterly reports and accounting, the auditor's involvement in the process, focusing particularly on compliance with legal requirements and accounting standards, and ensuring that an effective system of internal controls is maintained. This Committee shall be comprised of members who have experience in the matters related to accounting, audit, finance, taxation, and internal controls, and one of its members shall have vast experience in accounting and financial management. At present, it is presided by Pedro Carvalho de Mello, with Augusto Marques da Cruz Filho and Thomas Cornelius Azevedo Reichenheim serving as members.

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

§ **Executive Ethics Committee:** it has the duty to monitor the practices adopted by the whole organization, assuring that they are compatible with the beliefs and values that represent Gafisa and the principles and guidance on conduct established in the Code of Ethics. This Committee is supervised by the Audit Committee.

§ **Executive Investment Committee:** it has the duty to analyze, discuss and recommend the acquisition of new real estate and launches of real estate; provide advisory to Officers in the negotiation of new contracts and project structuring; keep up with the approval of budgets and cash flow; and, in special cases, participate in the negotiation and structuring of new agreement types. This Committee is only composed of the Statutory Officers of the Company.

§ **Executive Finance Committee:** works evaluating and providing recommendations to the Board members on the Company's risk policies and financial investments. This Committee is composed of the Statutory Officers of the Company.

Dividends, Shareholders Rights and Share Data

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

§ vote in annual or extraordinary Shareholders' Meeting, and make recommendations and provide guidance to the Board of Directors on decision making;

§ receive dividends and participate in profit sharing or other share-related distributions, in proportion to their interests in capital;

§ supervise Gafisa's management, according to its Articles of Incorporation, and step down from the Company in the cases provided in the Brazilian Corporate Law; and

§ receive at least 100% of the price paid for common share of the controlling stake, according to the Listing Rules of *Novo Mercado*, in case of public offering of shares as a result of the disposal of the Company's control.

Under the terms of article 47, paragraph 2 (b) of Articles of Incorporation, the balance of net income for the year, calculated after the deductions provided in the Articles of Incorporation and adjusted according to article 202, of the Brazilian Corporate Law, will have 25% of it allocated to the payment of mandatory dividend to all shareholders of the Company.

Considering that the Company recognized loss for the year ended December 31, 2018, there is no proposal for allocation of net income and dividend distribution.

CAPITAL MARKETS

The Company has diluted capital, its shares are traded in the Brazilian market and abroad through American Depositary Receipt (ADR). From December 17, 2018, Gafisa's shares are no longer listed on the New York Stock Exchange (NYSE), and its ADRs started to be traded Over the Counter (OTC). The Company's delisting process was approved in the meeting of the Board of Directors held on November 26, 2018. The rationale behind this decision is supported by the weighing of the costs against the benefits inherent in the ADR program.

In 2018, we reached an average daily trading volume of R$16.7 million in B3 and US$ 271 thousand in NYSE/OTC.

The Company's shares ended the year 2018 quoted at R$16.90 (GFSA3) and US$8.56 (GFASY).

Independent Registered Public Accounting Firm

The Company's policy on commissioning non-external audit services to independent auditors is based on principles that preserve their autonomy. These internationally accepted principles consist of the following: (a) the auditor cannot audit its own work, (b) the auditor cannot function in the role of management in its client, and (c) the auditor cannot promote the interests of its client.

According to Article 2 of CVM Instruction 381/03, Gafisa informs that BDO RCS Auditores Independentes, the independent registered accounting firm of the Company and its subsidiaries, did not provide services other than independent audit in 2018.

Management Statement

The Executive Management declares, in compliance with article 25, paragraph 1, items V and VI, of CVM Instruction 480/2009, that it revised, discussed and agrees with the Financial Statements contained in this Report and the opinion issued in the report of Independent Registered Accountants on them.

Acknowledgements

Gafisa thanks the valuable contribution of its employees, customers, suppliers, partners, shareholders, financial institutions, government entities, regulatory bodies and other stakeholders for the support received throughout 2018.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To

Shareholders, Board Members and Management of

Gafisa S.A.

São Paulo - SP

Opinion on the individual and consolidated financial statements prepared in accordance with Brazilian accounting practices and with the International Financial Reporting Standards (IFRS), applicable to Brazilian real estate development entities, registered with the Brazilian Securities Commission (CVM)

We have audited the accompanying individual and consolidated financial statements of **Gafisa S.A. ("Gafisa" or "Company")**, identified as Company and Consolidated, respectively, which comprise the statement of financial position as of December 31, 2018, and the respective statement of profit or loss, comprehensive income, changes in equity, and cash flows for the year then ended, as well as the corresponding explanatory notes to the financial statements, including a summary of significant accounting policies.

Opinion on the individual financial statements

In our opinion, the accompanying individual financial statements present fairly, in all material respects, the financial position of Gafisa S.A. as at December 31, 2018, its financial performance and cash flows for the year then ended, in accordance with Brazilian accounting practices, applicable to Brazilian real estate development entities, registered with the Brazilian Securities Commission (CVM).

Opinion on the consolidated financial statements

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gafisa S.A. and its subsidiaries as at December 31, 2018, its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRS) applicable to Brazilian real estate development entities registered with the Brazilian Securities Commission (CVM).

Basis for opinion on the individual and consolidated statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Association of Accountants (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis

Accounting practices adopted in Brazil applicable to real estate development entities in Brazil, registered with the CVM

As described in Note 2.1, the individual and consolidated financial statements have been prepared in accordance with the Brazilian accounting practices and with the International Financial Reporting Standards (IFRS), applicable to Brazilian real estate development entities, registered with the CVM. Accordingly, the determination of the accounting policy to be adopted by entity, on recognition of revenue from purchase and sale of real estate unit in progress, on aspects related to transfer of control, based on the understanding expressed by CVM in the Ofício-Circular/CVM/SNC/SEP 02/2018 on the application of NBC TG 47 (IFRS 15). Our opinion is not qualified in respect to this matter.

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Key audit matters

Key audit matters are those matter that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and, therefore, we do not provide a separate opinion on these matters.

Compliance with the contractual terms of loan and financing contracts	**How the matter was addressed in the audit**
The Company and its subsidiaries have many loan and financing contracts totaling R$ 560,599 thousand and R$ 623,746 thousand, in the Company and consolidated, respectively, for developing real estate ventures and enhancing working capital. Certain contracts have guarantee clauses, such as fiduciary assignment of receivables and debt acceleration, which involves the compliance with certain financial ratios and other conditions that establish, among others, the approval from financial institutions of changes in the control of ownership interests and veto of the assignment by the Company and/or subsidiaries of receivables and obligations already provided as guarantee to the respective financial institutions. As mentioned in Note 12, in some situations debts were reclassified into short-term liabilities as a result of the breach of contractual obligations, and Management, based on its understanding and that of legal counsel, understands that there is no impact	Our audit procedures included, among others: § Reading loan and financing contracts; § Issue letter and receipt of external confirmation of the balances recorded in the financial statements; § Understanding the management’s analysis of the restrictive covenants and the consistency of the application of such understanding in relation to the financial statements disclosed in prior periods; § Obtaining the opinion of the Company’s external legal counsel on certain transaction; and § Recalculation of financial covenants and evaluation of compliance. During the audit process we identified weaknesses in the internal controls related to

on cross-acceleration clauses.

Additionally, Management and its legal counsel interpret that for certain contracts with financial institutions the lack of notification by the creditor until the date of approval of the financial statements entitle the Company the unconditional right to keep the deferral of the settlement based on the terms agreed in contracts.

Considering the complexity of the judgment in the interpretation of contracts with some financial institutions, the need for robust and timely internal controls, and the relevance of this matter to the Company's liquidity risk, we consider it a key audit matter in our audit.

the solidity of the monitoring of restrictive covenants, regarding the incomplete formalization of covenant monitoring, fact which reveals the need for review and improvement in internal controls.

The results achieved by the above-mentioned audit procedures are consistent with Management's evaluation reported in the disclosures of the Notes, in the context of the individual and consolidated financial statements taken as a whole.

Revenue recognition of the real estate units sold in construction phase, and measurement of the allowance for cancelled contracts	**How the matter was addressed in the audit**
As mentioned in Note 2.2.2, revenue recognition, the Company applied NBC TG 47 (IFRS 15) – Revenue from contracts with customers, including the guidance contained in Ofício-Circular CVM/SNC/SEP 02/2018, related to the sale of units not yet completed, in which revenue is recognized over time (overtime method), with measurement through the progress of budgeted costs in relation to the estimated costs of each real estate venture (percentage of completion – PoC).	Our audit procedures included, among others: **Recognition of revenue from real estate units not yet completed** § Evaluation of the internal control environment for revenue recognition; § Test of relevant review controls and approval controls of budget and update of the receivables portfolio;
After meeting the criterias for beginning the revenue recognition described in the Company's accounting policy, management periodically reassess the risk of cash inflow, for each contract of real estate unit sold and not yet delivered to the customer. In the period when there is uncertainty and cash inflow is no longer probable, the Company discontinue the revenue recognition of customer and reverses the amounts that have been recorded since the signature date of the purchase and sale contract, and recognizes as allowance for cancelled contracts considering any amount that has already been received, with the applicable contractual and legal deductions.	§ Test, using sampling method, of sales contracts of real estate units for understanding the established terms and conditions; § Understanding and tests, using sampling method, of the budgets, and analysis of the portion of costs to be incurred as compared to the stage of completion of the ventures selected for testing; § Test, using sampling method, of incurred expenses through the supporting documentation identified by venture; § Visit to some real estate ventures for understanding the physical and financial progress of construction, and verification of possible specific risk; and
We consider these matters as significant in our audit because of the potential effects involved in the financial statements, requiring robust internal controls for the process of preparation and budgets of each real estate venture, requiring ongoing monitoring, as	§ Recalculation of revenue recognized based on the information extracted from the approved budgets by the engineer responsible for the venture.

they are the basis for recognition of revenues from sale of real estate units in construction phase, and use of specific assumptions to try to timely identify the uncertainty risk regarding cash inflows, and, consequently, measurement and record of allowance for cancelled contracts.

Measurement of the allowance for cancelled contract

§ Understanding of internal controls and test of the data basis of real estate unit sold, and analysis regarding the existence of default, and requests for contract cancellation under analysis or finalized;

§ Evaluation of the assumptions adopted by the Company to identify the risk of uncertainty about cash inflow;

§ Test of derecognition of revenue, costs, allowance for cancelled contracts payable, and recorded inventory amount; and

§ Evaluation of the effective cancelled contracts occurred in subsequent period that could have not been considered in the allowance.

