Gafisa S.A.
Form 20-F
June 05, 2009

As filed with the Securities and Exchange Commission on June 5, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

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

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008
OR

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

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

Commission file number: 001-33356

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

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

The Federative Republic of Brazil
(Jurisdiction of incorporation or organization)

Av. Nações Unidas No. 8,501, 19th Floor

05425-070 - São Paulo, SP – Brazil
phone: + 55 (11) 3025-9000
fax: + 55(11) 3025-9348
e mail: ri@gafisa.com
Att: Alceu Duilio Calciolari – Chief Financial Officer and Investor Relations Officer
(Address of principal executive offices)

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

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

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

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

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

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

The number of outstanding shares of each class as of December 31, 2008.

Title of Class	Number of Shares Outstanding
Common Stock	133,087,518*

* Includes 3,124,972 common shares that are held in treasury.

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

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes x No

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INTRODUCTION

In this annual report, references to "Gafisa," "we," "our," "us," "our company" and "the company" are to Gafisa S.A. and its consolidated subsidiaries (unless the context otherwise requires). In addition, the term "Brazil" refers to the Federative Republic of Brazil, and the phrase "Brazilian government" refers to the federal government of Brazil. All references to "real," "reais" or "R$" are to the Brazilian real, the official currency of Brazil, and all references to "U.S. dollar," "U.S. dollars or "US$" are to U.S. dollars, the official currency of the United States. References to "Brazilian GAAP" are to generally accepted accounting principles in Brazil and references to "U.S. GAAP" are to generally accepted accounting principles in the United States. All references to "American Depositary Shares" or "ADSs" are to Gafisa's American Depositary Shares, each representing two common shares.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

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

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

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

- the accounting standards issued by the Brazilian Institute of Independent Accountants (Instituto dos Auditores Independentes do Brasil), or the "IBRACON," the Brazilian Federal Accounting Council (Conselho Federal de Contabilidade), or the "CFC" and the Accounting Standards Committee (Comitê de Pronunciamentos Contábeis), or the "CPC."

The Brazilian Central Bank and the CVM set 2010 as the deadline for adoption of International Financial Reporting Standards, or "IFRS," for the consolidated financial statements of financial institutions and publicly-held companies. On December 28, 2007, Law No. 11,638/07 was enacted, amending the Brazilian corporate law regarding the accounting practices adopted in Brazil. When we reconcile our financial statements to IFRS to comply with this requirement and as Brazilian GAAP migrates towards IFRS, percentage-of-completion accounting will not be acceptable. As a result, our financial statements under IFRS may be materially different from those presented under Brazilian GAAP.

We restated our Brazilian GAAP financial statements as of and for the years ended December 31, 2007 and 2006 when we adopted, beginning January 1, 2006, the changes introduced by Law 11,638/07 and the new accounting standards issued by the CPC in 2008. Brazilian GAAP encourages companies to make such restatements from the date the accounting changes were introduced in order to provide comparative information within the financial statements. See note 2(a) to our financial statements included elsewhere in this annual report for this amendment and other reclassifications to our Brazilian GAAP financial statements. Selected financial information presented as of and for the years ended December 31, 2005 and 2004 has not been represented on the basis of the new accounting policies introduced in 2008, as the cost and time required to prepare such information would be prohibitive. As a result, such information is not comparative to the financial information reported herein as of and for the years ended December 31, 2008, 2007 and 2006.

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

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

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Market Information

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

Rounding and Other Information

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

In this annual report, all references to “contracted sales” are to the aggregate amount of sales resulting from all agreements for the sale of units (including residential communities and land subdivisions) entered into during a certain period, including new units and units in inventory.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

- demographic factors and available income;
- our ability to repay our indebtedness and comply with our financial obligations;
- our ability to arrange financing and implement our expansion plan;
- our ability to compete and conduct our businesses in the future;
- changes in our business;
- inflation and interest rate fluctuations;

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- changes in the laws and regulations applicable to the real estate market;
- government interventions, resulting in changes in the economy, taxes, rates or regulatory environment;
- other factors that may affect our financial condition, liquidity and results of our operations; and
- other risk factors discussed under “Item 3.D. Key Information—Risk Factors.”

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

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected financial data have been derived from our consolidated financial statements. The selected financial data as of and for the years ended December 31, 2008, 2007 and 2006 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected financial data as of and for the years ended December 31, 2005 and 2004 have been derived from our audited consolidated financial statements that are not included in this annual report.

Our financial statements are prepared in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. For a discussion of the significant differences relating to these consolidated financial statements and a reconciliation of net income and shareholders' equity from Brazilian GAAP to U.S. GAAP, see notes to our audited consolidated financial statements included elsewhere in this annual report. Our company and subsidiaries have retroactively applied changes to Brazilian GAAP introduced by the newly formed CPC and the provisions of Law No. 11,638/07 from January 1, 2006 to ensure consistency of presentation in our financial statements. See note 2(a) to our financial statements included elsewhere in this annual report for this amendment and other reclassifications to our Brazilian GAAP financial statements. All periods presented from January 1, 2006 have been modified to reflect such new accounting practices.

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

	As of and for the year ended December 31,				
	2008	2007(1)	2006(1)	2005(1)	2004(1)
	(in thousands except per share, per ADS and operating data)(3)				
Income statement data:					
Brazilian GAAP:					
Gross operating revenue	R$ 1,805,468	R$ 1,251,894	R$ 681,791	R$ 480,774	R$ 439,254
Net operating revenue	1,740,404	1,204,287	648,158	457,024	416,876
Operating costs	(1,214,401)	(867,996)	(464,766)	(318,211)	(292,391)
Gross profit	526,003	336,291	183,392	138,813	124,485
Operating expenses, net(3)	(357,798)	(236,861)	(118,914)	(79,355)	(59,688)
Financial income (expenses), net	41,846	28,628	(11,943)	(31,162)	(34,325)
	—	—	—	(1,024)	(1,450)

Non-operating income (expenses), net					
Income before taxes on income, and minority interest	210,051	128,058	52,535	27,272	29,022
Taxes on income	(43,397)	(30,372)	(8,525)	3,405	(5,575)
Minority interest	(56,733)	(6,046)	—	—	—
Net income	109,921	91,640	44,010	30,677	23,447
Share and ADS data(2):					
Earnings per share—R$ per share	0.8458	0.7079	0.4258	1.2457	1.2188
Number of preferred shares outstanding as at end of period	—	—	—	16,222,209	11,037,742
Number of common shares outstanding as at end of period	129,962,546	129,452,121	103,369,950	8,404,185	8,199,743
Earnings per ADS—R$ per ADS (pro forma)(4)	1.6916	1.4158	0.8516	2.4914	2.4376
U.S. GAAP:					
Net operating revenue	1,692,706	1,090,632	674,740	439,011	442,913
Operating costs	(1,198,256)	(865,756)	(503,172)	(329,775)	(339,653)

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Gross profit	494,450	224,876	171,568	109,236	103,260
Operating expenses, net	(142,771)	(190,430)	(139,188)	(77,305)	(52,770)
Financial income (expenses), net	40,198	27,243	4,022	(17,684)	(31,645)
Income before income taxes, equity in results and minority interest	391,877	61,689	36,402	14,247	18,845
Taxes on income	(70,756)	(1,988)	(11,187)	(1,886)	(3,530)
Equity in results	26,257	8,499	894	22,593	11,674
Minority interest	(47,900)	(4,738)	(1,125)	(571)	252
Cumulative effect of a change in an accounting principle:	—	—	(157)	—	—
Net income(5)	299,658	63,462	24,827	34,383	27,241
Per share and ADS data(2):					
Per preferred share data—R$ per share:					
Earnings per share—Basic	—	—	0.1518	0.6056	0.4910
Earnings per share—Diluted	—	—	0.1498	0.6023	0.4910
Weighted average number of shares outstanding – in thousands	—	—	1,701	42,803	33,113
Dividends declared and interest on shareholders' equity	—	—	—	—	—
Per common share data—R$ per share:					
Earnings per share—Basic	2.3109	0.5036	0.2487	0.3469	0.4464
Earnings per share—Diluted	2.3024	0.5013	0.2458	0.3453	0.4464
Weighted average number of shares outstanding – in thousands	129,671	126,032	98,796	24,394	24,599
Dividends declared and interest on shareholders' equity	26,104	26,981	10,938	—	—
Per ADS data—R$ per ADS(4):					
Earnings per ADS—Basic (pro forma)(4)	4.6218	1.0072	0.4974	0.6938	0.8928
Earnings per ADS—Diluted (pro forma)(4)	4.6048	1.0026	0.4916	0.6907	0.8928
Weighted average number of ADSs outstanding – in thousands	64,836	63,016	48,398	12,197	12,300
Dividends declared and interest on shareholders' equity	26,104	26,981	10,938	—	—
Balance sheet data:					
Brazilian GAAP:					
Cash, cash equivalents and marketable securities	R$ 605,502	R$ 517,420	R$ 266,159	R$ 133,891	R$ 45,888
Properties for sale	2,028,976	1,022,279	486,397	304,329	237,113
Working capital(6)	2,448,305	1,315,406	926,866	464,589	205,972
Total assets	5,538,858	3,004,785	1,558,590	944,619	748,508
Total debt(7)	1,552,121	695,380	295,445	316,933	151,537
Total shareholders' equity	1,612,419	1,498,728	807,433	270,188	146,469

U.S. GAAP:					
Cash and cash equivalents	510,504	512,185	260,919	136,153	42,803
Properties for sale	2,208,124	1,140,280	483,411	376,613	214,744
Working capital(6)	2,510,382	1,295,176	788,351	473,794	195,392
Total assets	5,179,403	2,889,040	1,633,886	901,387	601,220
Total debt(7)	1,525,138	686,524	289,416	294,149	141,476
Total shareholders' equity	1,723,095	1,441,870	795,251	290,604	160,812
Cash flow provided by (used in):					
Brazilian GAAP					
Operating activities	(812,512)	(451,929)	(271,188)	(112,947)	23,616
Investing activities	(78,300)	(149,290)	(25,609)	(5,576)	(1,509)
Financing activities	911,817	842,629	429,065	206,526	10,601
Operating data:					
Number of new developments	64	53	30	21	11
Potential sales value(11)	2,763,043	2,235,928	1,005,069	651,815	206,992
Number of units launched(8)	10,963	10,315	3,052	2,363	1,132
Launched usable area (m2)(9) (10)	1,838,000	1,927,821	407,483	502,520	233,393
Sold usable area (m2)(9) (10)	1,339,729	2,364,173	357,723	372,450	131,275
Units sold	11,803	6,120	3,049	1,795	1,192

(1) We restated our Brazilian GAAP financial statements as of and for the years ended December 31, 2007 and 2006 when we adopted, beginning January 1, 2006, the changes introduced by Law 11,638/07 and the new accounting standards issued by the CPC in 2008. Brazilian GAAP

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encourages companies to make such restatements from the date the accounting changes were introduced in order to provide comparative information within the financial statements. See note 2(a) to our financial statements included elsewhere in this annual report for this amendment and other reclassifications to our Brazilian GAAP financial statements. However, selected financial information presented as of and for the years ended December 31, 2005 and 2004 has not been represented on the basis of the new accounting policies introduced in 2008, as the cost and time required to prepare such information would be prohibitive. As a result, such information is not comparative to the financial information reported herein as of and for the years ended December 31, 2008, 2007 and 2006.

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

(3) Excludes stock issuance expenses.

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

(5) The following table sets forth reconciliation from U.S. GAAP net income to U.S. GAAP net income available to common shareholders:

	As of and for the year ended December 31,				
	2008	2007	2006	2005	2004
Reconciliation from U.S. GAAP net income to U.S. GAAP net income available to common shareholders (Basic):					
U.S. GAAP net income (Basic)	299,658	63,462	24,827	34,383	27,241
Preferred Class G exchange*	—	—	—	(9,586)	—
Undistributed earnings for Preferred Shareholders (Basic earnings)	—	—	(258)	(16,334)	(16,260)
U.S. GAAP net income available to common shareholders (Basic earnings)	299,658	63,462	24,569	8,463	10,981
Reconciliation from U.S. GAAP net income to U.S. GAAP net income available to common shareholders (Diluted):					
U.S. GAAP net income	299,658	63,462	24,827	34,383	27,241
Preferred Class G exchange*	—	—	—	(9,586)	—
Undistributed earnings for Preferred Shareholders (Diluted earnings)	—	—	(259)	(16,373)	(16,260)
U.S. GAAP net income available to common shareholders (Diluted earnings)	299,658	63,462	24,568	8,424	10,981

* Pursuant to EITF Topic D-42 "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock," following the exchange of Class A for Class G Preferred shares, the excess of the fair value of the consideration transferred to the holders of the preferred stock over the carrying amount of the preferred stock in the balance sheet was subtracted from net income to arrive at net earnings available to common shareholders in the calculation of earnings per share. For purposes of displaying earnings per share, the amount is treated in a manner similar to the treatment of dividends paid to the holders of the preferred shares. The conceptual return or dividends on preferred shares are deducted from net earnings to arrive at net earnings available to common shareholders.