The results achieved by the above-mentioned audit procedures are consistent with the Management’s evaluation reported in the disclosures of Notes, without identification of adjustments or relevant weakness in internal controls

Provisions and contingent liabilities	**How the matter was addressed in the audit**
As mentioned in Notes 2.2.22 (i) and 16, the Company and its subsidiaries are parties to a large number of lawsuits and administrative proceedings in civil, labor and tax levels, that arise in the ordinary course of their businesses.	Our audit procedures included, among others:
Given the number of claims, Management adopts the criteria for recognizing provision for claims from the first unfavorable decision awarded to the Company, and, in cases of individually material claims, analyses by case.	§ Understanding of the policy on recognition of provision for contingencies adopted by the Company and its subsidiaries, as well as the performance of tests, using sampling method, of relevant internal controls to ensure that the criteria established in the policy have been applied;
	§ Receipt and evaluation of the letter from legal counsel informing the claims to which the Company and its subsidiaries are parties in administrative or legal dispute;
Due to the number of claims, the criteria established for timely identifying the need for recognizing a provision and the existence of significant judgments involved in the process of evaluation and measurement of provisions, and disclosures of contingent liabilities, we considered it a key audit matter.	§ Discussion with internal counsel and governance bodies for understanding the existence of significant matters not recorded in the books or mentioned in the Notes; and
	§ Comparison of the total contingencies mentioned by the Company's legal counsel which outflow of funds is considered probable with the accounting provision reported in the financial statements as of December 31, 2018, and analysis of the disclosures of contingent liabilities.
	During the audit process, there was the need for adjustments that affected the measurement and disclosure of the provision for contingencies, which were recorded and disclosed by management. These adjustments also reveal the need for review and improvement in internal controls.

Evaluation of the recoverability of non-financial assets – goodwill on investment in Alphaville and land that is not included in the business plan for future developments

The Company records the amount of R$ 161,100 thousand, net of provision for impairment, as of December 31, 2018, related to the goodwill on the investment in Alphaville Urbanismo S.A., which is based on expected future economic benefit of the associate. In the process of measurement of recoverable amount, Management uses complex judgements, mostly based on internally-developed assumptions and over a period longer than that formally set in the investee's approved business plan.

As to land available for sale, which is recorded, net of provisions for recoverable amount, in the amounts of R$ 74,842 thousand and R$ 78,148 thousand, in the individual and consolidated statements, respectively, there are relevant assumptions on measurement at recoverable amount and maintenance of such assets for a long period in the Company.

Considering that the change in the adopted assumptions may give rise to significant effects on the evaluation and impacts on the individual and consolidated financial statements, we consider the above-mentioned issues key audit matters.

How the matter was addressed in the audit

Our audit procedures included, among others:

Goodwill on the investment in Alphaville

§ We analyzed the competence and objectivity of the external experts commissioned by management;

§ We included our specialists to evaluate the model and reasonableness of the adopted assumptions and arithmetic recalculation, as well as to compare the data used with the comparable observable data;

§ Confirmation of observable data through the data sources mentioned in the report of external specialists;

§ Analysis of the financial performance considered in the model, with prior periods (history) in face of the expectation of change in the economic scenario reported by Management;

§ Comparison with the consistency of the Business Plan provided with the model prepared for goodwill recoverability; and

§ Evaluation of the consistency of the adopted methodology and assumptions with those adopted in the previous year.

Land that is not included in the business plan for future developments

§ Understanding of the adopted assumptions and evaluation of the reasonableness and consistency of the adopted data and assumptions;

§ Comparison of the information with observable data;

§ Analysis of the mathematical accuracy of arithmetic calculations, and comparison with the accounting balance.

During the audit process we identified weaknesses in the internal controls regarding the formalization of some relevant assumptions, fact that reveals the need for review and improvement in the internal controls associated with such items, however, without material adjustments to be recorded.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2018, prepared under the responsibility of the Company’s management, and presented as supplementary information for IFRS purposes, were submitted to the audit procedures performed in conjunction with the audit of the financial statements. In order to form our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their formats and contents follow the criteria established in the NTC TG 09 – Statement of Value Added. In our opinion, the accompanying statements of value added have been properly prepared, in all material respects, according to the criteria established in this Technical Pronoucement and are consistent with the individual and consolidated financial statements taken as a whole.

Audit of prior-year information

The individual and consolidated financial statements corresponding to the year ended December 31, 2017 have been previously audited by other independent auditors, who issued the report dated March 8, 2018, without qualification. Due to the adjustments related to the recognition of the provision for cancelled contracts at the time of the adoption of Ofício-Circular/CVM/SNC/SEP/ 02/2018, which provides for the revenue recognition in contracts for purchase and sale of real estate unit not yet completed in the Brazilian publicly-held companies of the real estate development sector, retrospectively adopted by the Company, as described in Note 3.1 to the financial statements, changes were made in certain balances of the individual and consolidated statements of financial position, profit or loss, comprehensive income, changes in equity, and cash flows for the year ended December 31, 2017, presented for comparison purposes. Additionally, as part of our audit of individual and consolidated financial statements of 2018, we have also audited the adjustments described in Note 3.1 to the financial statements for individual and consolidated balance sheet as of January 1, 2017. In our opinion, both adjustments made to the balances as of December 31, 2017 and January 1, 2017 are appropriate and have been correctly made. We were not engaged to audit, review or apply any other procedure related to the individual and consolidated financial statements of the Company as of December 31, 2017 and January 1, 2017, and, accordingly, we do not express an opinion or provide any assurance on such financial statements taken as a whole.

Other information that accompany the individual and consolidated financial statements and the auditor’s report

The Company’s Management is responsible for this other information that comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report, and, in doing so, consider whether the report ismaterially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsabilities of management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Brazilian accounting practices and with the International Financial Reporting Standards (IFRS), applicable to Brazilian real estate development entities, registered with the Brazilian Securities Commission (CVM), and for such internal controls as management determines is necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error.

In the preparation of the individual and consolidated financial statements, Management is responsible for assessing the Company’s ability to continue as going concern disclosing, as applicable, matters related to going concern and using going concern of basis accounting in the preparation of the financial statements, unless Management either intends to liquidate the Company and its subsidiaries, or cease their operations, or has no realistic alternative to avoid the discontinuance of operations.

Those charged with governance of the Company and its subsidiaries are those with responsibility for overseeing the process of preparation of the financial statements.

Auditor’s responsibilities for the audit of individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report including our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatements. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could be reasonably be expected to influence the economic decisions of users taken on the basis of such financial statements.

As part of the audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

§ Identify and assess risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting material misstatement resulting from fraud is higher than for one resulting from error, once fraud may involve collusion, forgery, intentional omissions, misrepresentations and the override of internal control.

§ Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the Company and its subsidiaries.

§ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

§ Conclusion on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubts on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the individual and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidences obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

§ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

§ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

We also provide to those charged with governance with a statement that we have complied with relevant ethical requirements, including the applicable independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 28, 2019.

BDO RCS Auditores Independentes SS –

CRC 2 SP 013846/O-1

Julian Clemente - Accountant CRC 1 SP 197232/O-6

Gafisa S.A.

Balance Sheet

Years ended December 31, 2018 and 2017

(In thousand of Brazilian Reais)

		Company			Consolidated		
	Notes	2018	2017	01/01/2017	2018	2017	01/01/2017
			(Restated)			(Restated)	
Current assets							
Cash and cash equivalents	4.1	29,180	7,461	19,811	32,304	28,527	29,534
Short-term investments	4.2	102,827	110,945	163,562	104,856	118,935	223,646
Trade accounts receivable	5	391,557	261,353	213,535	467,992	374,886	411,838
Properties for sale	6	705,123	861,845	1,066,032	890,460	990,286	1,318,555
Receivables from related parties	21.1	26,619	28,059	46,187	64,660	51,890	57,455
Derivatives financial instruments	20.i.b	-	404	-	-	404	-
Prepaid expenses	-	2,183	5,030	2,102	2,668	5,535	2,548
Land for sale	8.1	74,842	44,997	3,306	78,148	102,352	3,306
Assets held for sale	-	-	-	439,020	-	-	1,189,011
Other assets	7	35,396	47,640	39,280	42,283	58,332	49,336
Total current assets		1,367,727	1,367,734	1,992,835	1,683,371	1,731,147	3,285,229
Non-current assets							
Trade accounts receivable	5	155,421	160,602	225,270	174,017	199,317	271,322
Properties for sale	6	139,804	289,162	535,376	198,941	339,797	592,975

Receivables from related parties	21.1	28,409	22,179	25,529	28,409	22,179	25,529
Derivatives financial instruments	-	-	-	9,030	-	-	9,030
Other assets	7	92,607	62,152	156,358	95,194	64,172	58,917
		416,241	534,095	951,563	496,561	625,465	957,773
Investments	9	1,407,516	1,598,153	2,116,509	314,505	479,126	799,911
Property and equipment	10	17,284	19,719	21,720	20,073	22,342	23,977
Intangible assets	11	10,999	17,430	27,778	11,770	18,280	28,228
		1,435,799	1,635,302	2,166,007	346,348	519,748	852,116
Total non-current assets		1,852,040	2,169,397	3,117,570	842,909	1,145,213	1,809,889
Total assets		3,219,767	3,537,131	5,110,405	2,526,280	2,876,360	5,095,118

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

Gafisa S.A.

	Notes	2018	Company 2017 (Restated)	01/01/2017	2018	Consolidated 2017 (Restated)	01/01/2017
Current liabilities							
Loans and financing	12	**252,919**	425,605	639,733	**285,612**	481,073	669,795
Debentures	13	**62,783**	88,177	314,139	**62,783**	88,177	314,139
Obligations for purchase of properties and advances from customers	17	**82,264**	132,098	146,522	**113,355**	156,457	205,388
Payables for goods and service suppliers	-	**116,948**	85,690	61,177	**119,847**	98,662	79,120
Taxes and contribuitions	-	**45,667**	32,114	35,819	**57,276**	46,430	51,842
Salaries, payroll charges and profit sharing	-	**6,128**	25,997	28,041	**6,780**	27,989	28,880
Provision for legal claims and commitments	16	**138,201**	116,314	79,054	**138,201**	116,314	79,054
Obligations assumed on the assignment of receivables	14	**18,554**	23,953	24,907	**25,046**	31,001	34,698
Payables to related parties	21.1	**939,603**	971,002	1,073,255	**56,164**	63,197	85,611
Derivatives financial instruments	-	**-**	-	5,290	**-**	-	5,290
Other payables	15	**156,498**	126,204	69,640	**173,951**	146,943	88,901

Liabilities related to assets of discontinued operations	-	**-**	-	-	**-**	-	651,812
Total current liabilities		**1,819,565**	2,027,154	2,477,577	**1,039,015**	1,256,243	2,294,530
Non-current liabilities							
Loans and financing	12	**307,680**	336,525	367,197	**338,135**	416,112	516,505
Debentures	13	**202,883**	119,536	137,129	**202,883**	119,536	137,129
Payables for purchase of properties and advances from customers	17	**151,835**	137,192	90,311	**196,076**	152,377	90,309
Deferred income tax and social contributions	19	**49,372**	74,473	100,405	**49,372**	74,473	100,405
Provision for legal claims and commitments	16	**152,863**	79,129	79,288	**155,608**	82,063	83,904
Obligations assumed on the assignment of receivables	14	**26,090**	44,859	50,906	**32,140**	53,392	64,332
Other payables	15	**18,162**	7,041	13,218	**19,860**	7,095	11,502
Total non-current liabilities		**908,885**	798,755	838,454	**994,074**	905,048	1,004,086
Equity							
Capital	18.1	**2,521,319**	2,521,152	2,740,662	**2,521,319**	2,521,152	2,740,662
Treasury shares	18.1	**(58,950)**	(29,089)	(32,524)	**(58,950)**	(29,089)	(32,524)
Capital reserves and reserve for granting stock options	-	**337,351**	85,448	81,948	**337,351**	85,448	81,948
Accumulated losses	18.2	**(2,308,403)**	(1,866,289)	(995,712)	**(2,308,403)**	(1,866,289)	(995,712)
		491,317	711,222	1,794,374	**491,317**	711,222	1,794,374
Non-controlling interests		**-**	-	-	**1,874**	3,847	2,128
Total equity		**491,317**	711,222	1,794,374	**493,191**	715,069	1,796,502

Total Liabilities and equity	**3,219,767**	3,537,131	5,110,405	**2,526,280**	2,876,360	5,095,118

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

Gafisa S.A.

Statement of profit or loss

Years ended December 31, 2018 and 2017

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

		Company		Consolidated	
	Notes	**2018**	2017 (Restated)	**2018**	2017 (Restated)
Continuing operations					
Net operating revenue	22	**832,328**	616,615	**960,891**	786,174
Operating costs					
Real estate development and sales of properties	23	**(713,836)**	(720,281)	**(846,169)**	(906,486)
Gross profit (loss)		**118,492**	(103,666)	**114,722**	(120,312)
Operating (expenses) income					
Selling expenses	23	**(73,233)**	(75,985)	**(84,431)**	(87,568)
General and administrative expenses	23	**(41,947)**	(67,266)	**(57,089)**	(92,713)
Income from equity method investments	9	**(50,929)**	(256,870)	**(15,483)**	(204,863)
Depreciation and amortization	10 and 11	**(19,931)**	(56,634)	**(21,290)**	(57,522)
Loss on realization of investiment stated at fair value	9.iii	**(112,800)**	(101,953)	**(112,800)**	(101,953)
Other income (expenses), net	23	**(181,010)**	(101,976)	**(186,135)**	(109,597)
Loss before financial income and expenses and income tax and social contribution		**(361,358)**	(764,350)	**(362,506)**	(774,528)
Financial expense	24	**(101,562)**	(146,624)	**(100,074)**	(137,001)

Financial income	24	**18,294**	26,627	**19,553**	29,733
Loss before income tax and social contribution		**(444,626)**	(884,347)	**(443,027)**	(881,796)
Current income tax and social contribution		**-**	-	**(3,349)**	(2,832)
Deferred income tax and social contribution		**25,100**	25,932	**25,100**	25,932
Total income tax and social contribution	19.i	**25,100**	25,932	**21,751**	23,100
Net loss from continuing operations		**(419,526)**	(858,415)	**(421,276)**	(858,696)
Net income (loss) from discontinued operations	8.2	**-**	98,175	**-**	98,175
Net loss for the year		**(419,526)**	(760,240)	**(421,276)**	(760,521)
(-) Attributable to:					
Non-controlling interests		**-**	-	**(1,750)**	(281)
Owners of the parent		**(419,526)**	(760,240)	**(419,526)**	(760,240)
Weighted average number of shares (in thousands)	27	41,147	26,891		
Basic earnings (loss) per thousand shares - In Reais	27	(10.196)	(28.271)		
From continuing operations		(10.196)	(31.922)		
From discontinued operations		-	3.651		
Diluted earnings (loss) per thousand shares - In Reais	27	(10.196)	(28.271)		
From continuing operations		(10.196)	(31.922)		
From discontinued operations		-	3.651		

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

Gafisa S.A.

Statement of comprehensive income (loss)

Years ended December 31, 2018 and 2017

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

	Company		**Consolidated**	
	2018	2017 (Restated)	**2018**	2017 (Restated)
Net loss for the year	**(419,526)**	(760,240)	**(421,276)**	(760,521)
Total comprehensive income for the year, net of taxes	**(419,526)**	(760,240)	**(421,276)**	(760,521)
Attributable to:				
Owners of the parent	**(419,526)**	(760,240)	**(419,526)**	(760,240)
Non-controlling interests	**-**	-	**(1,750)**	(281)

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

				Attributed to Owners of the Parent					
					Income reserve				
	Notes	**Capital**	**Treasury shares**	**Reserve for granting shares**	**Legal reserve**	**Reserve for investments**	**Accumulated losses**	**Total Company**	**Noncontrolling interests**
Balances at December 31, 2016		**2,740,662**	**(32,524)**	**81,948**	-	-	**(861,761)**	**1,928,325**	**2,128**
Inicial adoption CPC 47 and 48	**3.1**	-	-	-	-	-	(133,951)	(133,951)	
Balances at January 01, 2017		**2,740,662**	**(32,524)**	**81,948**	-	-	**(995,712)**	**1,794,374**	
Capital decrease	**18.1**	(219,510)	-	-	-	-	(107,720)	(327,230)	
Stock option plan	**18.3**	-	-	3,500	-	-	-	3,500	
Treasury shares sold	**18.1**	-	3,435	-	-	-	(2,617)	818	
Write-off discontinued operations (a)	**-**	-	-	-	-	-	-	-	2,000
Net loss for the year	**-**	-	-	-	-	-	(760,240)	(760,240)	(281

Balances at December 31, 2017 (Restated)		**2,521,152**	**(29,089)**	**85,448**	-	**-**	**(1,866,289)**	**711,222**	**3,847**
Capital increase	**18.1**	167	-	250,599	-	-	-	250,766	
Stock option plan	**18.3**	-	-	1,304	-	-	-	1,304	
Treasury shares sold	**18.1**	-	2,351	-	-	-	(1,525)	826	
Share repurchase program	**18.1**	-	(32,212)		-	-	(21,063)	(53,275)	
Reserve constituition	**-**	-	-	-	-	-	-	-	(223
Net loss for the year	**-**	-	-	-	-	-	(419,526)	(419,526)	(1,750
Balances at December 31, 2018		**2,521,319**	**(58,950)**	**337,351**	**-**	**-**	**(2,308,403)**	**491,317**	**1,87**

(a) Amount regarding the write-off of the debt balance of non-controlling interests related to Construtora Tenda S.A, in view of the spin-off of the Companies (Notes 1 and 8.2),

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

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Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

	Company		**Consolidated**	
	2018	2017	**2018**	2017
Operating activities		(Restated)		(Restated)
Profit (loss) before income tax and social contribution	**(444,626)**	(884,347)	**(443,027)**	(881,796)
Expenses/(income) not affecting cash and cash equivalents:				
Depreciation and amortization (Notes 10 and 11)	**19,931**	31,158	**21,290**	32,046
Stock option expense (Note 18.3)	**1,927**	4,964	**1,927**	4,964
Unrealized interests and charges, net	**4,703**	33,193	**11,156**	46,168
Warranty provision (Note 15)	**(4,130)**	(3,498)	**(4,130)**	(3,498)
Provision for legal claims and commitments (Note 16)	**172,103**	107,635	**172,432**	107,848
Provision for profit sharing (Note 25 (iii))	**(14,750)**	13,375	**(14,750)**	13,375
Allowance for doubtful accounts and cancelled contracts (Note 5)	**(41,828)**	(187,283)	**(41,827)**	(187,283)
Provision for realization of non-financial assets:				
Properties and land for sale (Note 6 and 8)	**15,479**	136,191	**(74,689)**	136,191
Income from equity method investments (Note 9)	**50,929**	256,870	**15,483**	204,863
Financial instruments (Note 20)	**(763)**	(818)	**(763)**	(818)
Write-off of goodwill based on inventory surplus (Notes 6 and 9)	**462**	-	**-**	-
Write-off of goodwill from remeasurement of investment in associate (Note 9)	**112,800**	101,953	**112,800**	101,953
Write-off of goodwill on acquisition of subsidiary (Note 9)	**-**	25,476	**-**	25,476
Assignment of shares (Note 9)	**-**	-	**28,289**	-

Decrease/(increase) in operating assets				
Trade accounts receivable	**(149,919)**	175,753	**(95,740)**	260,090
Properties for sale and land available for sale	**290,106**	272,519	**339,575**	346,210
Other assets	**(24,546)**	(3,191)	**(15,880)**	(9,317)
Prepaid expenses	**2,847**	(2,928)	**2,867**	(2,987)
Increase/(decrease) in operating liabilities				
Payables for purchase of properties and advances from customers	**(35,191)**	32,457	**597**	13,137
Taxes and contributions	**13,553**	(3,705)	**10,846**	(5,412)
Payables for goods and service suppliers	**40,983**	24,564	**32,732**	18,683
Salaries, payroll charges and profit sharing	**(5,119)**	(15,425)	**(6,459)**	(14,266)
Other payables	**(2,025)**	(31,331)	**(3,434)**	(20,341)
Transactions with related parties	**(24,379)**	53,170	**(14,497)**	(27,548)
Paid taxes	**-**	-	**(3,348)**	(2,832)
Cash from (used) in operating activities related to discontinued operations	**-**	-	**-**	51,959
Cash and cash equivalents from operating activities	**(21,453)**	136,752	**31,450**	206,865
Investment activities				
Acquisition of property and equipment, and intangible assets (Notes 10 and 11)	**(11,065)**	(18,809)	**(12,511)**	(20,463)
Increase in short-term investments	**(1,036,014)**	(981,406)	**(1,090,796)**	(1,079,167)
Redemption of short-term investments	**1,044,131**	1,034,023	**1,104,875**	1,183,878
Investments	**(7,629)**	(2,598)	**(4,629)**	(2,598)
Transaction costs related to the transaction of spin-off of Gafisa and Tenda (Note 8.2)	**-**	(9,545)	**-**	(9,545)
Proceeds from the exercise of preemptive rights	**-**	219,510	**-**	219,510
Proceeds from the refund for Tenda's capital	**-**	105,170	**-**	105,170
Cash from investing activities related to discontinued operations	**-**	-	**-**	48,663
Cash from investing activities	**(10,577)**	346,345	**(3,061)**	445,448
Financing activities				
Increase in loans, financing and debentures	**367,934**	356,097	**412,768**	453,370
Payment of loans, financing and debentures - principal	**(415,059)**	(732,276)	**(528,252)**	(870,472)
Payment of loans, financing and debentures - interest	**(101,156)**	(145,369)	**(111,157)**	(161,734)
Assignment of receivables	**-**	21,379	**-**	21,513
Payables to venture partners	**-**	(1,140)	**-**	(1,237)
Loan transactions with related parties	**(1,289)**	5,044	**(1,289)**	5,044
Disposal of treasury shares (Note 18.1)	**(47,448)**	818	**(47,448)**	818
Capital increase	**167**	-	**167**	-
Subscription and payment of common shares	**250,599**	-	**250,599**	**-**
Cash from (used in) the financing activities related to discontinued operations	**-**	-	**-**	24,089
Cash and cash equivalents used in financing activities	**53,748**	(495,447)	**(24,612)**	(528,609)