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

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

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

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

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

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

Exchange Rates

Until March 4, 2005, there were two legal foreign exchange markets in Brazil, the commercial rate exchange market, or the "Commercial Market," and the floating rate exchange market, or the "Floating Market." The Commercial Market rate was reserved primarily for foreign trade transactions and transactions that generally required prior approval from Brazilian monetary authorities, such as registered investments by foreign persons and related remittances of funds abroad (including the payment of principal and interest on loans, notes, bonds and other debt instruments denominated in foreign currencies and registered with the Central Bank). The Floating Market rate generally applied to specific transactions for

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which Central Bank approval was not required. Both the Commercial Market rate and the Floating Market rate were reported by the Central Bank on a daily basis.

On March 4, 2005, the Central Bank issued Resolution No. 3,265, providing for several changes in Brazilian foreign exchange regulation, including: (1) the unification of the foreign exchange markets into a single exchange market; (2) the easing of several rules for acquisition of foreign currency by Brazilian residents; and (3) the extension of the term for converting foreign currency derived from Brazilian exports. It is expected that the Central Bank will issue further regulations in relation to foreign exchange transactions, as well as on payments and transfers of Brazilian currency between Brazilian residents and non-residents (such transfers being commonly known as the international transfer of reais), including those made through the so-called non-resident accounts (also known as CC5 accounts).

From March 1995 through January 1999, the Central Bank allowed the gradual devaluation of the real against the U.S. dollar under an exchange rate policy that established a band within which the real/U.S. dollar exchange rate could fluctuate. Responding to pressure on the real, on January 13, 1999, the Central Bank widened the foreign exchange rate band. Because the pressure did not ease, on January 15, 1999, the Central Bank abolished the band system and allowed the real to float freely.

Since the beginning of 2001, the Brazilian exchange market has been increasingly volatile, and, until early 2003, the value of the real declined relative to the U.S. dollar, primarily due to financial and political instability in Brazil and Argentina. According to the Central Bank, in 2004, 2005, 2006 and 2007, however, the period-end value of the real appreciated in relation to the U.S. dollar 8.8%, 13.4%, 9.5% and 20.7%, respectively. In 2008, the period-end value of the real depreciated in relation to the U.S. dollar by 24.2%. Although the Central Bank has intervened occasionally to control unstable movements in the foreign exchange rates, the exchange market may continue to be volatile as a result of this instability or other factors, and, therefore, the real may substantially decline or appreciate in value in relation to the U.S. dollar in the future.

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

	Period-end	Average for period(1)	Low	High
		(per U.S. dollar)		
Year Ended:				
December 31, 2004	R$ 2.654	R$ 2.930	R$ 2.654	R$ 3.205
December 31, 2005	2.341	2.463	2.163	2.762
December 31, 2006	2.138	2.215	2.059	2.371
December 31, 2007	1.771	1.793	1.762	1.823
December 31, 2008	2.337	2.030	1.559	2.500
Month Ended:				
December 2008	2.337	2.419	2.337	2.500
January 2009	2.316	2.285	2.189	2.380
February 2009	2.378	2.318	2.245	2.392
March 2009	2.315	2.330	2.238	2.422
April 2009	2.178	2.229	2.169	2.289
May 2009	1.973	2.060	1.973	2.198

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

Source: Central Bank.

On May 28, 2009, the selling rate was R$2.0144 to US$1.00. The real/dollar exchange rate fluctuates and, therefore, the selling rate at May 28, 2009 may not be indicative of future exchange rates.

We have translated certain amounts included in "Item 3.A. Key Information—Selected Financial Data" and elsewhere in this annual report from reais into U.S. dollars using the exchange rate as reported by the Central Bank as of December 31, 2008 of R$2.337 to US$1.00 or the indicated dates (subject to rounding adjustments). These translations should not be considered representations that any such amounts have been, could have been or could be converted into U.S. dollars at that or at any other exchange rate as of that or any other date. In addition, translations should not be construed as representations that the real amounts represent or have been or could be converted into U.S. dollars as of that or any other date.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

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

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

Our business and results of operations may be adversely affected by weaknesses in general economic, real estate and other conditions.

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

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

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

For example, in 2008, the global financial crisis adversely impacted Brazil’s gross domestic product resulting in a decrease in both the number of developments launched and the rate of sales of our units. Worldwide financial market volatility has been unprecedented and extraordinary since September 2008, and the resulting economic turmoil may have unforeseen consequences, including adversely impacting government plans for the Brazilian homebuilding industry. Continuation or worsening of general economic conditions would have a material adverse effect on our business, our financial condition and the results of operations.

The real estate industry in Brazil is highly competitive. Failure to compete successfully could have a material adverse effect on our business, our financial condition and the results of our operations.

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

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

The quality of work in the construction of our real estate projects and the timely completion of these projects are major factors that determine our reputation, and therefore our sales and growth. Delays in the construction of our projects or defects in materials and/or workmanship may occur. Any defects could delay the completion of our real estate projects, or, if such defects are discovered after completion, expose us to civil lawsuits by purchasers or tenants. Such factors may also adversely affect our reputation as a contractor for third party projects, since we are responsible for our construction services and the building itself for five years. Construction projects often involve delays in obtaining, or the inability to obtain, permits or approvals from the relevant authorities. In the past, we have encountered circumstances where we had obtained the necessary environmental permits from state authorities, but we were prevented from commencing our construction due to investigations by the local prosecutor's office in response to complaints regarding our tree-cutting activities. Such investigations delayed the start of construction by us and the delivery of completed units to our customers. In addition, construction projects may also encounter delays due to adverse weather conditions, natural disasters, fires, delays in the provision of materials or labor, accidents, labor disputes, unforeseen engineering, environmental or geological problems, disputes with contractors and subcontractors, unforeseen conditions at construction sites, disputes with surrounding landowners or other events. In addition, we may encounter previously unknown conditions at or near our construction sites that may delay or prevent construction of a particular project. If we encounter a previously unknown condition at or near a site, we may be required to correct the condition prior to continuing construction and there may be a delay in the construction of a particular project. The occurrence of any one or more of these problems in our real estate projects could adversely affect our reputation and our future sales.

Construction delays, scarcity of skilled workers, cost overruns and addressing newly discovered conditions may increase project development costs. In addition, delays in the completion of a project may result in a delay in the commencement of cash flow, which would increase our capital needs. We may also incur construction and other development costs for a project that exceeds our original estimates due to increases over time in interest rates, real estate taxes, material costs, labor costs or other costs. We may not be able to pass these increased costs on to purchasers and thus the increases may decrease our profitability. Problems with the construction and timely completion of our real estate projects, as well as third party projects for which we have been hired as a contractor, may damage our reputation, expose us to civil liability and decrease our profitability.

Our growth depends significantly on the availability of financing for our clients.

Our results depend significantly on the availability of credit lines to our clients. Most real estate purchasers require financing to pay for their acquisitions. The regulations affecting governmental and private financings are subject to changes that are outside of our control. Unpredicted changes in these rules may force us to offer other types of financing to our clients. Terms and conditions of these new types of financing may not be as favorable as currently available terms and conditions. If there are no governmental or private credit lines available, our clients do not have access to these credit lines, or the interest rates on available credit lines are not attractive, our results may be adversely affected.

We are subject to the risks associated with providing financing to our clients.

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

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requirements with the terms of the financings we grant to our clients. The mismatch of rates and terms between the funds we obtain and the financings we grant may adversely affect us.

Our construction and development activities, as well as our activities relating to our provision of financing, are subject to extensive regulation. These regulations are subject to change and may increase our costs and limit our ability to pursue our strategy of expanding our business.

The Brazilian real estate industry is subject to extensive federal, state and municipal laws and regulations regarding construction and zoning. In addition, the Brazilian real estate industry depends on the availability of official and private credit lines on attractive terms. We are required to obtain approval from several governmental authorities prior to beginning construction on a given real estate development project. Approval is based on legislation in force at the time it is granted. A substantial part of financings to our clients is granted through the Housing Financing System (Sistema Financeiro de Habitação), or SFH. The SFH is financed with funds from savings accounts and regulated by the CMN. Regulation by the CMN may change at any time and the regulation covers a wide array of real estate development and construction activities, including land acquisition, construction, environmental and consumer protection and available financings and interest rates, and any change to such regulation may adversely affect our business.

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

We expect that the continuing expansion and development of our business will require significant capital, which we may be unable to obtain on acceptable terms, or at all, to fund our capital expenditures and operating expenses, including working capital needs. We may fail to generate sufficient cash flow from our operations to meet our cash requirements. Furthermore, our capital requirements may vary materially from those currently planned if, for example, our revenues do not reach expected levels or we have to incur unforeseen capital expenditures and make investments to maintain our competitive position. If this is the case, we may require additional financing sooner than anticipated, or we may have to delay some of our new development and expansion plans or otherwise forgo market opportunities. The current global credit markets have impacted our ability to secure financing at favorable interest rates. We may not be able to obtain future equity or debt financing on favorable terms, if at all, particularly in light of the recent economic downturn and unavailability of credit discussed above. Future borrowing instruments such as credit facilities are likely to contain restrictive covenants and may require us to pledge assets as security for borrowings under those facilities. Our inability to obtain additional capital on satisfactory terms may delay or prevent the expansion of our business.

In addition, as of the date of this annual report, our net debt level was in excess of the R$1.0 billion set forth in the covenants of our debentures issued in 2006 (our “Obligation to venture partners” balance is not considered to be part of debt for purposes of this covenant). We are currently not in breach of the covenant as it is only measured at June 30 and December 31 of each year. We are currently renegotiating an amendment to the covenant with the debenture holders, which may result in a higher interest rate. However, if at June 30, 2009 our net debt level remains in excess of that stipulated in the covenant and we are not able to amend the covenant or receive a waiver from debenture holders, the 2006 debentures could be accelerated and the amount due immediately would be R$240 million. If we are in default under the 2006 debentures, other indebtedness in the amount of R$670 million may be accelerated and due immediately by us, which may have a material adverse effect on our financial position and results of operations. See “Item 5. Operating and Financial Review and Prospects—Indebtedness—Debenture Program.”

Changing market conditions may adversely affect our ability to sell our home inventories at expected prices, which could reduce our margins.

As a homebuilder, we must constantly locate and acquire new tracts of land for development and development home sites to support our homebuilding operations. There is a lag between the time we acquire land for development or developed home sites and the time that we can bring the properties to market and sell homes. Lag time varies on a project-by-project basis; however, historically, we have experienced a lag time of 12 to 24 months. As a result, we face the risk that demand for housing may decline, costs of labor or materials may increase, interest rates may increase, currencies may fluctuate and political uncertainties may occur during this period and that we will not be able to dispose of developed properties at expected prices or profit margins or within anticipated time frames or at all. Significant expenditures associated with investments in real estate, such as maintenance costs, construction costs and debt payments, cannot generally be reduced if changes in the economy cause a decrease in revenues from our properties. The market value of home inventories can fluctuate significantly because of changing market conditions. In addition, inventory carrying costs (including interest on funds unused to acquire land or build homes) can be significant and can adversely affect our performance. Because of these factors, we may be forced to sell homes at a loss or for prices that generate lower profit margins than we anticipate. We may also be required to make material write-downs of the book value of our real estate assets in accordance with Brazilian and U.S. GAAP if values decline.

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

As is common in our industry, we and the special purpose entities, or "SPEs," in which we participate permit some purchasers of the units in our projects to make payments in installments. As a result, we are subject to the risks associated with this financing, including the risk of default in the payment of principal or interest on the loans we make as well as the risk of increased costs for the funds raised by us. Our term sales agreements usually provide for an inflation adjustment linked to the National Index of Construction Cost (Índice Nacional de Custo da Construção), or "INCC," during the construction phase of the projects, to the General Market Price Index (Índice Geral de Preços—Mercado), or "IGP-M," after completion of the construction and 12% per annum fixed-rate interest rate after delivery of the units. If the rate of inflation increases, the loan payments under these term sales agreements may increase, which may lead to a higher rate of payment default. If the default rate among our purchasers increases, our cash generation and, therefore, our profitability could be adversely affected.

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

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

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

Regulations governing the Brazilian real estate industry as well as environmental laws have tended to become more restrictive over time. We cannot assure you that new and stricter standards will not be adopted or become applicable to us, or that stricter interpretations of existing laws and regulations will not occur. For example, we have encountered circumstances where we had obtained the necessary environmental permits from state authorities, but subsequently became subject to investigations by the local prosecutor's office in response to complaints regarding our tree-cutting activities based on a different interpretation of the applicable regulations. Any such event may require us to spend additional funds to achieve compliance with such new rules and therefore make the development of our projects more costly.

If there is a scarcity of financing and/or increased interest rates, this may decrease the demand for real estate properties, which could negatively affect our business.

The scarcity of financing and/or an increase in interest rates may adversely affect the ability or willingness of prospective buyers to purchase our products and services. A majority of the bank financing obtained by prospective buyers comes from the Housing Financial System (Sistema Financeiro de Habitação), or "SFH," which is financed by funds raised from savings account deposits. The Brazilian Monetary Council (Conselho Monetário Nacional), or the "CMN," might change the amount of such funds that banks are required to make available for real estate financing. If the CMN restricts the amount of available funds that can be used to finance the purchase of real estate properties, or if there is an

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increase in interest rates, there may be a decrease in the demand for our residential and commercial properties and for the development of lots of land, which may adversely affect our financial position and results of operations.

The scarcity of real estate financing sources to home buyers requires us to finance a significant proportion of our sales. The growth of our affordable entry-level business significantly depends on the availability of financing for our customers. The merger of our wholly-owned subsidiary Fit Residencial Empreendimentos Imobiliários Ltda. into Construtora Tenda S.A., a developer of low income residential projects, has increased our entry-level customer base. The scarcity of financing and/or an increase in interest rates could, in particular, adversely affect the ability of such entry-level home buyers to obtain financing. As a result, this could decrease future demand from these buyers.

Because we recognize sales income from our real estate properties under the percentage of completion method of accounting, an adjustment in the cost of a development project may reduce or eliminate previously reported revenue and income.

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

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

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

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

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

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

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

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

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

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

Our insurance policies may not be sufficient to cover damages that we may suffer.

Our insurance policies may not provide sufficient coverage for certain damages resulting from natural disasters such as floods, land slides and earth quakes. In addition, we are required to pay penalties and other fines whenever there is delay in the delivery of our units, and such penalties and fines are not covered by our insurance policies. As a result, insufficient coverage of our insurance could have an adverse effect on our financial condition and results of operations.

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

As of December 31, 2008, our total debt was R$1,552.1 million. Our level of indebtedness could have important negative consequences for us. For example, it could:

- require us to dedicate a large portion of our cash flow from operations to fund payments on our debt, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- increase our vulnerability to adverse general economic or industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business or the industry in which we operate;
- limit our ability to raise additional debt or equity capital in the future or increase the cost of such funding;
- restrict us from making strategic acquisitions or exploring business opportunities;
- make it more difficult for us to satisfy our obligations with respect to our debt; and
- place us at a competitive disadvantage compared to our competitors that have less debt.

Our indebtedness has variable interest rates. At December 31, 2008, the amount of our aggregate outstanding variable rate indebtedness, taking into consideration our indebtedness denominated in foreign currency where we entered into cross-currency interest rate swaps, was R$1,552.1 million. A hypothetical 1% adverse change in interest rates would have had an annualized unfavorable impact of R$15.5 million on our earnings and cash flows, based on the net debt level at December 31, 2008. In addition, as of the date of this annual report, our net debt level was in excess of the R$1.0 billion set forth in the covenants of our debentures issued in 2006 (our "Obligation to venture partners" balance is not considered to be part of debt for purposes of this covenant). We are currently not in breach of the covenant as it is only measured at June 30 and December 31 of each year. We are currently renegotiating an amendment to the covenant with the debenture holders, which may result in a higher interest rate. However, if at June 30, 2009 our net debt level remains in excess of that stipulated in the covenant and we are not able to amend the covenant or receive a waiver from debenture holders, the 2006 debentures could be accelerated and the amount due immediately would be

R$240 million. If we are in default under the 2006 debentures, other indebtedness in the amount of R$670 million may be accelerated and due immediately by us, which may have a material adverse effect on our financial position and results of operations. See “Item 5. Operating and Financial Review and Prospects—Indebtedness—Debenture Program.”

Risks Relating to Brazil

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

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

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

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

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

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

At times in the past, Brazil has experienced high rates of inflation. According to the General Market Price Index (Índice Geral de Preços—Mercado), or IGP-M, inflation rates in Brazil were 1.2% in 2005, 3.8% in 2006, 7.7% in 2007 and 9.8% in 2008 and compared to a deflation of 1.1% for the four month period ended April 30, 2009. In addition, according to the National Extended Consumer Price Index (Índice Nacional de Preços ao Consumidor Amplo), or "IPCA," published by the IBGE, Brazilian consumer price inflation rates were 5.7% in 2005, 3.1% in 2006, 4.5% in 2007 and 5.9% in 2008 and 1.7% for the four month period ended April 30, 2009. Our term sales agreements usually provide for an inflation adjustment linked to the INCC. The INCC increased by 5.0% in 2006, 6.2% in 2007 and 11.9% in 2008. The Brazilian government's measures to control inflation have often included maintaining a tight monetary policy with high interest rates, thereby restricting availability of credit and reducing economic growth. Inflation, actions to combat inflation and public speculation about possible additional actions have also contributed materially to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets.

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

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

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

At December 31, 2008, our indebtedness was denominated in reais, other than our indebtedness denominated in foreign currency which are covered by our cross-currency interest rate swaps, and subject to Brazilian floating interest rates, such as the Reference Interest Rate (Taxa Referencial), or "TR," and the Interbank Deposit Certificate Rate (Certificado de Depósito Interbancário), or "CDI rate." Any increase in the TR rate or the CDI rate may have an adverse impact on our financial expenses and our results of operations.

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

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

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

The Brazilian government regularly implements changes to tax regimes that may increase our and our customers' tax burdens. These changes include modifications in the rate of assessments and, on occasion, enactment of temporary taxes, the proceeds of which are earmarked for designated governmental purposes. In April 2003, the Brazilian government presented a tax reform proposal, which was mainly designed to simplify tax assessments, to avoid internal disputes within and between the Brazilian states and municipalities, and to redistribute tax revenues. The tax reform proposal provided for changes in the rules governing the federal Social Integration Program (Programa de Integração Social), or "PIS," the federal Contribution for Social Security Financing (Contribuição para Financiamento da

Seguridade Social), or “COFINS,” the state Tax on the Circulation of Merchandise and Services (Imposto Sobre a Circulação de Mercadorias e Serviços), or “ICMS,” and other taxes. The effects of these proposed tax reform measures and any other changes that result from enactment of additional tax reforms have not been, and cannot be, quantified. However, some of these measures, if enacted, may result in increases in our overall tax burden, which could negatively affect our overall financial performance.

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Risks Relating to Our Common Shares and the ADSs

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

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

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

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

The Brazilian economy is also affected by international economic and market conditions generally, especially economic and market conditions in the United States. Share prices on the São Paulo Stock Exchange (BM&F Bovespa SA - Bolsa de Valores Mercadorias e Futuros), or the "BOVESPA," for example, have historically been sensitive to fluctuations in U.S. interest rates as well as movements of the major U.S. stock indexes, particularly in the current worldwide economic downturn. Developments in other countries and securities markets could adversely affect the market prices of our common shares and the ADSs and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms or at all.

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

The Brazilian securities market is substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States. This may limit your ability to sell our common shares and the common shares underlying your ADSs at the price and time at which you wish to do so. The BOVESPA, the only Brazilian stock exchange, had a market capitalization of approximately US$588 billion as of December 31, 2008 and an average daily trading volume of US$3.1 billion for 2008. In comparison, the NYSE had a market capitalization of US$8.3 trillion as of December 31, 2008 and an average daily trading volume of approximately US$41 billion for 2008.

There is also a large concentration in the Brazilian securities market. The ten largest companies in terms of market capitalization represented 52.4% of the aggregate market capitalization of the BOVESPA as of December 31, 2008. The top ten stocks in terms of trading volume accounted for 53.1% of all shares traded on the BOVESPA in 2008. Gafisa’s average daily trading volume on the BOVESPA and in the NYSE in 2008 were US$16.5 million and US$26.1 million, respectively.

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

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

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

We may need additional funds and, in the case public or private financing is unavailable or if our shareholders decide, we may issue additional common shares. Any additional funds obtained by such a capital increase may dilute your interest in our company. Moreover, because we may pay the remaining 40% of Alphaville's acquisition price with our common shares, you may experience additional dilution of your investment in our company. See "Item 4.A. Information on the Company—History and Development of the Company."

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

According to our by-laws, we must generally pay our shareholders at least 25% of our annual net profit as dividends or interest on shareholders' equity, as calculated and adjusted under the Brazilian corporate law method. This adjusted net profit may be capitalized, used to absorb losses or otherwise retained as allowed under the Brazilian corporate law method and may not be available to be paid as dividends or interest on shareholders' equity. Additionally, the Brazilian corporate law allows a publicly traded company like ours to suspend the mandatory distribution of dividends in any particular year if our board of directors informs our shareholders that such distributions would be inadvisable in view of our financial condition or cash availability. For 2003, 2004 and 2005, we did not distribute dividends. In 2007, we distributed dividends in the total amount of R$11.0 million, or R$0.11 per share, for fiscal year 2006. In April 2008, our shareholders approved the distribution of dividends for the fiscal year 2007 in the amount of R$27.0 million, or R$0.21 per share, which were fully paid to our shareholders on April 29, 2008. On April 30, 2009, our shareholders approved the distribution of dividends for the fiscal year 2008 in the amount of R$26.1 million, or R$0.20 per share, which will be fully paid to our shareholders during the fiscal year 2009 upon board approval. See "Item 8.A. Financial Information—Consolidated Statements and Other Financial Information—Dividend Policy."

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

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

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

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

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

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

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

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

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

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

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

According to Law No. 10,833 of December 29, 2003, the disposition of assets located in Brazil by a non-resident to either a Brazilian resident or a non-resident is subject to taxation in Brazil, regardless of whether the disposition occurs outside or within Brazil. In these terms, gains arising from a disposition of our common shares by a non-resident of Brazil to another non-resident of Brazil are subject to income of tax. There is no case law regarding the application of Law No. 10,833 of December 29, 2003 and, accordingly, we are unable to predict whether Brazilian courts would apply it to dispositions of our ADSs between non-residents of Brazil. However, if a disposition of our ADSs is considered a disposition of assets, this tax law would result in the imposition of withholding taxes on the disposition of our ADSs by a non-resident of Brazil to another non-resident of Brazil. See "Item 10.E. Additional Information—Taxation—Brazilian Tax Considerations—Gains."

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

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

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

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

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

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

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

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

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

General

Gafisa S.A. is a corporation organized under the laws of Brazil. We were incorporated on December 16, 1997 for an indefinite term. Our registered and principal executive offices are located at Av. Nações Unidas No. 8,501, 19th floor, 05425-070, São Paulo, SP, Brazil, and our general telephone and fax numbers are + 55 (11) 3025-9000 and + 55 (11) 3025-9348, respectively.

We are one of Brazil’s leading homebuilders. Over the last 50 years, we have been recognized as one of the foremost professionally-managed and geographically-diversified homebuilders in Brazil. Our core business is the development of high-quality residential buildings in attractive locations. We are also engaged in the development of land subdivisions, also known as residential communities, and affordable entry-level housing. In addition, we provide construction services to third parties.

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

Historical Background and Recent Developments

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

In February 2006, we concluded our initial public offering in Brazil, resulting in a public float of approximately 47% of our total share capital at the conclusion of the offering.

In September 2006, we created a new subsidiary, Gafisa Vendas Intermediação Imobiliária Ltda., or "Gafisa Vendas," to function as our internal sales division in the state of São Paulo. Gafisa Vendas has strengthened our market position and reduced our need for external brokerage companies. This wholly-owned subsidiary promotes sales of our projects in the state of São Paulo. Gafisa Vendas focuses its efforts on: (1) launches – our internal sales force focuses on promoting launches of our developments; however, we also use outside brokers, thus creating what we believe is a healthy competition between our sales force and outside brokers; (2) inventory – Gafisa Vendas has a team focused on selling units launched in prior years; and (3) web sales – Gafisa Vendas has a sales team dedicated to internet sales as an alternative source of revenues with lower costs.

In October 2006, we entered into an agreement to acquire 100% of Alphaville Urbanismo S.A., or "Alphaville," one of the largest residential community development companies in Brazil focused on the identification, development and sale of high quality residential communities in the metropolitan regions throughout Brazil targeted at upper and upper-middle income families. On January 8, 2007, we successfully completed the acquisition of 60% of Alphaville's shares for R$198.4 million, of which R$20 million was paid in cash and the remaining R$178.4 million was paid in exchange for 6.5 million common shares of Gafisa. The acquisition agreement provides that we will purchase the remaining 40% by January 2012 (20% within three years from the acquisition date and the remaining 20% within five years from the acquisition date) in cash or shares issued by us, at our sole discretion. Alphaville is operating as one of our subsidiaries based in the city of Barueri, within the metropolitan region of São Paulo.

On February 1, 2007, we created a branch of Gafisa Vendas in Rio de Janeiro, or "Gafisa Vendas Rio," to function as our internal sales division in the metropolitan region of Rio de Janeiro. Gafisa Vendas Rio has strengthened our market position and reduced our need for external brokerage companies in the metropolitan region of Rio de Janeiro. Gafisa Vendas Rio focuses its efforts in the same activities of Gafisa Vendas.