(-) Net change in cash and cash equivalents related to discontinued operations	**-**	-	**-**	(124,711)
Net increase/(decrease) in cash and cash equivalents	**21,718**	(12,350)	**3,777**	(1,007)
Cash and cash equivalents				
At the beginning of the year	**7,641**	19,811	**28,527**	29,534
At the end of the year	**29,179**	7,461	**32,304**	28,527
Net increase (decrease) in cash and cash equivalents	**21,718**	(12,350)	**3,777**	(1,007)

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Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

	Controladora		Consolidado	
	2018	**2017** (Reapresented)	**2018**	**2017** (Reapresented)
Revenues	**913,648**	682,914	**1,048,145**	858,640
Real estate development and sales	**871,820**	495,631	**1,006,317**	671,357
Reversal (recognition) of allowance for doubtful accounts and cancelled contracts	**41,828**	187,283	**41,828**	187,283
Inputs acquired from third parties (including taxes on purchases)	**(943,711)**	(839,373)	**(1,075,054)**	(1,013,885)
Operating costs - Real estate development and sales	**(616,400)**	(643,937)	**(733,265)**	(789,971)
Materials, energy, outsourced labor and other	**(214,511)**	(166,182)	**(228,989)**	(194,660)
Profit or loss of discontinued operations	**-**	98,175	**-**	98,175
Loss on realization of investment measured at fair value	**(112,800)**	(127,429)	**(112,800)**	(127,429)
Gross value added	**(30,063)**		**(26,909)**	(155,245)

		(156,459)		
Depreciation and amortization	**(19,931)**	(31,158)	**(21,290)**	(32,046)
Net value added produced by the entity	**(49,994)**	(187,617)	**(48,199)**	(187,291)
Value added received on transfer	**(32,635)**	(230,243)	**4,070**	(175,130)
Income from equity method investments	**(50,929)**	(256,870)	**(15,483)**	(204,863)
Financial income	**18,294**	26,627	**19,553**	29,733
Total value added to be distributed	**(82,629)**	(417,860)	**(44,129)**	(362,421)
Value added distribution	**(82,629)**	(417,860)	**(44,129)**	(362,421)
Personnel and payroll charges	**63,730**	82,840	**75,300**	94,180
Taxes and contributions	**69,643**	32,910	**81,339**	44,556
Interest and rents	**203,524**	226,630	**218,758**	259,083
Retained earnings attributable to noncontrolling interests	**-**	-	**1,750**	281
Incurred losses	**(419,526)**	(760,240)	**(421,276)**	(760,521)

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

1. Operations

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

The Company has stocks traded at B3 S.A. – Brasil, Bolsa, Balcão (former BM&FBovespa), reporting its information to the Brazilian Securities and Exchange Commission (CVM) and the U.S. Securities and Exchange Commission (SEC).

On November 26, 2018, the Board of Directors approved the delisting of shares on the New York Stock Exchange (NYSE), aimed to perform the migration of the American Depositary Receipts (ADR) Program from Level 3 to Level 1, and the cancellation of the registry with the SEC. On December 7, 2018, Form 25 was filed with the SEC, with copy to the NYSE, for voluntary delisting of the American Depositary Shares (ADSs), represented by the ADRs of the NYSE. The ADSs were delisted on the NYSE on December 17, 2018, and are currently traded Over the Counter (OTC).

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

1.1 Capital increase

On February 28, 2018, the Board of Directors partially ratified the capital increase approved at the Extraordinary Shareholders' Meeting held on December 20, 2017, considering the subscription and contribution of 16,717,752 new common shares, at a price per share of R$15.00, of which R$0.01 allocated to capital, and R$14.99 allocated to capital reserve, totaling R$167 and R$250,599, respectively. The capital increase is included in the Company's plans for reinforcing cash availability, strengthening its capital structure in view of the current indebtedness level, as well as making viable the Company's strategic and operational positioning for a new cycle of the real estate market.

1.2 Change in shareholding

On September 25, 2018, an Extraordinary Shareholders' Meeting was held, called at the request of its shareholder GWI Asset Management S.A., in which the following main resolutions were taken: (i) the removal from office, by majority of votes, of all members of the Board of Directors, and (ii) the election, through the multiple voting process, of new members. Immediately thereafter, at the Board of Directors' meeting on September 28, 2018, the following items were resolved as part of the turnaround process and streamlining of the corporate structure of the Company: (i) the removals from office of the Chief Executive Officer, Chief Financial and Investor Relations Officer, and Chief Operating Officer, and the election of new statutory officers; (ii) adoption of new measures for approving the change of the Company's registered office; (iii) shutdown of the branch located in Rio de Janeiro, and (iv) approval of the Company's share repurchase program (Note 18.1).

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

1. Operations --Continued

1.2 Change in shareholding--Continued

On February 14, 2019, 14,600,000 shares held by the group of its majority shareholder, GWI Asset Management S.A., corresponding to 33.67% stake in the Company, were auctioned. As a result of this auction, Planner Corretora de Valores S.A., by means of the investment funds it manages, started to hold 8,000,000 common shares, corresponding to 18.45% of total common shares issued by the Company (Note 32(iii)).

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

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

On March 27, 2019, the Company's Board of Directors approved these individual and consolidated financial statements of the Company and authorized their disclosure.

The individual financial statements, identified as "Company", have been prepared and are being presented according to the accounting practices adopted in Brazil, including the pronouncements issued by the

Accounting Pronouncements Committee (CPC), approved by the Brazilian Securities and Exchange Commission (CVM) and are disclosed together with the consolidated financial statements.

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

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

The consolidated financial statements are specifically in compliance with the International Financial Reporting Standards (IFRS) applicable to real estate development entities in Brazil, registered with the CVM. The aspects related to the transfer of control in the sale of real estate units follow the understanding of the Company's Management, aligned with that expressed by the CVM inCircular Letter/CVM/SNC/SEP 02/2018 about the application of Technical Pronouncement CPC 47 – Revenue from contracts with customers (IFRS 15).

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

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

All material information characteristic of the financial statements, and only them, is being evidenced, and corresponds to those used by Management in its administration.

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

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

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

2.1.1. Consolidated financial statements

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

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

2.1.2. Functional and presentation currency

The functional and presentation currency of the Company is Real.

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

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

2.1.3. Statement of Cash Flows

In view of the disclosure of the discontinued operations related to Tenda, and in line with CPC 03 – Statement of Cash Flows and CPC 31 - Non-current Assets Held for Sale and Discontinued Operations, the information on operating, financing and investing activities related to discontinued operations is presented in separated lines in the Statement of Cash Flows of the Company for the year ended December 31, 2017. Accordingly, the line item "Foreign Exchange Gains and Losses on Cash and Cash Equivalents", shown in the Statement of Cash Flows for the period ended December 31, 2017, refers to the net increase (decrease) in cash and cash equivalents of discontinued operations and is being presented in this line item as it is impossible to change the line item’s name in this Standardized Financial Statements.

2.2. Summary of significant accounting policies

2.2.1. Accounting judgments, estimates and assumptions

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

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

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

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.1. Accounting judgments, estimates and assumptions --Continued

a) Impairment loss of non-financial assets

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

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

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

Indefinite lived intangible assets and goodwill attributable to future economic benefit are tested at least annually, and/or when circumstances indicate a decrease in the carrying value. The main assumptions used for determining the recoverable amount of cash-generating units are detailed in Note 9.

b) *Share-based payment transactions*

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

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.1. Accounting judgments, estimates and assumptions --Continued

c) Provision for legal claims

The Company recognizes a provision for tax, labor and civil claims (Note 16). The provision is considered when an unfavorable decision is awarded. Provisions are reviewed and adjusted to take into account the changes in circumstances, such as applicable statutes of limitations, findings of tax inspections, or additional exposures found based on new court issues or decisions.

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

d) Allowance for expected credit losses

The Company recognizes allowance for expected credit losses for all sale contracts of real estate units, and the amounts are accrued as contra-entry to the recognition of the respective development revenue, based on data history of its current operations and estimates. Such analysis is individually made by sale contract, in line with CPC 48 – Financial Instruments, item 5.5.17 (c).

Such estimates are annually reviewed to consider any changes in circumstances and histories.

e) *Warranty provision*

The measurement of the warranty provision, to cover expenditures for repairing construction defects covered during the warranty period, is based on the estimate that considers the history of incurred expenditures adjusted by the future expectation, which is regularly reviewed.

f) *Estimated cost of construction*

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.1. Accounting judgments, estimates and assumptions --Continued

g) Realization of deferred income tax

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

h) Allowance for contract cancellation

The Company recognizes an allowance for contract cancellation when it identifies risks of cash inflows. Contracts are monitored to identify the moment when these conditions are mitigated.

While it does not occur, no revenue or cost is recognized in profit or loss, the amounts only being recorded in asset and liability accounts.

The other provisions recognized in the Company are described in Note 2.2.22.

2.2.2. Recognition of revenue and expenses

The Company applied CPC 47 – Revenue from Contracts with Customers from January 1, 2018, including the guidance contained in Circular Letter CVM/SNC/SEP 02/2018, of December 12, 2018, which establishes the accounting procedures for recognition, measurement and disclosure of certain types of transactions arising from contracts for purchase and sale of real estate unit not yet completed in real estate development entities.