On March 15, 2007, we created a new wholly-owned subsidiary, Fit Residencial Empreendimentos Imobiliários Ltda., or "FIT," (which, on October 21, 2008, was merged into Construtora Tenda S.A., as described below) for the development, construction and management of low and mid low income residential projects.

On March 17, 2007, we concluded our initial public offering of common shares in the United States, resulting in a public float of 78.6% of our total share capital at the conclusion of the offering. Upon completion of the offering, entities related to Equity International and GP beneficially owned 14.2% and 7.3% of our total capital stock, respectively.

In June 2007, Brazil Development Equity Investments, LLC, a company affiliated to GP, sold its remaining stake in our company (7.1% of our capital stock at the time).

In October 2007, we entered into an agreement with Cipesa Engenharia S.A., or "Cipesa," the leading homebuilder in the state of Alagoas. Under the agreement, Gafisa and Cipesa established a new company named Cipesa Empreendimentos Imobiliários S.A., or "Nova Cipesa," in which 70% of the interest ownership is held by Gafisa and the remaining 30% is held by Cipesa. Gafisa capitalized Nova Cipesa with R$50 million in cash and acquired shares of Nova Cipesa held by Cipesa in the amount of R$15 million (which was payable over a period of one year). Cipesa is entitled to an earn-out of 2% of the potential sales value launched by Nova Cipesa until 2014. This earn-out is capped at R$25 million.

In January 2008, we formed an unincorporated venture represented by 13,084,000 Class A quotas fully paid by us and 300,000,000 Class B quotas from our venture partner, of which R$300.0 million was subscribed by our venture partner. The venture, which will use these funds to acquire equity investments in real estate developments, has a term that ends on January 31, 2017 at which time we are required to fully redeem our venture partner’s interest. The venture partner receives an annual dividend substantially equivalent to the variation in the Interbank Certificate of Deposit (CDI) rate. The venture’s charter provides that we must comply with certain covenants in our capacity as lead partner, which include the maintenance of minimum net debt and receivables. We and the venture are currently in compliance with these covenants. The redemption of Class B quotas will start on January 31, 2012.

On October 21, 2008, Gafisa and Construtora Tenda S.A., or “Tenda,” a publicly-held company listed on the Novo Mercado segment of the BOVESPA, concluded a business combination in which Gafisa’s wholly-owned subsidiary FIT was merged into Tenda. The purpose of the merger was to consolidate the activities of FIT and Tenda in the low income sector in Brazil and to develop real estate units with an average value of less than R$200,000. As a result of the business combination, Gafisa now owns 60.0% of the total and voting capital stock of Tenda and FIT was merged into Tenda. Because Tenda launched very few units in 2008, we believe the full impact of the merger are not reflected until 2009.

On February 27, 2009, Gafisa and Odebrecht Empreendimentos entered into an agreement to terminate the partnership created in February 2007 for the development, construction and management of large scale, low income residential projects with more than 1,000 units each. Gafisa withdrew from Bairro Novo Empreendimentos Imobiliários S.A. and, as a consequence, terminated the shareholders' agreement it had entered into with Odebrecht Empreendimentos. The ongoing real estate developments which were being jointly developed by Gafisa and Odebrecht Empreendimentos were separated as follows: Gafisa continued developing the "Empreendimento Imobiliário Bairro Novo Cotia" and Odebrecht Empreendimentos continued developing the other real estate developments of the partnership as well as the operations of Bairro Novo Empreendimentos Imobiliários S.A.

In May 2009, Tenda issued R$600 million aggregate principal amount of non-convertible debentures under its first debenture program. The debentures provide for payment of annual interest at a spread of 8% + TR, calculated from the subscription date, with a maturity in five years.

Capital Expenditures

In 2006, we invested R$21.6 million in property and equipment, primarily information technology equipment, expenditures incurred for the construction of sales stands, facilities, model apartments and related furnishings, and new office facilities in Rio de Janeiro and in São Paulo to accommodate our recently created internal sales force. See "—Business Overview—Our Real Estate Activities—Sale of Units Through Our Brokerage Subsidiaries."

In 2007, we invested R$61.3 million in property and equipment, primarily information technology equipment, software, expenses for the construction of sales stands, facilities, model apartments and related furnishings and new office facilities in Rio de Janeiro and in São Paulo. Our main investments during the period were construction of sales stands of R$37.0 million and the implementation of SAP that totaled R$7.5 million. In addition, investments in information technology equipment and software totaled R$1.5 million, and office facilities totaled R$2.3 million.

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

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

B. Business Overview

General Overview

We are one of Brazil's leading homebuilders. Over the last 50 years, we have been recognized as one of the foremost professionally-managed homebuilders, having completed and sold more than 970 developments and constructed over 11 million square meters of housing, which we believe is more than any other residential development company in

Brazil. We believe our brands “Gafisa,” “Alphaville,” and “Tenda” are well-known brands in the Brazilian real estate development market, enjoying a reputation among potential homebuyers, brokers, lenders, landowners and competitors for quality, consistency and professionalism.

Our core business is the development of high-quality residential buildings in attractive locations. For the year ended December 31, 2008, approximately 50% of the value of our launches were derived from high and mid high-level residential developments under the Gafisa brand. We are also engaged in the development of land subdivisions, also known as residential communities, representing approximately 15% of the value of our launches, and affordable entry-level housing, which represents approximately 8% of the value of our total launches. Other mid-level and commercial buildings represent approximately 27% of the value of our total launches. In addition, we provide construction services to third parties.

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We are one of Brazil’s most geographically-diversified homebuilders currently operating in 94 municipalities, including São Paulo, Rio de Janeiro, Salvador, Fortaleza, Natal, Curitiba, Belo Horizonte, Manaus, Porto Alegre and Belém, across 18 states, which represents approximately 90% of the national population and approximately 89% of the gross domestic product on December 31, 2008. Many of these developments are located in markets where few large competitors currently operate. For the year ended December 31, 2008, approximately 38% of the value of our launches were derived from our operations outside the states of São Paulo and Rio de Janeiro.

Our Markets

We have already launched projects in 94 municipalities: Ananindeua, Anápolis, Aparecida de Goiânia, Aracajú, Araucária, Barbacena, Barueri, Bauru, Belém, Belford Roxo, Belo Horizonte, Betim, Cabo Frio, Cajamar, Camaçari, Campinas, Campo Grande, Campo Limpo Paulista, Canoas, Caxias do Sul, Contagem, Cotia, Cuiabá, Curitiba, Duque de Caxias, Eusébio, Ferraz de Vasconcelos, Fortaleza, Goiânia, Gramado, Gravataí, Guarulhos, Guarujá, Iguaraçu, Ipatinga, Itaboraí, Itanhaém, Itapevi, Itaquaquecetuba, Itu, Jaboatão dos Guararapes, João Pessoa, Juiz de Fora, Lauro de Freitas, Londrina, Macaé, Maceió, Manaus, Maricá, Marilia, Mauá, Mogi das Cruzes, Mossoró, Natal, Niterói, Nova Iguaçu, Nova Lima, Osasco, Paulista, Parnamirim, Pinhais, Poá, Porto Alegre, Porto Velho, Queimados, Recife, Rezende, Ribeirão Neves, Ribeirão Preto, Rio das Ostras, Rio de Janeiro, Salvador, Santa Luzia, Santana de Parnaíba, Santo André, Santos, São Bernardo do Campo, São Caetano, São Gonçalo, São José dos Campos, São José dos Pinhais, São Leopoldo, São Luiz do Maranhão, São Paulo, Sarzedo, Serra, Sete Lagoas, Sobradinho, Sorocaba, Suzano, Uberlândia, Valparaíso, Votorantim and Volta Redonda, across 18 states throughout Brazil.

Our Real Estate Activities

Our real estate business includes the following activities:

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

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

	For year ended December 31,					
	2008 (1)	2008	2007	2007	2006	2006
	(in thousands of R$)	(% of total)	(in thousands of R$)	(% of total)	(in thousands of R$)	(% of total)
Residential buildings	1,829,780	80.4	1,348,811	81.2	824,812	81.1
Land subdivisions	405,678	17.8	249,916	15.0	32,172	3.2

Commercial	3,100	0.1	27,877	1.7	138,090	13.6
Pre-sales	2,238,558	98.4	1,626,604	97.9	995,074	97.9
Construction services	37,268	1.6	35,121	2.1	21,480	2.1
Total real estate sales	2,275,826	100.0	1,661,725	100.0	1,016,554	100.0

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

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Developments for Sale

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

	As of and for year ended December 31,		
	2008	2007	2006
	(in thousands of R$, unless otherwise stated)		
São Paulo			
Potential sales value of units launched(1)	918,156	742,712	497,916
Developments launched	13	11	11
Usable area (m2)(2)	288,028	250,185	198,732
Units launched(3)	2,301	2,040	1,452
Average sales price (R$/m2)(2)	3,188	2,969	2,813
Rio de Janeiro			
Potential sales value of units launched(1)	443,516	510,639	239,007
Developments launched	8	11	7
Usable area (m2)(2)	196,189	177,428	87,032
Units launched(3)	837	2,020	1,116
Average sales price (R$/m2)(2)(4)	2,261	2,878	3,427
Other States			
Potential sales value of units launched(1)	551,728	444,852	268,146
Developments launched	15	14	12
Usable area (m2)(2)	163,610	166,321	121,718
Units launched(3)	1,811	1,804	483
Average sales price (R$/m2)(2)(4)	3,372	2,675	2,776
Total Gafisa			
Potential sales value of units launched(1)	1,913,400	1,698,203	1,005,069
Developments launched	36	36	30
Usable area (m2)(2)	647,827	593,935	407,483
Units launched(3)	4,949	5,864	3,052
Average sales price (R$/m2)(2)(4)	2,954	2,859	2,963
Alphaville			
Potential sales value of units launched(1)	312,515	237,367	—
Developments launched	11	6	—
Usable area (m2)(2)	956,665	1,160,427	—
Units launched(3)	1,818	1,489	—
Average sales price (R$/m2)(2)(4)	327	205	—
Tenda(5)			
Potential sales value of units launched(1)	15,670	—	—
Developments launched	1	—	—
Usable area (m2)(2)	—	—	—
Units launched(3)	112	—	—
Average sales price (R$/m2)(2)(4)	—	—	—
FIT			
Potential sales value of units launched(1)	496,147	263,359	—
Developments launched	16	10	—

Usable area (m2)(2)	—	149,842	—
Units launched(3)	3,759	2,459	—
Average sales price (R$/m2)(2)(4)	—	1,896	—
Bairro Novo			
Potential sales value of units launched(1)	25,311	37,000	—
Developments launched	1	1	—
Usable area (m2)(2)	16,487	23,618	—
Units launched(3)	325	503	—
Average sales price (R$/m2)(2)(4)	1,535	1,567	—

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

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

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

(4) Average sales price per square meter excludes the land subdivisions. Average sales price per square meter (including land subdivisions and excluding Tenda's ventures) was R$1,225, R$1,137 and R$2,776 in 2008, 2007 and 2006, respectively.

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

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

Overview of Residential Buildings

In the residential buildings product category, we develop three main types of products: (1) luxury buildings targeted at upper-income customers; (2) buildings targeted at middle-income customers; and (3) affordable entry-level housing targeted at lower-income customers. Quality residential buildings for middle- and upper-income customers are our core products and we have developed them since our inception. A significant portion of our residential developments is located in São Paulo and Rio de Janeiro where we have held a leading position over the past five years based upon area of total construction. However, we began our national expansion to pursue highly profitable opportunities in residential buildings outside these cities. For the year ended December 31, 2008, approximately 38% of the value of our launches were derived from our operations outside the states of São Paulo and Rio de Janeiro.

Luxury Buildings

Luxury buildings are a high margin niche. Units usually have over 180 square meters of private area, at least four bedrooms and three parking spaces. Typically, this product is fitted with modern, top-quality materials designed by brand-name manufacturers. The development usually includes swimming pools, gyms, visitor parking, and other amenities. Average price per square meter generally is higher than approximately R$3,600 (US$1,540). Luxury building developments are targeted to families with monthly household incomes in excess of approximately R$20,000 (US$8,558).

The table below sets forth our luxury building developments launched between January 1, 2006 and December 31, 2008:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (As of December 31, 2008)
Espacio Laguna	2006	100	16,364	2009	80	76
Riviera Nice	2006	50	6,761	2009	31	41
VP—Parides	2006	100	13,093	2009	50	100
Vistta Ibirapuera	2006	100	9,963	2008	41	100
Península FIT B 01	2006	100	11,845	2008	93	79
VP-Mirabilis	2006	100	23,355	2009	100	100
VP-Agrias	2006	100	21,390	2009	100	100
Horto—Fase 1	2007	50	44,563	2010	180	98
Vision	2007	100	19,712	2010	284	76
Supremo	2007	100	34,864	2010	193	86
London Green–Fase 2	2008	100	15,009	2010	140	67
Horto—Fase 2	2007	50	22,298	2011	92	97
Costa Maggiore	2008	50	9,386	2010	60	87
Alphaville Berra da Tijuca	2008	65	170,010	2011	259	88
Chácara Sant'Anna	2008	50	30,517	2011	158	54
Details	2008	100	7,802	2011	38	10
Quintas do Pontal	2008	100	21,915	2010	91	20

Laguna di Mare	2008	80	17,454	2011	146	17
Nouvelle	2008	100	5,367	2011	12	7
MontBlanc	2008	80	30,479	2011	112	22
Manhattan Square – Fase 1 Com	2008	50	25,804	2011	716	40
Reserva Laranjeiras	2008	100	11,740	2010	108	97

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

(2) Values for 100% of the building development.

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Middle Income Buildings

Buildings targeted at middle-income customers have accounted for the majority of our sales since our inception. Units usually have between 90 and 180 square meters of private area, three or four bedrooms and two to three underground parking spaces. Buildings are usually developed in large tracts of land as part of multi-building developments and, to a lesser extent, in smaller lots in attractive neighborhoods. Average price per square meter ranges from approximately R$2,000 to R$3,600 (US$856 to US$1,540). Developments in Rio de Janeiro tend to be larger due to the large tracts of land available in Barra da Tijuca. Middle-income building developments are tailored to customers with monthly household incomes between approximately R$5,000 and R$20,000 (approximately US$2,139 and US$8,558).

The table below sets forth our middle-income building developments launched between January 1, 2006 and December 31, 2008:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	(%) Sold (As of December 31, 2008)
Paço das Águas	2006	45	24,080	2008	184	98
Blue Vision-Sky e Infinity	2006	50	18,514	2008	178	78
Blue Land-Bl.01	2006	100	9,169	2008	120	66
Beach Park-Living	2006	80	14,913	2009	130	87
Belle Vue-Porto Alegre	2006	100	4,264	2009	22	54
Espaço Jardins	2006	100	28,926	2009	235	100
Forest Ville	2006	50	15,556	2009	110	99
Garden Ville	2006	50	11,998	2009	112	98
Quinta Imperial	2006	100	8,422	2009	128	77
CSF-Santtorino	2006	100	14,979	2009	160	99
Olimpic Chácara	2006	100	24,988	2009	219	99
FIT Niterói	2006	100	8,523	2009	72	84
Felicitá	2006	100	11,323	2009	91	90
Ville Du Soleil	2006	100	8,920	2009	64	72
Mirante do Rio	2006	60	8,125	2009	96	100
Paradiso	2006	100	16,286	2009	144	90
Collori	2006	50	39,462	2009	333	94
Vivance Residence Service	2006	100	14,717	2009	187	81
Isla	2007	100	31,423	2010	240	88
Grand Valley	2007	100	16,908	2009	240	61
Acqua Residence (Phase 1)	2007	100	28,400	2009	380	40
Celebrare	2007	100	14,679	2009	188	77
Reserva do Lago	2007	50	16,800	2009	96	81
CFS – Prímula	2007	100	13,897	2009	96	84
CSF – Dália	2007	100	9,000	2009	68	85
CSF – Acácia	2007	100	23,461	2009	192	96
Jatiuca Trade Residence	2007	50	32,651	2010	500	47
Horizonte	2007	60	7,505	2010	29	100
Secret Garden	2007	100	15,344	2009	252	66
Evidence	2007	50	23,487	2010	144	59
Acquarelle	2007	85	17,742	2009	259	66

Palm Ville	2007	50	13,582	2009	112	88
Art Ville	2007	50	16,157	2009	263	92
Jatiuca Trade Residence (Phase 2)	2007	50	8,520	2010	140	47
Orbit	2007	100	11,332	2010	185	30
Enseada das Orquídeas	2007	80	52,589	2010	475	72
London Green	2007	50	28,998	2010	300	67
Privilege	2007	80	16,173	2010	194	82
Parc Paradiso (Phase 2)	2007	60	10,427	2010	108	95
Parc Paradiso	2007	60	35,987	2010	324	95
Solares da Vila Maria	2007	100	13,376	2010	100	100
Acqua Residence (Phase 2)	2007	100	7,136	2009	72	40
Bella Vista (Phase 1)	2007	100	15,406	2010	116	36
Grand Park - Parque das Águas (Phase 1)	2007	50	20,854	2010	240	13

Grand Park - Parque Árvores (Phase 2)	2007	50	29,932	2010	400	11
London Green Stake Acquisition	2007	100	—	2010	—	67
Parc Paradiso Stake Acquisition	2007	90	—	2010	—	95
SunValley	2007	100	7,031	2010	58	44
Reserva Santa Cecília	2007	80	15,854	2010	122	22
Olimpic Bosque da Saude	2007	100	19,150	2010	148	81
Magic	2007	100	31,487	2010	268	42
GrandValley Niteroi	2007	100	17,905	2010	161	93
Nova Petrópolis	2008	100	36,789	2010	300	36
Terraças - Alto da Lapa	2008	100	23,248	2010	192	68
Raízes Granja Viana	2008	50	17,282	2010	73	35
Verdemar	2008	100	13,084	2010	80	55
Carpe Diem	2008	80	12,515	2010	116	47
Carpe Diem – Belém	2008	70	13,951	2011	90	53
Grand Park Águas Fase 2	2008	50	12,960	2011	150	55
Parque Barueri	2008	100	58,437	2011	677	50
Manhattan Square (Office Wall Street)	2008	50	25,804	2011	716	40
Manhattan Square (Soho)	2008	50	28,926	2011	270	20
Manhattan Square (Tribeca)	2008	50	37,880	2011	621	22
Terraças Tatuapé	2008	100	8,350	2011	92	3
Mistral	2008	70	14,849	2010	200	47
Terraças Tatuapé	2008	100	14,386	2011	105	28
Grand Park Árvores Fase 2	2008	50	11,152	2011	150	64
Alegria	2008	100	29,199	2011	278	45
Dubai	2008	50	19,316	2010	240	43
Patio Condominio Clube - F1a	2008	100	20,741	2011	192	21
Mansão Imperial - F1	2008	100	18,778	2011	87	17
Reserva do Bosque - Lauro Sodré - Phase 2	2008	60	16,801	2011	141	50
Brink - Campo Limpo F1	2008	100	17,280	2011	191	50
Neo Garden	2008	100	12,255	2011	122	50
Reserva do Bosque	2008	50	16,606	2011	134	100

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

(2) Values for 100% of the building development.

Affordable Entry-Level Developments

We have made an initial successful entry into lower income housing developments. In November 1999, we launched our first project for lower income customers named "Reserva do Bosque" in the neighborhood of Cambuci in the state of São Paulo, with an average sale value of approximately R$55,000 (US$23,534) per unit. In Rio de Janeiro, our first project intended for lower income development was "Colinas de Campo Grande," launched in 2000 in the neighborhood of Campo Grande, with an average sale value of approximately R$38,000 (US$16,260). Affordable entry-level housing consists of building and house units. Units usually have between 42 to 60 square meters of indoor private area and two to three bedrooms. Average price per square meter ranges from approximately R$1,500 to R$2,000 (approximately US$642 to US$856). Affordable entry-level housing developments are tailored to families with monthly household incomes between approximately R$1,600 and R$5,000 (approximately US$685 and US$2,139).

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

On October 21, 2008, Gafisa and Tenda, a publicly-held company listed with the Novo Mercado segment of the BOVESPA, concluded a business combination in which Gafisa's wholly-owned subsidiary FIT was merged into Tenda. The purpose of the merger was to consolidate the activities of FIT and Tenda in the low income sector in Brazil and to develop real estate units with an average value of less than R$200,000. As a result of the business combination, Gafisa

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received 60.0% of the total and voting capital stock of Tenda and FIT was merged into Tenda. Because Tenda launched very few units in 2008, we believe the full impact of the merger are not reflected until 2009.

The table below sets forth our affordable entry-level housing developments launched by us between January 1, 2006 and December 31, 2008:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (as of December 31, 2008)
Side Park - Ed. Style	2006	100	3,862	2008	63	98
FIT Jaçana	2007	100	9,164	2008	184	100
FIT Maceió	2007	50	4,207	2009	54	73
FIT Cittá	2007	50	13,389	2009	204	88
FIT Coqueiro	2007	60	30,095	2009	621	97
FIT Mirante do Sol	2007	100	18,661	2009	56	53
FIT Taboão	2007	100	16,041	2009	374	100
FIT Maria Inês	2007	60	14,535	2009	270	59
MA - Grand Park	2007	50	53,041	2010	894	67
Jd Botânico	2007	55	22,107	2009	432	94
FIT Jaraguá	2007	100	11,582	2009	260	100
FIT Vila Augusta	2007	100	16,223	2010	264	90
Bairro Novo Cotia (Phases 1-2)	2007	50	47,235	2009	1,006	69
Bairro Novo Camacari	2008	50	16,487	2010	650	71
FIT Vila Allegro	2008	50	11,106	2011	297	77
FIT Terra Bonita	2008	51	11,357	2010	304	15
Città Lauro de Freitas	2008	50	8,826	2010	304	86
FIT Coqueiro - Stake Acquisition	2008	20	6,077	2009	570	89
FIT Mirante do Lago Fase 1	2008	70	21,734	2010	462	63
FIT Mirante do Parque	2008	60	18,618	2010	420	60
FIT Palladium	2008	70	10,345	2010	228	79
FIT Parque da Lagoinha	2008	75	10,225	2010	212	20
FIT Planalto	2008	100	25,023	2010	472	52
FIT Jardim Botânico Paraíba	2008	50	9,998	2010	309	27
FIT Parque Maceió	2008	50	13,494	2010	470	76
FIT Cristal	2008	70	6,419	2010	154	41
FIT Vivai	2008	90	37,376	2011	640	48
FIT Filadélfia	2008	50	11,771	2011	374	55
Novo Osasco	2008	60	17,672	2011	444	8
Le Grand Orleans Tower	2008	100	14,643	2010	112	1

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

(2) Values for 100% of the building development.

Land Subdivisions under our Gafisa Brand

In 2001, we started developing residential land subdivisions for sale upon which residential buildings can be developed. Land subdivisions under our Gafisa brand are usually smaller than our Alphaville residential communities and do not include some of the facilities available in our Alphaville residential communities, such as various amenities, shopping centers and schools. We usually provide the infrastructure for a given land subdivision planning such as the electric, water and sewage systems, paved streets, and common recreational areas. Our land subdivisions are typically located in affluent suburban areas close to major highways leading to the states of São Paulo and Rio de Janeiro. A typical lot has between 250 and 1,500 square meters. Average price per square meter ranges from approximately R$150 to R$800 (approximately US$64 to US$342). We target clients with monthly household incomes in excess of approximately R$5,000 (approximately US$2,139) for these land subdivisions.

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The table below sets forth our land subdivision developments launched between January 1, 2006 and December 31, 2008:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2) (1) (2)	Completion Year	Number of Units (2)	Units Sold (%) (as of December 31, 2008
Alta Vistta	2006	50	95,584	2010	173	36
O Bosque	2006	30	89,260	2007	76	30
Alphaville Barra da Tijuca	2008	65	133,251	2011	251	90

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

(2) Values for 100% of the building development.

Land Subdivisions under our Alphaville Brand

On January 8, 2007, we successfully completed the acquisition of 60.0% of our subsidiary Alphaville, the largest residential community development company in Brazil focused on the identification, development and sale of high quality residential communities in the metropolitan regions throughout Brazil targeted at upper and upper-middle income families. Following this acquisition, our new residential communities are sold exclusively under the Alphaville brand.

The Alphaville brand was created in the 1970s when the first Alphaville community was developed in the cities of Barueri and Santana do Paranaíba in the metropolitan region of São Paulo. Beginning in the 1990s, Alphaville developed residential communities in several other cities in Brazil, such as Campinas, Goiânia, Curitiba, Londrina, Maringá, Salvador, Fortaleza, Belo Horizonte, Natal, Gramado, Manaus, Cuiabá, São Luis and Rio de Janeiro.

Whenever we develop a new Alphaville community, we provide all the basic civil works for supporting the construction on the lots, such as electrical, telephone and data communications cabling, hydraulic (water and sewer) mains and treatment facilities, landscaping and gardening, lighting and paving of the streets and driveways and security fencing. In most Alphaville communities, we also build a social and sports club for the residents, with soccer, golf and tennis fields, jogging and bicycle tracks, saunas, swimming pools, ballrooms, restaurants and bars, and other facilities. In addition, most Alphaville projects have a shopping center where residents can shop for clothes and groceries. Additionally, whenever we develop a new Alphaville community far from large urban centers, we seek to assist in establishing schools near the community by forming partnerships with renowned educational institutions. Throughout our Alphaville communities, we also seek to stimulate the local economy by drawing new businesses to that area.