According to CPC 47, the recognition of revenue from contracts with customers started to have a new regulation, based on transfer of control over promised goods or service, which can be at a point in time or over time, according to the satisfaction or not of the "contractual performance obligations". Revenue is measured in an amount that reflects the consideration the entity expects to be entitled and is based on a five-step model detailed as follows: 1) identification of contract; 2) identification of performance obligations; 3) determination of transaction price; 4) allocation of transaction price to performance obligations; 5) revenue recognition.

The Company records the accounting effects of contracts only when: (i) the parties approve the contract; (ii) it can identify each party's rights and the established payment terms; (iii) the contract has commercial substance; and (iv) is probable that it will collect the consideration to which the Company is entitled.

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.2. Recognition of revenue and expenses --Continued

(i) *Real estate development and sales*

(a) For the sales of completed units, revenues are recognized upon completion of the sale with transfer of control, regardless of the timing of receipt of the contractual value.

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

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

- Sales revenues are appropriated to profit or loss to the extent construction progresses, once the transfer of control is performed continually, using the percentage-of-completion method for each venture, this percentage being measured in view of the incurred cost in relation to the total estimated cost of the respective ventures;

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

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

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.2. Recognition of revenue and expenses --Continued

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

- The taxes levied and deferred on the difference between real estate development revenues and the cumulative revenue subject to tax are calculated and recognized when this difference in revenues is recognized;
- Other expenses, including advertising and publicity, are recognized in profit or loss when incurred.

(ii) *Construction services*

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

(iii) *Barter transactions*

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

2.2.3. <u>Financial instruments</u>

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

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

(i) *Financial instruments at fair value through profit or loss*

A financial instrument is classified into fair value through profit or loss if it is held for trading, or designated as such at initial recognition.

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.3. Financial instruments --Continued

(i) *Financial instruments at fair value through profit or loss --Continued*

Financial instruments at fair value through profit or loss are measured at fair value, and their fluctuations are recognized in profit or loss.

In the year ended December 31, 2018, the Company held derivative financial instruments with the objective of mitigating the risk of its exposure to the volatility of indices and interest rates, recognized at fair value directly in profit or loss for the year. In accordance with its treasury policies, the Company does not have or issue derivative financial instruments for purposes other than for hedging.

The Company does not adopt the hedge accounting practice.

(ii) *Financial assets*

Financial assets are classified into financial assets at fair value through profit or loss, amortized cost and fair value through comprehensive income. The Company determines the classification of its financial assets at their initial recognition, when it becomes a party to the contractual provisions of the instrument, based on the business model in which the asset is managed and its contractual cash flow characteristics.

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

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

Derecognition (write-off)

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

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

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.3. Financial instruments --Continued

(ii) *Financial assets --Continued*

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

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

(iii) *Financial liabilities*

Financial liabilities are classified at initial recognition at amortized cost or measured at fair value through profit or loss.

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

Loans and financing

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

Derecognition (write-off)

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

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.4. Cash and cash equivalents and short-term investments

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

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

Short-term investments include bank deposit certificates, federal government bonds, exclusive investment funds that are fully consolidated, and collaterals, which are classified at fair value through profit or loss (Note 4.2).

2.2.5. Trade account receivable

These are presented at present and realizable values. The classification between current and non-current is made based on the expected maturity of contract installments, considering current those falling due in one year or less.

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

The adjustment to present value is calculated between the contract signature date and the estimated date to transfer the completed property' keys to the buyer, using a discount rate represented by the average rate of the financing obtained by the Company, net of inflation, as mentioned in Note 2.2.19.

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

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

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

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

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

2.2.7. Properties for sale

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

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

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.8. Prepaid expenses

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

2.2.9. Land available for sale

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

2.2.10. Investments in ownership interests

Investments in ownership interest are recorded in the Company balance using the equity method.

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

2.2.11. Property and equipment

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

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

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

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

Property and equipment are subject to periodic assessments of impairment.

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.12. Intangible assets

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

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

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

2.2.13. Payables for purchase of properties and advances from customer

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

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

2.2.14. Income tax and social contribution on net income

(i) *Current income tax and social contribution*

Current tax is the expected tax payable or receivable/to be offset in relation to taxable profit for the year.

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

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

Gafisa S.A.

Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.14. Income tax and social contribution on net income--Continued

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

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

(ii) *Deferred income tax and social contribution*

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

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

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

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

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Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.15. Other current and non-current liabilities

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

2.2.16. Stock option plans

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

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

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

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

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

2.2.17. Share-based payment – Phantom Shares

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

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Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.17. Share-based payment – Phantom Shares *--Continued*

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

2.2.18. Other employee benefits

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

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

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

2.2.19. Present value adjustment – assets and liabilities

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

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

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

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

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Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.19. Present value adjustment – assets and liabilities --Continued

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

2.2.20. Debenture and public offering costs

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

2.2.21. Borrowing costs

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

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

2.2.22. Provisions

(i) *Provision for legal claims*

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

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

Contingent assets are recognized only when there are secured guarantees or final and unappealable favorable court decisions. Contingent assets with likelihoods of favorable decision are only disclosed in explanatory note. As of December 31, 2018 and 2017 there is no claim involving contingent assets recorded in the statement of financial position of the Company.

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Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.22. Provisions --Continued

(ii) *Allowance for expected credit losses*

The Company annually reviews its assumptions related to the recognition of loss allowance, taking into account the review of the histories of its current operations and improvement in its estimates.

The Company carries out a comprehensive analysis of the contracts with customers not expired in order to recognize an allowance for expected credit losses for all customers, based on the assumptions set by the Company. This allowance is calculated based on the percentage-of-completion of the construction work, a methodology adopted for recognizing profit or loss (Note 2.2.2).

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

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

(iv) *Warranty provision*

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

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

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

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Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.23. Sales taxes

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

2.2.24. Treasury shares

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

2.2.25. Interest on equity and dividends

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

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

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

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

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Notes to the financial statements

December 31, 2018

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

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

2.2. Summary of significant accounting policies --Continued

2.2.27. Non-current asset held for sale and profit or loss from discontinued operations

The Company classifies a non-current asset as held for sale if its carrying value is recovered by sale transaction. In such case, the asset or group of assets held for sale shall be available for immediate sale on its current conditions, subject only to the terms that are usual and common for sale of such assets held for sale. With this, the sale shall be highly probable.

For a sale to be highly probable, Management shall be committed to the plan to sell the asset, and shall have initiated an active program to locate a buyer and complete the plan. In addition, the asset held for sale shall also be effectively marketed for sale at a sales price that is reasonable in relation to its current fair value. Also, the sale is expected to be completed within one year of the classification date, unless events beyond the control of the Company change such period.

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

The assets and liabilities of the group of discontinued assets are shown in single lines in assets and liabilities. The profit or loss of discontinued operations is presented as a single amount in the statement of profit or loss, contemplating the total post-tax profit or loss of such operations less any impairment-related loss. The net cash flows attributable to operating, investing and financing activities of discontinued operations are shown in Note 8.2.

According to Note 8.2, the transaction of spin-off transaction between Gafisa and Tenda was completed on May 4, 2017 with the effective delivery of the totality of shares comprising Tenda's capital in the respective processes of capital decrease and preemptive right.

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Notes to the financial statements

December 31, 2018

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

3. New standards, changes and interpretation of standards issued and adopted from 2018, and not yet adopted

3.1 New standards, changes and interpretations of standards issued and adopted from 2018

The following standards are in effect beginning on January 1, 2018:

(i) IFRS 9 – Financial Instruments (CPC 48) includes, among others, new models for classification and measurement of financial instruments, and measurement of prospective expected credit losses for financial and contractual assets.

Based on its evaluation, the Company concluded that the new classification requirements did not have a significant impact on the recognition of financial assets measured at fair value.

Additionally, according to CPC 48, expected losses are measured using one of the following bases: 12-month expected credit losses, and full lifetime expected credit losses. Therefore, the Company carried out the measurement of the allowance regarding the expected credit losses on contracts sold, which is recorded together with the recognition of the respective revenue.

(ii) The IFRS 15 – Revenue from Contracts with Customers (CPC 47) introduces new requirements for measurement and timing of revenue recognition. For the specific case of the real estate development sector, maintaining the POC revenue recognition method or adopting the method of keys, for example, depends on the contractual analyses made by Management. Letter CVM/SNC/SEP/ 02/2018, issued by CVM's technical area, established accounting procedures for recognition, measurement and disclosure of certain types of transactions arising from purchase and sale contracts of units not completed in the Brazilian real estate development entities. Therefore, the Company measured the allowance for contracts with identification of the risks of cash inflows to the entity.

For comparability purposes, the balances as of December 31, 2017 and the opening balance as of January 1, 2017 were adjusted considering such changes in accounting practice. As required by CPC 23 – Accounting Policies, Changes in Accounting Estimates and Errors, the retrospective effects of the adoption of CPCs 47 and 48 are demonstrated as follows:

	Company			**Consolidated**		
Statement of financial position	**Originally reported balances**	**Impact from applying the CPCs 47 and 48**	**Balances after applying the CPCs 47 and 48 as of 12/31/2017**	**Originally reported balances**	**Impact from applying the CPCs 47 and 48**	**Balances after applying the CPCs 47 and 48 as of 12/31/2017**
Assets						
Trade accounts receivable of development and services	371,228	(109,876)	261,352	484,761	(109,876)	374,885
Properties for sale	753,748	108,097	861,845	882,189	108,097	990,286
Other current assets	244,536	-	244,536	365,975	-	365,975
Total current assets	1,369,512	(1,779)	1,367,733	1,732,925	(1,779)	1,731,146
Total non-current assets	2,169,397	-	2,169,397	1,145,213	-	1,145,213
Total Assets	**3,538,909**	**(1,779)**	**3,537,130**	**2,878,138**	**(1,779)**	**2,876,359**
Liabilities						
Total current liabilities	1,984,597	42,556	2,027,153	1,213,686	42,556	1,256,242
Total non-current liabilities	798,755	-	798,755	905,048	-	905,048
Total equity	755,557	(44,335)	711,222	759,404	(44,335)	715,069
Total liabilities and equity	**3,538,909**	**(1,779)**	**3,537,130**	**2,878,138**	**(1,779)**	**2,876,359**

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Notes to the financial statements

December 31, 2018

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

3. New standards, changes and interpretation of standards issued and adopted from 2018, and not yet adopted --Continued

3.1 New standards, changes and interpretations of standards issued and adopted from 2018--Continued

	Company			**Consolidated**		
Statement of profit or loss	**Originally reported balances**	**Impact from applying the CPCs 47 and 48**	**Balances after applying the CPCs 47 and 48 as of 12/31/2017**	**Originally reported balances**	**Impact from applying the CPCs 47 and 48**	**Balances after applying the CPCs 47 and 48 as of 12/31/2017**
Net operating revenue	439,264	177,351	616,615	608,823	177,351	786,174
Operating costs	(632,546)	(87,735)	(720,281)	(818,751)	(87,735)	(906,486)
Operating (expenses) / income	(660,684)	-	(660,684)	(654,216)	-	(654,216)
Financial income (expense)	(119,997)	-	(119,997)	(107,268)	-	(107,268)
Income tax and social contribution	25,932	-	25,932	23,100	-	23,100
Profit from (loss on) continued operations	**(948,031)**	**89,616**	**(858,415)**	**(948,312)**	**89,616**	**(858,696)**
Profit from discontinued operations	**98,175**	**-**	**98,175**	**98,175**	**-**	**98,175**
Non-controlling interests	-	-	-	(281)	-	(281)

Net profit (loss) for the year	**(849,856)**	**89,616**	**(760,240)**	**(849,856)**	**89,616**	**(760,240)**
Cash flow						
Operating activities	136,752	-	136,752	206,865	-	206,865
Financing activities	346,345	-	346,345	445,448	-	445,448
Investing activities	(495,447)	-	(495,447)	(528,609)	-	(528,609)
Statement of value added						
Net value added produced by the entity	(277,233)	89,616	(187,617)	(276,907)	89,616	(187,291)
Value added received as transfer	(230,243)	-	(230,243)	(175,130)	-	(175,130)
Total value added to be distributed	(507,476)	89,616	(417,860)	(452,037)	89,616	(362,421)

Reconciliation of the opening statement of financial position as of January 1, 2017:

	Company			**Consolidated**		
Statement of financial position	**Originally reported balances**	**Impact from applying the CPCs 47 and 48**	**Balances after applying the CPCs 47 and 48 as of 12/31/2017**	**Originally reported balances**	**Impact from applying the CPCs 47 and 48**	**Balances after applying the CPCs 47 and 48 as of 12/31/2017**
Assets						
Trade accounts receivable of development and services	524,337	(310,802)	213,535	722,640	(310,802)	411,838
Properties for sale	870,201	195,831	1,066,032	1,122,724	195,831	1,318,555
Other current assets	713,268	-	713,268	1,554,836	-	1,554,836
Total current assets	2,107,806	(114,971)	1,992,835	3,400,200	(114,971)	3,285,229
Total non-current assets	3,117,570	-	3,117,570	1,809,889	-	1,809,889
Total assets	**5,225,376**	**(114,971)**	**5,110,405**	**5,210,089**	**(114,971)**	**5,095,118**
Liabilities						
Total current liabilities	2,458,597	18,980	2,477,577	2,275,550	18,980	2,294,530
Total non-current liabilities	838,454	-	838,454	1,004,086	-	1,004,086
Total equity	1,928,325	(133,951)	1,794,374	1,930,453	(133,951)	1,796,502
Total liabilities and equity	**5,225,376**	**(114,971)**	**5,110,405**	**5,210,089**	**(114,971)**	**5,095,118**

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Notes to the financial statements

December 31, 2018

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

3. New standards, changes and interpretation of standards issued and adopted from 2018, and not yet adopted --Continued

3.2 New standards, changes and interpretations of standards issued and adopted from 2018

- IFRS 16 – Leases

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

Based on available information, the Company estimates that right-of-use assets and lease liabilities will be recognized in the amount of R$4,990 as of January 1, 2019.

- Other amendments

The following standard amendments and interpretations shall not have a significant impact on the Consolidated Financial Statements of the Company:

(i) IFRIC 23/ICPC 22 Uncertainty over Income Tax Treatments

(ii) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

(iii) Investments in Associates and Joint Ventures

(iv) (Amendments to CPC 18(R2) / IAS 28)

(v) Amendments to Plan Amendment, Curtailment or Settlement (Amendments to CPC 33 / IAS 19)

(vi) Annual improvements to IFRS Standards 2015-2017 cycle – several standards

(vii) Amendments to references to the conceptual framework in the IFRS

(viii) IFRS 17 Insurance Contracts.

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

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4. Cash and cash equivalents and short-term investments

4.1. Cash and cash equivalents

	Company		**Consolidated**	
	2018	2017	**2018**	2017
Cash and banks	**8,282**	7,461	**11,406**	**28,527**
Government bonds (LFT)	**20,898**	-	**20,898**	**-**
Total cash and cash equivalents				
(Note 20.i.d, 20.ii.a e 20.iii)	**29,180**	7,461	**32,304**	**28,527**

4.2. Short-term investments

	Company		**Consolidated**	
	2018	**2017**	**2018**	**2017**
Fixed-income funds (a)	**33,186**	62,676	**33,245**	66,885
Government bonds (LFT) (b)	**-**	1,164	**-**	1,207
Equity securities(e)	**14,101**	-	**14,101**	-
	1,524	2,913	**1,524**	3,019

Securities purchased under resale agreements (b)				
Bank certificates of deposit (c)	**47,950**	36,847	**49,025**	37,025
Restricted cash in guarantee to loans	**-**	366	**-**	366
Restricted credits (d)	**6,066**	6,979	**6,961**	10,433
Total short-term investments				
(Note 20.i.d, 20.ii.a e 20.iii)	**102,827**	110,945	**104,856**	118,935

(a) Exclusive and open-end funds whose purpose is to invest in financial assets and/or fixed-income investment modalities that follow the fluctuations in interest rates in the interbank deposit market (CDI), by investing its funds mostly in investment fund shares and/or investment funds comprising investment fund shares.

(b) On January 12, 2018 the Company discontinued Fundo Square, settling the LFT transactions and the securities linked to Fundo Like. As of December 31, 2018, the IOF-exempt securities purchased under resale agreement include earned interests of 73% of Interbank Deposit Certificates (CDI).

(c) As of December 31, 2018, Bank Certificates of Deposit (CDBs) include interest earned through the statement of financial position’s reporting date, ranging from 90% to 101.2% (from 90% to 100.8% as of December 31, 2017) of Interbank Deposit Certificates (CDI).

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

(e) Equity securities are represented by investments in the shares of companies listed on *Novo Mercado* of B3, and which make up the IBrX index. These transactions were settled in the period ended February 8, 2019, and reported a gain of R$2,846.

5. Trade accounts receivable of development and services

	Company		Consolidated	
	2018	2017 (restated)	**2018**	2017 (restated)
Real estate development and sales	**650,535**	563,069	**737,291**	717,005
(-) Allowance for expected credit losses	**(18,159)**	(24,294)	**(18,159)**	(24,294)
(-) Allowance for cancelled contracts	**(82,847)**	(118,539)	**(82,847)**	(118,539)
(-) Present value adjustments	**(17,897)**	(12,448)	**(19,391)**	(14,887)
Services and construction and other receivables	**15,346**	14,167	**25,115**	14,918
Total trade accounts receivable of development and services (Note 20.i.d and 20.ii.a)	**546,978**	421,955	**642,009**	574,203
Current	**391,557**	261,353	**467,993**	374,886
Non-current	**155,421**	160,602	**174,016**	199,317

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Notes to the financial statements

December 31, 2018

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

The current and non-current portions have the following maturities:

Maturity	Company 2018	Company 2017 (restated)	Consolidated 2018	Consolidated 2017 (restated)
Overdue:				
Up to 90 days	**46,777**	33,935	**64,177**	70,403
From 91 to 180 days	**20,716**	9,338	**21,832**	17,861
Over 180 days	**71,384**	80,708	**90,818**	100,581
	138,877	123,981	**176,827**	188,845
Maturities:				
2018	**-**	280,801	**-**	329,821
2019	**357,216**	90,497	**396,266**	114,717
2020	**107,945**	74,821	**118,400**	89,099
2021	**55,922**	3,527	**64,392**	4,414
2022	**1,568**	3,609	**1,727**	5,027
2023 onwards	**4,353**	-	**4,794**	-
	527,004	453,255	**585,579**	543,078
(-) Present value adjustment	**(17,897)**	(12,448)	**(19,391)**	(14,887)
(-) Allowance for expected credit losses and cancelled contracts	**(101,006)**	(142,833)	**(101,006)**	(142,833)
	546,978	421,955	**642,009**	574,203

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

As of December 31, 2018, the amount received from customers in excess of the recognized revenues totaled R$26,224 (R$61,039 in 2017) in the Company's statements, and R$28,956 (R$63,748 in 2017) in the consolidated statements, and are classified in the heading "Payables for purchase of properties and advances from customers " (Note 17).

Accounts receivable from completed real estate units financed by the Company are in general subject to IGP-M variation plus annual interest of 12%, with revenue being recorded in profit or loss in the account "Revenue from real estate development and sale, barter transactions and construction services". The interest amounts recognized in the Company and consolidated statements for the year ended December 31, 2018 totaled R$5,884 (R$7,154 in 2017), and R$6,676 (R$9,866 in 2017), respectively.

The balances of allowance for expected credit losses are considered sufficient by the Company's management to cover the estimate of future losses on realization of the accounts receivable.

During the years ended December 31, 2018 and 2017, the changes in the allowance for expected credit losses are summarized as follows:

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Notes to the financial statements

December 31, 2018

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

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

	Receivables	**Properties for sale (Note 6)**
Balance at December 31, 2016	**(19,315)**	**-**
First-time adoption CPC 47 and 48 as of 1.1.2017 (Note 3)	**(310,802)**	**195,831**
Additions (Note 22)	**(18,860)**	**-**
Write-offs / Reversals (Note 22)	**206,144**	**(87,734)**
Balance at December 31, 2017	**(142,833)**	**108,097**
Additions (Note 22)	**(2,653)**	**-**
Write-offs / Reversals (Note 22)	**44,480**	**(24,254)**
Balance at December 31, 2018	**(101,006)**	**83,843**

The present value adjustment recognized in revenue from real estate development for the year ended December 31, 2018 totaled R$5,449 (reversal of R$8,787 in 2017) in the Company's statements, and R$4,504 (reversal of R$11,928 in 2017) in the consolidated statements.

Receivables from units not yet completed were measured at present value using a discount rate determined according to the criteria described in Note 2.2.2. The discount rate applied by the Company and its subsidiaries was 7.19% for the year 2018 (6.55% in 2017), net of Civil Construction National Index (INCC).