We believe that the maintenance of a development’s quality is essential. For this reason, we impose on every Alphaville community a series of building and occupancy standards that are more rigorous than those required by applicable local legislation. Every Alphaville community has an Alphaville association formed by us before delivery of the community starts, and is funded by maintenance fees paid by the residents. The purpose of the association is to allow community involvement in the management and maintenance of the premises and to ensure orderly and harmonious relationships among the residents.

Upon completion of a sale, a purchaser of an Alphaville property will receive, along with the purchase and sale contract, documentation that sets out the regulations on land use and occupancy, and these will serve as private zoning regulations that are binding on the resident. These regulations set forth, among other things, the maximum number of floors allowed in an Alphaville building, the minimum number of meters between buildings and land coverage limits, thereby maintaining the uniformity and quality of the Alphaville properties.

The table below sets forth our residential communities launched between January 1, 2006 and December 31, 2008:

Project Description	Year Launched	Gafisa Participation (%)	Usable Area (m2)(1) (2)	Completion Year	Number of Units (2)	% Sold (As of December 31, 2008
Alphaville Salvador 2	2006	55	354,982	2008	527	97
Alphaville Gravataí	2006	64	216,180	2008	487	74
Alphaville Francisco Brennand	2006	65	272,361	2008	402	93
Alphaville - Campo Grande	2007	67	225,342	2009	489	81

Alphaville - Rio Costa do Sol	2007	58	313,400	2009	616	97
Alphaville – Cajamar	2007	55	674,997	n/a	2	100
Alphaville – Araçagy	2007	38	236,118	2009	332	90
Alphaville Jacuhy	2007	65	374,290	2010	775	97
Alphaville Londrina II	2007	63	134,120	2010	554	64
Alphaville Jacuhy II	2008	65	177,981	2010	330	48
Alphaville Cuiabá II	2008	60	150,896	2010	424	42
Alphaville João Pessoa	2008	100	61,782	2010	124	100
Alphaville Rio Costa do Sol II	2008	58	349,186	2010	366	18
Alphaville Manaus II	2008	63	166,938	2010	335	80
Alphaville Litoral Norte II	2008	66	150,813	2010	391	33
Alphaville Manaus Comercial	2008	60	48,252	2010	42	27
Alphaville Barra da Tijuca	2008	35	173,251	2011	251	90
Alphaville Votorantim	2008	30	246,315	2010	472	71
Alphaville Mossoró	2008	70	65,912	2010	170	99

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

(2) Values for 100% of the building development.

Commercial Buildings

We have in the past launched commercial building developments for sale. As of December 31, 2008 we had four commercial buildings under development for sale: Sunplaza Personal Office and Icaraí Corporate, both in the state of Rio de Janeiro, Manhattan Wall Street in Salvador and JTR in Maceio.

In December 2007, we completed the Eldorado Business Tower in São Paulo, a triple A standard office building developed in partnership with São Carlos Empreendimentos e Participações S.A. and Banco Modal S.A. The Eldorado Business Tower brings together cutting edge technology and environmental innovation. The building is the fourth building in the world and the only building in Latin America to be pre-certified by U.S. Green Building Council as a Leed CS 2.0 Platinum building for leadership in energy and environmental design.

Construction Service

We provide construction services to third parties, building residential and commercial projects for some of the most well-known developers in Brazil. This practice allows us to benchmark our construction costs, exposes us to new constructions materials, techniques and service providers such as architects and sub-contractors, and provides larger economies of scale. Third-party construction services are a significant, less volatile source of revenues, which does not require us to allocate capital. Our principal construction services clients are large companies, many of them developers that do not build their own projects. We also provide construction services on certain developments where we retain an equity interest.

The table below sets forth the real estate building developments we have constructed exclusively for third parties between January 1, 2006 and December 31, 2008:

Project	First Year of Construction	Client	Type of Project
Edge	2006	Sequóia Desenvolvimento Imobiliário Ltda.	Residential
Forte do Golf	2006	Camargo Corrêa Desenvolvimento Imobiliário S.A.	Residential
Boulevard Jardins	2006	Contrutora MKF Ltda.	Residential
Porto Pinheiros	2007	Camargo Corrêa Desenvolvimento Imobiliário S.A.	Residential
Holiday Inn	2007	Ypuã Empreendimentos Imobiliários SPE Ltda.	Hotel
Wave	2007	Camargo Corrêa Desenvolvimento Imobiliário S.A.	Residential
Corcovado	2007	Camargo Corrêa Desenvolvimento Imobiliário S/A	Residential
Open View (Oscar Freire)	2008	Grupo Sisan	Residential
Open View (Oscar Freire)	2008	Grupo Sisan	Residential
New Age	2008	Incols Curitiba Empreedimentos Imobiliários SPE	Residential
Duetto Volare	2008	Fibra Empreendimentos imobiliários	Residential
Duetto Fioratta	2008	Fibra Empreendimentos imobiliários	Residential

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The table below sets forth the real estate developments we have constructed for third parties, in which we also have an equity interest, between January 1, 2006 and December 31, 2008:

Project	First Year of Construction	Gafisa Participation (%)	Partner	Type of Project
Campo D'Ourique	2006	50	MELF Empreendimentos	Residential
Dell Lago	2006	80	Plarcon Engenharia S/A	Land Subdivisions
Beach Park – Living	2006	80	Aquatic Resort Desenvolvimento Imobiliário Ltda.	Residential
Belle Vue Porto Alegre	2006	80	Ivo Rizzo Construtora e Incorporadora Ltda.	Residential
Beach Park – Acqua	2006	90	Aquatic Resort Desenvolvimento Imobiliário Ltda.	Residential
Tiner Campo Belo	2007	45	Tiner Empreendimentos e Participações Ltda.	Residential
Forest Ville - Salvador	2007	50	OAS Empreendimentos Imobiliários Ltda.	Residential
Garden Ville - Salvador	2007	50	OAS Empreendimentos Imobiliários Ltda.	Residential
Reserva do Lago – 1st. phase	2007	50	Invest Empreendimentos & Participações Ltda.	Residential
Alta Vista – 1st. phase	2007	50	Cipesa Engenharia S/A	Residential
Collori	2007	50	Park Empreendimentos Ltda.	Residential
Jatiuca Trade Residence	2007	50	Cipesa Engenharia S/A	Residential
Espacio Laguna	2007	80	Tembok Desenvolvimento Imobiliário Ltda.	Residential
Del Lago Res. Casas	2007	80	Plarcon Engenharia S.A	Residential
Carpe Diem	2008	80	Mattos e Matoos Ltda.	Residential
Carpe Diem – Belém	2008	70	Yuni Incorporadora S/A	Residential
Grand Park Águas Fase 2	2008	50	Franere Comércio e Construções Imobiliárias Ltda.	Residential
Manhattan Square (Walll Street)	2008	50	OAS Empreendimentos Imobiliários Ltda.	Commercial
Manhattan Square (Soho)	2008	50	OAS Empreendimentos Imobiliários Ltda.	Residential
Manhattan Square (Tribeca)	2008	50	OAS Empreendimentos Imobiliários Ltda.	Residential
Mistral	2008	70	Premium Participações Ltda.	Residential
Grand Park Árvores Fase 2	2008	50	Franere Comércio e Construções Imobiliárias Ltda.	Residential
MontBlanc	2008	80	Yuni Incorporadora S/A	Residential
Laguna di Mare	2008	80	GM Engenharia e Construção Ltda.	Residential

Reserva do Bosque	2008	60	GM Engenharia e Construção Ltda.	Residential
Reserva do Bosque - Lauro Sodré - Phase 2	2008	60	GM Engenharia e Construção Ltda.	Residential
Chácara Sant'Anna	2008	50	Monza Incorporadora S/A	Residential

Sale of Units Through Our Brokerage Subsidiaries

In September 2006, we created a new subsidiary, Gafisa Vendas, to function as our internal sales division in the state of São Paulo. In April 2007, we created another new subsidiary, Gafisa Vendas Rio, to function as our internal sales division in the metropolitan region of Rio de Janeiro. These wholly-owned subsidiaries promote sales of our projects in the states of São Paulo and Rio de Janeiro and focus their efforts on: (1) launches – our internal sales force focuses on promoting launches of our developments; however, we also use outside brokers, thus creating what we believe is a healthy competition between our sales force and outside brokers; (2) inventory – Gafisa Vendas and Gafisa Vendas Rio have each a team focused on selling units launched in prior years; and (3) web sales – Gafisa Vendas and Gafisa Vendas Rio have each a sales team dedicated to internet sales as an alternative source of revenues with lower costs.

Our Clients

Our clients consist of development and construction service clients. Development clients are those who purchase units in our developments. As of December 31, 2008, our development-client database was comprised of more than 130,000 individuals. We currently have approximately 45,000 active clients. Our construction-services clients are large companies, many of them developers that do not build their own projects. On December 31, 2008, we had, among our main construction services clients, the following companies: Tiner Empreendimentos e Participações Ltda., Camargo Correa Desenvolvimento Imobiliário S.A., Sisan-Grupo Silvio Santos and Banco Fibra. No individual client represents more than 5% of our revenues from residential developments or construction services.

Our Operations

The stages of our development process are summarized in the diagrams below:

Land Acquisition

We use results from our extensive market research to guide our land reserves strategy and process. Our marketing and development teams monitor market fundamentals and trends. We have developed a sophisticated database to support our search for and analysis of new investment opportunities. Key decision factors used by our management for land acquisition and new developments include location, type of product to be developed, expected demand for the new developments, current inventory of units in the region and acquisition cost of the land.

Whenever we identify an attractive tract of land, we first conduct a study of the project to define the most appropriate use of the space. Afterwards, the basic design of the project enters the economic feasibility study stage, where we consider preliminary revenues and expenses associated with the project. This study will determine project profitability. We will initiate a legal due diligence of the property to identify liens, encumbrances and restrictions. Before acquiring the land, we conduct a thorough due diligence process including an environmental review. We collect and analyze information on competition, construction budget, sales policy and funding structure to ensure economic viability of the new development. Each decision to acquire land is analyzed and approved by our investment committee. See “Item 6.C. Directors, Senior Management and Employees —Board Practices—Investment Committee” elsewhere in this annual report for further information on the activities of our committees and boards.

We seek to finance land acquisition through swaps, in which we grant the seller a certain number of units to be built on the land or a percentage of the proceeds from the sale of units in such development. As a result, we reduce our cash requirements and increase our returns. In the event we cannot do so or in order to obtain better terms or prices, we acquire land for cash, alone or in partnership with other developers. We purchase land both for immediate development and for inventory.

As of December 31, 2008, we had an inventory of 247 land parcels in which we estimate we could develop a total of 115,224 residential units with a sales value of R$17.8 billion (US$7.6 billion), of which approximately 72% represents land acquired through swaps. The table below sets forth the breakdown of our land reserves by location and by the type of development.

	Gafisa		Alphaville		Tenda		Bairro Novo	
	Future Sales (%Gafisa)	% Swap	Future Sales (%Gafisa)	% Swap	Future Sales (%Gafisa)	% Swap	Future Sales (%Gafisa)	% Swap
Land bank - Per geographic location:								
São Paulo	3,547	33	1,054	99	2,113	22	48	0
Rio de Janeiro	992	29	131	88	1,868	26	230	81
Other states	3,146	53	1,847	96	2,344	16	524	92
Total	7,685	40	3,032	97	6,325	20	802	82

Project Design

In order to meet evolving preferences of our customers, we invest considerable resources in creating an appropriate design and marketing strategy for each new development, which includes determining the size, style and price range of units. Our staff, including engineers and marketing and sales professionals, works with recognized independent architects on the planning and designing of our developments. Their activities include designing the interior and exterior, drafting plans for the execution of the project, and choosing the finishing construction materials. A team responsible for preparing the business plan and budget and assessing the financial viability for each of our projects is also involved. Simultaneously with the planning and designing of our developments, we seek to obtain all the necessary licenses and regulatory approvals from local authorities, which usually takes three to twelve months in the case of our residential buildings and three years in the case of our residential communities.

Marketing and Sales

Our marketing efforts are coordinated by our internal dedicated staff of approximately 25 professionals. Our specialized team leads 24 independent brokerage companies with a combined sales force of more than 5,000 representatives, monitoring them in order to gain their loyalty and ensure performance. Our marketing team is also responsible for gathering information on the needs and preferences of potential customers to provide guidance on our land acquisition and project design activities. Gafisa Vendas was created as our internal sales division consisting of 178 sales consultants and 14 sales managers.

The creation of Gafisa Vendas was intended to establish a strategic channel for us to access our clients and to reduce our dependence on outside brokers for marketing. Because the sales force at Gafisa Vendas are trained to sell our products exclusively, we believe that they are able to focus on the sale of our developments, articulate the unique features of our development better, manage our current customer and capture new customers more effectively. Gafisa Vendas was initially established in São Paulo and in 2007 rolled-out in Rio de Janeiro. In 2007 and 2008, Gafisa Vendas was our number one sales team, responsible for approximately 39% and 34% of our sales in the states of São Paulo and Rio de Janeiro, respectively.