The Company entered into the following Housing Loan Certificate (CCI) transactions, which are aimed at the assignment by the assignor to the assignee of a portfolio comprising select residential and business real estate receivables performed and to be performed arising out of Gafisa and its subsidiaries. The assigned portfolios, discounted to present value, are recorded under the heading “obligations assumed on the assignment of receivables”.

				Transaction balance		Transaction balance	
	Transaction date	Assigned portfolio	Portfolio discounted to present value	Company (Note 14)		Consolidated (Note 14)	
				2018	**2017**	**2018**	**2017**
(i)	Jun 27, 2011	203,915	171,694	376	769	882	1,502
(ii)	Dec 22, 2011	72,384	60,097	363	1,729	372	1,827
(iii)	Jul 6, 2012	18,207	13,917	10	29	10	29
(iv)	Nov 14, 2012	181,981	149,025	-	-	2,547	2,491
(v)	Dec 27, 2012	72,021	61,647	3,151	3,796	3,151	3,796
(vi)	Nov 29, 2013	24,149	19,564	348	876	1,877	2,850
(vii)	Nov 25, 2014	15,200	12,434	1,299	1,772	1,895	3,191
(viii)	Dec 3, 2015	32,192	24,469	3,569	5,126	7,797	10,523
(ix)	Feb 19, 2016	27,954	27,334	8,863	10,463	9,645	11,287
(x)	May 09, 2016	17,827	17,504	5,064	7,623	6,790	9,548
(xi)	Aug 19, 2016 (a)	15,418	14,943	2,985	7,525	3,075	7,574
(xii)	Dec 21, 2016	21,102	19,532	7,158	13,710	7,441	14,158
(xiii)	Mar 29, 2017	23,748	22,993	11,458	15,357	11,704	15,487
				44,644		**57,186**	

(a) The consolidated balance of the transaction as of December 31, 2018 and 2017 (Note 14) does not include the jointly-controlled entities, which are accounted for using the equity method, according to CPCs 18(R2) and 19(R2).

Transaction (i) was entered into with Banco BTG Pactual S.A. (Note 14).

Transactions (ii) and (iii) were entered into with Polo Multisetorial Fundo de Investimento em Direitos Creditórios (Note 14).

Transactions (iv), (v), (vi) and (vii) were entered into with Polo Multisetorial Fundo de Investimento em Direitos Creditórios Não Padronizados (Note 14).

Transactions (viii), (ix), (x), (xi), (xii) and (xiii) were entered into with Polo Capital Securitizadora S.A. (Note 14).

In the transactions above, the Company and its subsidiaries are jointly responsible until the time of the transfer of the collateral to the securitization company.

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

Gafisa S.A.

Notes to the financial statements

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

The difference between the face value of the portfolio of receivables and the amount discounted to present value was recorded in profit or loss for the year in the account “Discount related to Securitization Transaction” under financial expenses.

6. Properties for sale

	Company		Consolidated	
	2018	**2017**	**2018**	**2017**
		(restated)		(restated)
Land	**293,626**	493,422	**403,524**	544,057
(-) Provision for loss on realization of land	**(96,972)**	(98,752)	**(96,972)**	(98,752)
(-) Adjustment to present value	**(14,416)**	(9,689)	**(14,570)**	(9,829)
Property under construction (Note 29)	**327,980**	410,797	**403,732**	507,619
Completed units	**316,973**	327,842	**377,477**	359,601
(-) Provision for loss on realization of properties under construction and completed units	**(66,106)**	(80,710)	**(67,632)**	(80,710)
Allowance for cancelled contracts	**83,842**	108,097	**83,842**	108,097
Total properties for sale	**844,972**	1,151,007	**1,089,401**	1,330,083

Current portion	**705,123**	861,845	**890,460**	990,286
Non-current portion	**139,804**	289,162	**198,941**	339,797

In the years ended December 31, 2018 and 2017, the change in the provision for loss on realization is summarized as follows:

	Company	**Consolidated**
Balance at December 31, 2016	**(103,168)**	**(165,511)**
Reclassification to land available for sale (Note 8.1)	-	62,343
Additions:		
Land (Note 23)	(55,247)	(55,247)
Property under construction and completed units (Note 23)	(32,188)	(32,188)
Write-offs	11,141	11,141
Balance at December 31, 2017	**(179,462)**	**(179,462)**
Reclassification from land available for sale (Note 8.1)	(15,937)	(15,937)
Reclassification to land available for sale (Note 8.1)	27,874	27,874
Additions:		
Land (Note 23)	(30,550)	(30,550)
Property under construction and completed units (Note 23)	(4,559)	(8,097)
Write-offs (a)	39,556	41,569
Balance at December 31, 2018	**(163,078)**	**(164,603)**

(a) The amount of write-offs refers to the respective units sold in the period.

The amount of properties for sale offered as guarantee for financial liabilities is described in Note 12.

As disclosed in Note 12, the balance of capitalized financial charges as of December 31,2018 amounts R$211,465(R$290,631 in 2017) in the Company’s statements and R$223,807 (R$301,025 in 2017) in the consolidated statements.

7. Other assets

	Company		**Consolidated**	
	2018	2017	**2018**	2017
Advances to suppliers	**6,735**	2,081	**7,424**	5,358

Recoverable taxes (IRRF, PIS, COFINS, among other)	**17,567**	26,808	**23,260**	33,623
Judicial deposit (Note 16.a)	**103,701**	80,903	**106,793**	83,523
Total other assets	**128,003**	109,792	**137,477**	122,504
Current portion	**35,396**	47,640	**42,283**	58,332
Non-current portion	**92,607**	62,152	**95,194**	64,172

Gafisa S.A.

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8. Non-current assets held for sale

8.1 Land available for sale

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

	Company			Consolidated		
	Cost	**Provision for impairment**	**Net balance**	**Cost**	**Provision for impairment**	**Net balance**
Balance at December 31, 2016	**12,236**	**(8,930)**	**3,306**	**12,236**	**(8,930)**	**3,306**
Reclassification of properties for sale (Note 6)	-	-	-	62,343	(62,343)	-
Additions (Note 23)	101,624	(59,897)	41,727	158,979	(59,897)	99,082
Reversal/Write-offs	(36)	-	(36)	(36)	-	(36)
Balance at December 31, 2017	**113,824**	**(68,827)**	**44,997**	**233,522**	**(131,170)**	**102,352**
Reclassification from properties for sale (Note 6)	58,795	(27,875)	30,920	58,795	(27,875)	30,920

Reclassification to properties for sale (Note 6)	(40,262)	15,937	(24,325)	(40,262)	15,937	(24,325)
Additions (Note 23)	25,306	(24,499)	807	25,349	(24,499)	850
Reversal/Write-offs (a)	(11,481)	33,924	22,443	(127,916)	96,267	(31,649)
Balance at December 31, 2018	**146,182**	**(71,340)**	**74,842**	**149,488**	**(71,340)**	**78,148**

(a) The amount of write-offs over the period mainly refers to the sale of land in June 2018, located in the city of Salvador, Bahia, through the SPEs Manhattan Residencial 02 and Manhattan Comercial 02, for the amount of R$28,500, of which R$12,060 receivable in 24 months, and the remaining balance of R$16,440 was settled on July 24, 2018.

8.2 Non-current asset held for sale and profit or loss of discontinued operations

	Company		**Consolidated**	
	2018	**2017**	**2018**	**2017**
Reversal of impairment loss (i)	**-**	**215,440**	-	**215,440**
Portion related to payable for sale of shares (iii)	**-**	**(107,720)**	-	**(107,720)**
Transaction costs	**-**	**(9,545)**	-	**(9,545)**
Impairment loss on Tenda's profit or loss	**-**	**(22,780)**	-	**(22,780)**
Tenda's profit or loss for the period ended May 4, 2017 (ii)	**-**	**22,780**	-	**22,780**
Profit or loss of discontinued operations	**-**	**98,175**	-	**98,175**

(i) The measurement of non-current asset held for sale at the lower of its carrying value and the fair value less cost to sell. For the period ended May 4, 2017, the fair value of discontinued operations was adjusted, considering the weighted average price per share for exercising preemptive rights at R$12.12.

(ii) Amounts of assets held for sale, liabilities related to assets held for sale, and profit or loss of discontinued operations, net of the eliminations related to intercompany transactions.

(iii) Amount of R$107,720 related to the obligation to sell 50% of Construtora Tenda S.A.'s shares for the price of R$8.13 per share, settled on May 4, 2017, reflected in the profit or loss of discontinued operations, in order to reflect the difference between the fair value of the group of assets held for sale and the effective selling price.

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

8.2 Non-current asset held for sale and profit or loss of discontinued operations --Continued

As of May 4, 2017, the Company's Managementcarried out the remeasurement of the fair value of the disposal group held for sale, related to Construtora Tenda S.A. The basis for measurement used (i) the price of R$8.13 per share, related to the transaction settled on May 4, 2017, and (ii) the weighted average price per share of the exercise of preemptive rights traded over the period between March 17 and 31, 2017, calculated at R$3.99 per share. The resulting price of R$12.12 per share indicated, at that time, a valuation of Construtora Tenda S.A. in the amount of R$754,460.