We will continue to utilize independent real estate brokerage firms as we believe the creation of Gafisa Vendas has created a healthy competition between our internal sales force and outside brokers. Independent brokers provide us with a broad reach, access to a specialized and rich database of prospective customers, and flexibility to accommodate the needs of our diverse offering and clientele. In line with our results-oriented culture, we compensate brokers based on their profit contribution rather than on sales. Brokers are required to attend periodic specialized training sessions where they are updated on customer service and marketing techniques, competing developments, construction schedules, and marketing and advertising plans. We emphasize a highly transparent sales approach, as opposed to the traditional high-pressure techniques, in order to build customer loyalty and to develop a sense of trust between customers and us. At our showrooms, brokers explain the project and financing plans, answer questions and encourage customers to purchase or sign on to receive a visit or additional information.

We initiate our marketing efforts usually 30 days before the launch of a development. We normally have a showroom on or near the construction site, which includes a model unit furnished with appliances and furniture. We leverage on our reputation for quality, consistency, on-time delivery and professionalism to increase sales velocity. We have been successful with this strategy, usually selling approximately 70% of the units before construction starts.

Our subsidiary Alphaville has also been successful in its sales and marketing efforts. For example, in Vitória, Alphaville Jacuhy was 85% sold in its month of launch; in João Pessoa, Paraiba, the sales force needed only 2 days to market and sell all of its residential lots; in Barra da Tijuca, Rio de Janeiro, 90% of the Alphaville lots available were sold in their month of launch; and, in Mossoró, Rio Grande do Norte, 100% of Alphaville lots were sold on the first day of their launch.

We market our developments through newspapers, direct mail advertising and by distributing leaflets in neighboring areas, as well as through telemarketing and websites. In addition, on a quarterly basis, we publish the magazines “Gafisa Way” and “Revista Vero Alphaville” which are distributed to our customers and offer news on our most recent developments and progress updates on buildings under construction.

Tenda marketing and sales efforts include direct sales, telemarketing, websites, newspapers, bus doors and distribution leaflets in neighboring areas. Tenda has also initiated a training sales program with the brokerage company to improve its sales.

Under Brazilian law, we may establish a term within and the conditions under which we are entitled to cancel the development. According to our regular purchase contracts, if we are not able to sell at least 60% of the units within 180 days of launching, we can cancel the development. Under those circumstances, we usually consider changing the project or selling the land, but, in any of those cases, we have to return the cash payment made by our customers adjusted for inflation but with no interest. Customers, however, are not entitled to other remedies. Over the last five years, we have only cancelled seven developments.

Construction

We have been engaged in the construction business for over 50 years. Our experience spans across the entire construction chain. Before engaging in each new project, we develop sketches and research and develop projects and plans to create the most appropriate product possible. Our standardized construction techniques and unique control system are designed to optimize productivity and minimize raw material losses. Our monitoring tools are available on our intranet where all employees regularly review costs and key performance indicators of each development such as actual versus budget comparisons, volume consumption for each raw material, and construction schedule.

We use strict quality control methods. Procedure manuals describe in significant detail each task of each stage of the construction project. These manuals are also used for the training sessions we require all of our workers to attend. In addition, we make quarterly reviews of projects delivered. The reviews focus on identifying problems in order to take corrective and preventive actions in projects underway and thus avoid costly repetition. We have adopted a quality management system that was certified for ISO 9002 by Fundação Bureau Veritas, from Universidade de São Paulo. We received in 2007 a certification from Programa Brasileiro de Qualidade e Produtividade do Habitat (PBQP-H), which is part of the Ministry of Cities. In addition, the Eldorado Business Tower building was certified as a Green Building, category Platinum, by U.S. Green Building Council, which attests that it is environmentally sustainable, through the rational use of energy, natural lighting, pollution control and recycling. There are only three other buildings in the world that have achieved this category.

We invest in technology. Our research and development costs amounted to R$1.8 million, R$1.5 million and R$1.2 million in each of 2008, 2007 and 2006, respectively. We believe that we have pioneered the adoption of cutting-edge construction techniques such as dry wall and plane pre-stressed slabs, which present numerous advantages over traditional techniques. Dry wall, for instance, is a wall made of lighter material that is faster to install, allowing for easy layout changes. We also optimize costs by synchronizing our projects' progress so as to coordinate the purchase of raw material and benefit from economies of scale. We have long-term arrangements with a number of suppliers which allow us to build our developments with quality, brand name construction materials and equipments, and advanced technology. Moreover,

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our centralized procurement center enables us to achieve significant economies of scale in the purchase of materials and retention of services.

We do not own heavy construction equipment and we employ directly only a small fraction of the labor working on our sites. We generally act as a contractor, supervising construction while subcontracting more labor-intensive activities. Substantially all on-site construction is performed for a fixed price by independent subcontractors. We hire reputable, cost-oriented and reliable service providers that are in compliance with labor laws and have performed their work diligently and on time in the past. Hiring subcontractors instead of employing them directly has some financial and logistical advantages. For instance, we do not need to incur fixed costs to maintain a specialized labor force even when they are not actively working at a construction site and we do not need to pay for frequent transfers of labor to different construction locations.

Our construction engineering group coordinates the activities of service providers and suppliers, guarantees compliance with safety and zoning codes, and ensures completion of the project on a timely basis. We provide a five-year limited warranty covering structural defects in all our developments.

Risk Control

Our risk control procedures require that all of our projects be approved by our investment committee, which meets on a monthly basis, or more frequently on an as-needed basis, and consists of our chief executive officer and two members of our board of directors (including one representative from Equity International). Our investment committee carefully reviews the various studies conducted by us and described above. In addition, we have a board of officers, which meets monthly, and is in charge of overseeing and approving major decisions. See "Item 6.E. Directors, Senior Management and Employees—Share Ownership" in this annual report.

Customer Financing

The table below sets forth the terms of customer financing we provide for each type of our developments:

Sales Term	Luxury	Middle Income	Affordable Entry-Level(1)	Land Subdivisions (2)
Mortgage lending (delivery)	40%	75%	60%	—
Caixa Econômica Federal	—	—	40%	—
Gafisa 36 months	35%	10%	—	40%
Gafisa 60 months	20%	5%	—	60%
Gafisa 120 months	5%	10%	—	—

(1) Includes both Tenda and Bairro Novo developments.

(2) Includes both Gafisa and Alphaville land subdivisions.

Mortgages. In 2008, 72% of our sales value was financed by bank mortgages, where the customer paid us approximately 20% to 30% of the sales price of the property during the period of construction, and upon delivery of the property paid the balance of the sales price through a bank mortgage. We analyze the credit history of each customer at the time of sale to see if the customer would qualify for a bank mortgage based on banks' standard credit rating policies. Although there is no assurance that the customer will qualify for a mortgage at the time of delivery, our analyses have been fairly successful in predicting whether the customer would qualify for a mortgage.

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The following table sets forth the credit limits established by mortgage sources available in Brazil:

Credit Lines	Typical Interest rate	Maximum Home Value	Maximum Loan Value
Mortgage portfolio (Carteira Hipotecária) or CH	≤ 13% annually + TR(1) Or Fixed rate (limited to 14.2% annually)	No limit	No limit
Housing Finance System (Sistema Financeiro da Habitação) or SFH	≤ 12% annually + TR Or Fixed rate (limited to 14.2% annually)	R$500,000	R$450,000
Government Severance Indemnity Fund for Employees (Fundo de Garantia sobre Tempo de Serviços) or FGTS.	≤ 8.16% annually + TR	R$130,000	R$130,000

(1) TR refers to the daily reference rate.

Mortgage financing for Tenda's developments primarily comes from Caixa Econômica Federal, or the "CEF", one of Brazil's largest government-owned financial institutions. The financing is structured so that customers with monthly income of up to ten times the Brazilian minimum wage pay low monthly installments without increasing our credit risk. Additionally, Tenda is currently working with three private banks in addition to the CEF to provide financing for homebuyers with monthly income between five and 20 times the Brazilian minimum wage (which was approximately R$415 as of December 31, 2008) with similar terms as the financing provided by the CEF.

Financing by Gafisa during construction. We finance some of our own sales during the construction period, with a down payment of 20-30% and financing of the balance through monthly installments up to the delivery of the unit.

Financing by Gafisa after delivery. In addition, we offer financing plans to prospective customers using our own capital, where we finance purchases for up to 120 months after the completion of the construction. For completed units we require a down payment of 30% and financing of the remaining balance with up to 120 monthly installments. For units under construction we require a down payment of 10% and provide financing of 20-30% with up to 30 monthly installments until the delivery of the unit and financing of the remaining 60-70% with up to 120 additional monthly installments. All of our financing plans are guaranteed by a conditional sale of the unit, with the transfer of the full property rights of the unit to the customer upon the full payment of the outstanding installments.

We have developed a strict credit policy in order to minimize risks. We take the following steps whenever we conduct a credit review process:

- trained independent brokers interview each potential customer to collect personal and financial information and fill out a registration form;

- registration forms are delivered, along with a copy of the property deed, to us and, if the bank providing the financing requests, to an independent company specialized in real estate credit scoring;

- credit is automatically extended by us to the customer if his or her credit analysis is favorable. However, if the credit analysis report raises concerns, we will carefully review the issues and accept or reject the customer's application depending on the degree of risk. To the extent financing is provided by a bank, such financial institution will follow their own credit review procedures; and

- after approving the application, our staff accepts the upfront down payment which is given as a deposit on the purchase of the unit.

Sales contracts. Our sales contracts generally provide for adjustment of the sales price according to the INCC during construction and at an annual interest rate of 12% plus IGP-M over the receivables balance after a stated date in our sales contracts. We have historically experienced a low rate of customer default on our sales. As of April 30, 2009, our clients' default level was 3.7% of our accounts receivable. We attribute our low default rate to the fact that: (1) we conduct database research on the socio-economic background of our prospective customers; (2) our agreements discourage default and cancellation of the purchase by imposing immediate penalty fees, interest and liquidated damages which are adjusted for inflation, and we retain approximately 20% of the total purchase price plus expenses incurred by us, which in general represents all or a substantial portion of the amount that the defaulted clients have already paid us; and (3) we offer several options to our customers if they experience financial difficulties, such as offering them a greater number of installment payments or exchanging the unit bought for a less expensive one. When a default occurs, we endeavor to renegotiate the outstanding loan with our customers before taking any legal action. We will only transfer title of the unit to a buyer after the release of the certificate of acceptance of occupancy by local authority and/or the full payment of all outstanding installments. We have decreased the percentage of mortgages that our customers obtain from us from approximately 84% in 2005 to 28% in 2008. This decrease reflects the growing interest of commercial banks in financing the Brazilian housing industry.

Receivables securitization. We release capital for new projects by seeking not to maintain receivables after our projects are completed. We have been active in the securitization market and we are capitalizing on an increasing investor demand for mortgage-backed securities. The securitization (mortgage-backed securities) market in Brazil is relatively new but we believe it is rapidly expanding. This expansion is helped significantly by recent development in Brazilian foreclosure laws.

With the growing availability of mortgages from commercial banks and the increasing liquidity of mortgage-backed securities (CRIs), we expect to further reduce our role as a financing provider to our customers. Our goal is to optimize our working capital by transferring the financing activities to securitization companies and banks.

Main Raw Materials and Suppliers

We purchase a wide variety of raw materials for our operations. Even though these raw materials have represented on average, over the last three years, approximately 26% of our total costs of development, aside from land, the only raw material that represents more than approximately 5% of our total costs is steel. Prices of some raw materials have significantly increased over the last two years at a rate much higher than inflation. The index that measures the fluctuation of construction costs, the INCC, increased 24.74% during the three year period ended December 31, 2008. During that same period, prices for units, which are adjusted for inflation at IGP-M, increased 22.86%. We have been working on the development of new construction techniques and the utilization of alternative materials in order to reduce costs.

We contract with major suppliers for the materials used in the construction of the buildings. We receive general pricing proposals from various suppliers of raw materials, we then enter into specific written agreements with a particular supplier to fulfill the needs of each development. In addition to pricing, we select our suppliers by the quality of their materials. We set forth specific minimum quality requirements for each construction, and the chosen supplier must meet this quality requirement. The materials for our developments are readily available from multiple sources.

Our five largest suppliers in terms of volume are Gerdau Açominas S.A., Votorantim Cimentos Brasil Ltda., Elevadores Atlas-Schindler S.A., Cecrisa Revestimentos Cerâmicos S.A. and Supermix Concreto S.A. In general terms, we purchase products for our construction based on the scheduled requirements, and we are given approximately 28 days to pay. The products we purchase generally come with a five-year warranty. We do not have any exclusive arrangements with our suppliers. We work closely with suppliers, enabling them to schedule their production in order to meet our demand or notify us in advance in the event they anticipate delays. We have good relationships with our suppliers and have experienced no significant construction delays due to shortages of materials in recent years. We do not maintain inventories of construction materials.