The main lines of the statements of profit or loss and cash flows of the subsidiary Tenda are as follows:

Statement of profit or loss	**Period ended 05/04/2017**	**Cash flow**	**Period ended 05/04/2017**
Net operating revenue	**404,737**	Operating activities	**51,959**
Operating costs	**(269,144)**	Investing activities	**48,663**
Operating expenses, net	**(104,310)**	Financing activities	**24,089**
Depreciation and amortization	**(5,723)**		

Income from equity method investments	**269**
Financial income (expenses)	**101**
Income tax and social contribution	**(4,519)**
	21,411
Non-controlling interests	**(1,369)**
Net income for the year	**22,780**

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December 31, 2018

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

9. Investments in ownership interests

(i) *Information on subsidiaries, associates and jointly-controlled investees*

Company

Subsidiaries:	**Interest in capital - % 2018**	**2017**	**Total assets 2018**	**Total liabilities 2018**	**Equity and advance for future capital increase 2018**	**2017**	**Profit (loss) for the year 2018**	**2017**	**Investments 2018**	**2017**	**Inco equi inve 201**
Gafisa SPE-130 Emp. Imob. Ltda.	- **100%**	100%	**76,836**	**9,436**	**67,400**	69,956	**(2,555)**	(12,616)	**67,400**	69,956	**(2,55**
Gafisa SPE-111 Emp. Imob. Ltda.	- **100%**	100%	**66,627**	**5,107**	**61,520**	62,073	**(553)**	(438)	**61,520**	62,073	**(55**
Maraville Gafsa SPE Emp. Imob. Ltda.	- **100%**	100%	**59,545**	**3,389**	**56,156**	56,743	**(587)**	(635)	**56,156**	56,743	**(58**
Gafisa SPE-89 Emp. Imob. Ltda.	- **100%**	100%	**109,171**	**58,141**	**51,031**	51,214	**(183)**	1	**51,031**	51,214	**(18**
Gafisa SPE-104 Emp. Imob.	- **100%**	100%	**121,758**	**73,291**	**48,467**	40,744	**7,724**	7,735	**48,467**	40,744	**7,7**

Ltda.												
Gafisa SPE-51 Emp. Imob. Ltda.	- **100%**	100%	**48,484**	**2,486**	**45,997**	45,968	**29**	119	**45,997**	45,968	
Gafisa SPE - 127 Emp. Imob. Ltda.	- **100%**	100%	**46,304**	**399**	**45,905**	46,135	**(229)**	(279)	**45,905**	46,135	**(22**
Gafisa SPE 72 Emp. Imob. Ltda.	- **100%**	100%	**44,165**	**462**	**43,703**	43,809	**(106)**	(23)	**43,703**	43,809	**(10**
Gafisa SPE - 121 Emp. Imob. Ltda.	- **100%**	100%	**45,537**	**1,924**	**43,612**	44,372	**(759)**	(596)	**43,612**	44,372	**(75**
Gafisa SPE - 122 Emp. Imob. Ltda.	- **100%**	100%	**46,574**	**3,730**	**42,843**	49,255	**(6,412)**	(377)	**42,843**	49,255	**(6,41**
Gafisa SPE-110 Emp. Imob. Ltda.	- **100%**	100%	**40,708**	**775**	**39,933**	40,084	**(151)**	(94)	**39,933**	40,084	**(15**
Gafisa SPE - 120 Emp. Imob. Ltda.	- **100%**	100%	**37,940**	**493**	**37,447**	37,469	**(22)**	(51)	**37,447**	37,469	**(2**
Gafisa SPE-107 Emp. Imob. Ltda.	- **100%**	100%	**29,526**	**5**	**29,520**	29,522	**(2)**	(7)	**29,520**	29,522	
SPE Parque Ecoville Emp. Imob. Ltda.	- **100%**	100%	**38,032**	**9,013**	**29,019**	30,909	**(1,891)**	(3,837)	**29,019**	30,909	**(1,89**
Gafisa SPE-137 Emp. Imob. Ltda.	- **100%**	100%	**28,287**	**-**	**28,287**	(1)	**(1)**	-	**28,287**	-	
Gafisa SPE-129 Emp. Imob. Ltda.	- **100%**	100%	**27,489**	**634**	**26,855**	26,913	**(58)**	(2,625)	**26,855**	26,913	**(5**
Gafisa SPE-41 Emp. Imob. Ltda.	- **100%**	100%	**26,613**	**8**	**26,605**	26,581	**25**	13	**26,605**	26,581	
Gafisa SPE-134 Emp. Imob. Ltda.	- **100%**	100%	**26,361**	**1,192**	**25,169**	29,635	**(4,466)**	3,828	**25,169**	29,635	**(4,46**
Gafisa SPE-132 Emp. Imob. Ltda.	- **100%**	100%	**38,749**	**14,655**	**24,095**	24,142	**(48)**	(1,267)	**24,095**	24,142	**(4**
Verdes Pracas Incorp. Imob. SPE Ltda.	- **100%**	100%	**25,682**	**2,997**	**22,686**	22,565	**121**	(3,364)	**22,686**	22,565	**1**

Gafisa SPE-112 Emp. Imob. Ltda.	-	**100%**	100%	**21,923**	**94**	**21,828**	21,831	**(2)**	(3)	**21,828**	21,831
Gafisa SPE - 126 Emp. Imob. Ltda.	-	**100%**	100%	**19,509**	**3**	**19,506**	19,548	**(42)**	(825)	**19,506**	19,548	**(4**
Gafisa SPE 46 Emp. Imob. Ltda.	-	**100%**	100%	**17,798**	**149**	**17,648**	17,557	**91**	(355)	**17,648**	17,557
Edsp 88 Participações S.A.	-	**100%**	100%	**29,194**	**12,682**	**16,512**	16,466	**61**	521	**16,512**	16,466
Gafisa SPE 30 Emp. Imob. Ltda.	-	**100%**	100%	**16,416**	**189**	**16,228**	16,276	**(49)**	(81)	**16,228**	16,276	**(4**
Gafisa SPE-92 Emp. Imob. Ltda.	-	**100%**	100%	**15,816**	**122**	**15,694**	15,663	**31**	18	**15,694**	15,663
Gafisa SPE-106 Emp. Imob. Ltda.	-	**100%**	100%	**15,596**	**5**	**15,591**	15,596	**(5)**	(9)	**15,591**	15,596
Manhattan Square Emp.Im. Res.02 Ltda	-	**100%**	100%	**16,825**	**1,370**	**15,456**	36,026	**(955)**	-	**15,456**	36,026	**(95**
Gafisa SPE 33 Emp. Imob. Ltda.	-	**100%**	100%	**195,787**	**182,773**	**13,014**	13,480	**(465)**	(79)	**13,014**	13,480	**(46**
Gafisa SPE 71 Emp. Imob. Ltda.	-	**100%**	100%	**12,676**	**177**	**12,500**	12,505	**(6)**	(1,257)	**12,500**	12,505
Gafisa SPE 65 Emp. Imob. Ltda.	-	**100%**	100%	**11,378**	**287**	**11,091**	11,014	**78**	(703)	**11,091**	11,014
Gafisa SPE 36 Emp. Imob. Ltda.	-	**100%**	100%	**9,145**	**301**	**8,845**	8,872	**(27)**	(58)	**8,845**	8,872	**(2**
Gafisa SPE-81 Emp. Imob. Ltda.	-	**100%**	100%	**9,227**	**866**	**8,360**	8,440	**(80)**	(277)	**8,360**	8,440	**(8**
Manhattan Square Emp. Im. Com.02Ltda	-	**100%**	100%	**8,854**	**601**	**8,254**	17,958	**30**	-	**8,254**	17,958
Gafisa Vendas Interm. Imobiliaria Ltda	-	**100%**	100%	**12,781**	**4,732**	**8,049**	17,727	**(9,679)**	(13,067)	**8,049**	17,727	**(9,67**

Gafisa SPE-38 Emp. Imob. Ltda.	-	**100%**	100%	**7,946**	**-**	**7,946**	7,948	**(2)**	(6)	**7,946**	7,948	
Gafisa SPE-109 Emp. Imob. Ltda.	-	**100%**	100%	**7,205**	**43**	**7,162**	7,181	**(20)**	26	**7,162**	7,181	**(2**
Gafisa SPE-37 Emp. Imob. Ltda.	-	**100%**	100%	**7,210**	**652**	**6,559**	6,663	**(104)**	(89)	**6,559**	6,663	**(10**
Gafisa SPE-90 Emp. Imob. Ltda.	-	**100%**	100%	**8,251**	**1,825**	**6,426**	6,470	**(44)**	(2)	**6,426**	6,470	**(4**
OCPC01 adjustment – capitalized interest	(a)			**-**	**-**	**-**	-	**-**	-	**22,005**	22,805	**(80**
Other (*)				**125,313**	**77,396**	**47,915**	59,177	**(8,937)**	(10,863)	**46,040**	55,328	**(10,83**
Subtotal Subsidiaries				**1,553,238**	**472,404**	**1,080,834**	1,114,486	**(30,250)**	(41,622)	**1,100,964**	1,133,443	**(32,94**

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9. Investments in ownership interests --Continued

(i) *Information on subsidiaries, associates and jointly-controlled investees* --Continued

										Comp	
		Interest in capital - %		**Total assets**	**Total liabilities**	**Equity and advance for future capital increase**		**Profit (loss) for the year**		**Investments**	
Jointly-controlled investees:		**2018**	**2017**	**2018**	**2018**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Gafisa E Ivo Rizzo SPE-47 Emp. Imob. Ltda.	-	**80%**	80%	**33,225**	**886**	**32,339**	32,393	**(52)**	5	**25,872**	25,914
Parque Arvores Empr. Imob. Ltda.	(b)	**50%**	50%	**34,784**	**3,631**	**31,153**	30,616	**755**	4,001	**15,577**	15,308
Sitio Jatiuca Emp. Imob. SPE Ltda	-	**50%**	50%	**32,367**	**2,954**	**29,413**	28,143	**1,270**	(10,041)	**14,707**	14,072
Varandas Grand Park Emp. Imob. Spe Ltda.	(b)	**50%**	50%	**53,366**	**28,377**	**24,989**	19,858	**2,685**	(5,970)	**12,495**	9,929
Gafisa SPE-116 Emp. Imob. Ltda.	-	**50%**	50%	**31,488**	**8,951**	**22,537**	116,085	**(20,972)**	(4,709)	**11,268**	58,043
FIT 13 SPE Empreendimentos Imobiliários Ltda.	-	**50%**	50%	**21,906**	**2,200**	**19,706**	20,885	**5**	(7)	**9,853**	10,442
Atins Emp. Imob.s Ltda.	-	**50%**	50%	**24,644**	**6,916**	**17,728**	18,998	**(1,269)**	797	**8,864**	9,499
	-	**50%**	50%	**11,709**	**10**	**11,700**	11,371	**204**	(33)	**5,850**	5,686

Performance											
Gafisa General Severiano Ltda											
Other (*)	(b)			**126,816**	**70,472**	**56,343**	84,738	**(9,431)**	(9,501)	**30,223**	34,674
Subtotal Jointly-controlled investees				**370,305**	**124,397**	**245,908**	363,087	**(26,805)**	(25,458)	**134,709**	183,567
Associates:											
Alphaville Urbanismo S.A.	(e)	**30%**	30%	**1,883,471**	**2,820,839**	**(937,369)**	(141,290)	**(755,032)**	(764,142)	**-**	-
Citta Ville SPE Emp. Imob. Ltda.	-	**50%**	50%	**17,146**	**2,680**	**14,466**	12,555	**2,235**	(4,102)	**7,233**	6,277
Other (*)				**1,150**	**17**	**1,133**	1,119	**14**	20	**510**	504
Indirect jointly-controlled investees Gafisa				**1,901,767**	**2,823,536**	**(921,770)**	(127,616)	**(752,783)**	(768,224)	**7,743**	6,781
				3,825,310	**3,420,337**	**404,972**	1,349,957	**(809,838)**	(835,304)	**1,243,416**	1,323,791