We achieve significant economies of scale in our purchases because we

- use standard construction techniques,
- engage in a large number of projects simultaneously, and
- have long-term relationships with our suppliers. We periodically evaluate our suppliers. In the event of problems, we generally replace the supplier or work closely with them to solve the problems.

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Customer Services

In our industry, customer satisfaction is based in large part on our ability to respond promptly and courteously to buyers before, during and after the sale of our properties, including providing an owner's guide containing all the documents of the unit delivered. We use innovative and personalized customer service techniques beginning with the initial encounter with a potential customer. Our customer service techniques are innovative as we believe we were one of the first homebuilders in Brazil to introduce services such as breakfast for customers at construction sites and providing monthly photos to customers on the progress of the construction. These services are provided with the objective of educating customers on the progress of the construction and improving customers' experience with the purchase of our units. Other customer services efforts include:

- a dedicated outsourced call center with consultants and specialists trained to answer our customers' inquiries;
- the development of the "Gafisa Viver Bem" portal, through which our customers can, for example, follow the project's progress, alter their registration information, simulate unit designs and check their outstanding balances;
- the development of the "Comunidade Alphaville" portal, which aims to foster a sense of community among the residents of our residential communities; and
- the development of the "Gafisa Personal Line," through which buyers of certain units are able to customize their units in accordance with plans and finishing touches offered by Gafisa. Such options vary by development.

As part of our customer service program in our residential developments, we conduct pre-delivery inspections to promptly address any outstanding construction issues. Prior to the delivery of each unit, we maintain regular contact with the customer by sending the customer our magazines "Gafisa Way" and "Revista Vero Alphaville." We also conduct monitored inspections of our developments to allow buyers to gather more information from our technical personnel. In addition, we send a monthly status report on the construction of the unit. We conduct another evaluation of the customer's satisfaction with his or her unit, as well as the customer's experience with our sales personnel and our various departments (customer services, construction and title services) 18 months after the release of the certificate of acceptance of occupancy by the relevant local authority. We also provide a five-year limited warranty covering structural defects, which is required by Brazilian law.

We also promote a program called the "Alphaville Clubes – Lazer Brasil," which allows owners of the Alphaville developments and other registered members to use the facilities of all Alphaville clubs throughout the country. News on our Alphaville communities are posted on Alphaville's website, which also contains documents and information related to each of our Alphaville developments exclusively for owners of Alphaville developments.

Competition

The real estate market in Brazil is highly fragmented and competitive with low barriers to entry. The main competitive advantages include price, financing, design, quality, reputation, reliability, meeting delivery expectations, partnerships with developers and the availability and location of the land. In particular, certain of our competitors have greater financial resources than we do, which could be an advantage over us in the acquisition of land using cash. In addition, some of our competitors have a better brand recognition in certain regions, which could give them a competitive advantage in increasing the velocity of their sales. Because of our geographic diversification, we believe that we have access to different markets within Brazil that have different demand drivers. We believe that the economy in the northern region is driven by iron and electronic goods exports, the northeastern region by tourism and hence has a high demand for second homes, the southeastern and southern regions have a high per capita income and therefore are strategically important to us and the mid-west region is driven by agriculture.

Because of the high fragmentation of the markets we operate in, no single developer or construction company is likely to obtain a significant market share. With the exception of São Paulo and Rio de Janeiro where we face competition from major competitors such as Cyrela Brazil Realty S.A., Empreendimentos e Participações, Rossi Residencial S.A., Even Construtora e Incorporadora S.A., MRV Engenharia e Participações S.A., and PDG Realty S.A. Empreendimentos e Participações, in other regions we generally face competition from small and medium-sized local competitors that are not as well-capitalized. We expect additional entrants, including foreign companies in partnership with Brazilian entities, into the real estate industry in Brazil, particularly the São Paulo and Rio de Janeiro markets.

The table below sets forth the most recent data available on our market share in the São Paulo and Rio de Janeiro markets:

São Paulo (1) – Gafisa's Market Share

	Year ended December 31,		
Year	2008	2007	2006
	(Launches in R$ million)		
Local market	17,365	17,537	11,513
Gafisa(2)	1,187	747	498
Gafisa's market share	6.8%	4.3%	4.3%

Source: EMBRAESP and SECOVI.

Rio de Janeiro (1) – Gafisa's Market Share

	Year ended December 31,		
Year	2008	2007	2006
	(Launches in R$ million)		
Local market	4,260	3,464	2,887
Gafisa(2)	629	265	204
Gafisa's market share	14.8%	7.7%	7.1%

Source: ADEMI.

(1) Metropolitan region.

(2) Gafisa stake.

We believe we are the leader in residential community developments with no major competitors to date. Our subsidiary Alphaville has a sizable and what we believe to be non-replicable land reserves, which will foster our future growth in the upcoming years with relatively low risk.

Seasonality

Although the Brazilian real estate market is not generally seasonal, there are a few months of the year when the market slows down (January, February and July) of each year. These months coincide with school vacations and result in the postponement of investment decisions. We are impacted similarly as the rest of the market during such period.

Subsidiaries

We carry out our real estate developments directly or through our subsidiaries or our jointly-controlled entities in partnership with third parties. As of December 31, 2008, we had 47 subsidiaries and 32 jointly-controlled entities under operations, all of them incorporated as special purpose entities and headquartered in Brazil. Our subsidiaries and jointly-controlled entities operate exclusively in the real estate sector.

Intellectual Property

Trademarks

Our trademarks are filed or registered in Brazil with the Brazilian Institute of Industrial Property (Instituto Nacional de Propriedade Industrial), or the "INPI." Currently, the registration process takes approximately 48 months from the date of filing of the application for a definitive registration to be granted. From the date of filing of the application to the date of the definitive registration, the applicant has an expectation of right for the use of the trademark in connection with the products and services for which the trademark was applied for.

Each trademark registration is effective for a 10-year period and is renewable for equal and successive periods. Renewal of registration is granted by request accompanied by payment of renewal fees during the final year of the trademark's registration or within the 6-month waiting period after the registration has expired. In the latter case, if the request is not accompanied by due payment, the registration is cancelled by the INPI.

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A trademark registration is terminated by (1) expiration of its term; (2) the trademark holder's total or partial waiver of the rights granted by registration; (3) forfeiture, in the case of the applicant's or the holder's failure to use a registered trademark in connection with goods or services for a period of more than five years; or (4) failure to appoint a Brazilian resident with powers to represent the applicant or holder in administrative or judicial proceedings, in cases where the applicant or the holder resides abroad.

As of the date of this annual report, we had approximately 135 pending trademark applications and 71 trademark registrations in Brazil with the INPI, including our subsidiaries (except for (1) Alphaville, which had 68 pending trademark applications and 100 trademark registrations under its name; and (2) Tenda, which had 24 pending trademark applications and 4 trademark registrations). Our most significant trademark is "Gafisa," which is duly registered with the INPI in the relevant market segment. Our trademark registrations will expire, unless renewed, between May 2010 and January 2019. Alphaville's trademark registrations will expire, unless renewed, between April 2011 and January 2019 and Tenda's trademark registrations will expire, unless renewed, between January 2016 and May 2016.

Our only trademark registration outside of Brazil is for the trademark "Gafisa," which is registered in the United States.

Domain Name

As of the date of this annual report, we, together with our subsidiaries, were the owners of approximately 100 domain names including our and our subsidiaries' principal websites. The term of each domain name registration is one year and is renewable for equal and successive periods. An annual fee payment is necessary for the maintenance of the domain name registrations. Other than non-payment of the annual fee, domain name registration may be cancelled by: (1) express waiver of the owner; (2) irregularities in the data form as requested by the respective agency; (3) non-compliance with applicable regulations; (4) judicial order; or (5) in the case of foreign companies, non-compliance with the obligation to initiate the company's activities in Brazil. Our domain names will, unless renewed, expire between May 2009 and January 2012.

Patents

We have no patents registered in our name.

Licenses

Under Brazilian laws, we are required to obtain a variety of licenses for each of our new developments. As of the date of this annual report, we have obtained all necessary licenses and permits to operate our business.

Insurance

We maintain insurance policies with leading and financially sound Brazilian insurance companies, such as Allianz Seguros S.A., UBF Garantias & Seguros S.A., Itau Unibanco Seguros e J.Malluceli Seguros S.A. and Áurea Seguros S.A. Our insurance policies cover potential risks from the commencement of construction, including property damages, business interruption, engineering risks, fire, falls, collapse, lightning, gas explosion, and possible construction errors. Such insurance policies contain customary specifications, limits and deductibles. We do not maintain any insurance policy for our properties after construction is completed. Our management believes that the insurance coverage for our properties is adequate. No assurance can be given, however, that the amount of insurance we carry will be sufficient to protect us from material loss in the future.

Regulatory Framework

Brazilian Government and Real Estate Sector Regulations.

The real estate sector is directly regulated by the Brazilian government and is indirectly impacted by the government's regulations on the availability of credit. Regulations include development policies, zoning restrictions and environmental laws which can determine the availability of different products offered in the market. For example, city master plans restrict the types of real estate developments that can be constructed in a given area.

As a general rule, the NBCC requires that the transfer of title of real estate properties, as well as the assignment, transfer, change or waiver of rights on real estate properties, be carried out by means of a public deed, except in certain cases, such as when the Real Estate Finance System (Sistema Financeiro Imobiliario), or SFI, or the SFH, are involved. The intent of this rule is to increase the security of property transfers.

According to applicable law, transfer of real estate title is only deemed effective upon the registration of the transfer with the relevant Real Estate Registry Office. The procedure for the execution of public deeds and also the respective registration with the Real Estate Registry Office (Registro Imobiliário) is regulated by the Brazilian Law of Public Registers (Lei de Registros Públicos).

Real Estate Development

Real estate development activities are regulated by Law No. 4,591 of December 16, 1964, as amended, or Law No. 4,591. The main duties of a developer are to: (1) obtain all required construction approvals and authorizations from the proper authorities; (2) register the development with the Real Estate Registry Office (without registration, the developed units cannot be sold); (3) indicate in the preliminary documents the deadline for the developer to withdraw from the development; (4) indicate in all advertisements and sales contracts the registration number of the development with the Real Estate Registry Office; (5) oversee the construction of the project established by the contract which must be in accordance with the approval granted by the authorities; (6) deliver to the final owner the completed units, in accordance with the contractual specifications, and transfer to the final owner the title of the unit by signing the final sale deed; (7) assume sole responsibility for the delivery of the developed units to the respective purchasers; (8) assume sole responsibility in the event the construction of the unit is not in accordance with the advertisements and sale contracts; and (9) provide construction blueprints and specifications along with the joint ownership agreement to the proper Real Estate Registry Office. The final owner is obligated, in turn, to pay the price related to the cost of the land and the construction.

The construction of the real estate units may be contracted and paid for by the developer or by the final owners of the units. Brazilian law provides for two pricing methods in real estate development: (1) construction under contract and (2) construction under a system of management. In construction under contract, the contracting parties will either set a fixed price, stipulated before the construction begins, or agree on an adjustable price pegged to an index determined by the contracting parties. In construction under a system of management, an estimated price is agreed upon by the contracting parties, but no fixed final price is provided at the beginning of the construction process. The actual amount that purchasers of the units pay depends on the monthly costs of the developer or contractor.

Urban Land Subdivisions

Urban land subdivisions consist of subdivisions of urban land parcels into building lots and the construction of new roads and other infrastructure, and are regulated by Law No. 6,766 from December 19, 1979. The Urban Land Subdivision Act governs urban land subdivisions and establishes, among other things, the planning and technical requirements for this form of land parceling and the obligations of the developers, and also provides for fines and sanctions in the event of violation of its provisions.

Under the Urban Land Subdivision Act, land subdivisions are intended for the creation of lots in urban areas or urban expansion zones, as defined by the planning director or approved by municipal law, and must comply with Law No. 6,766 from December 19, 1979.

For the construction of land subdivisions, the developer must proceed through the following steps: (1) prior to developing the land subdivision plan, it must request the municipality in which the development will be located to issue directives on use policies specifically to the land, such as the delineation of lots, road and street systems and areas reserved for municipal or community properties; (2) pursuant to the directives issued by the municipality, it must develop a plan for the proposed land subdivision and present it to the municipality for approval, including the plans, designs, descriptions, and schedule for performance of the work, among other documents; and (3) after approval for the land subdivision project is obtained, it must be submitted for recording in the property registry of the appropriate Real Estate Registry Office within 180 days.

In addition to the approval of the project by the municipality in which the development will be located, the approval of other governmental bodies may be necessary in cases where the land subdivision: (1) is located in an area of particular interest, such as a protected cultural heritage site, as defined by state or federal legislation; (2) is located in the boundary area of a city, belongs to more than one municipality, or is in a metropolitan region as defined in state or federal law; or (3) has an area greater than 1 million m^2, in which case the state where the development will be located will be responsible for

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reviewing and approving it prior to the approval by the municipality, and will also determine the regulations to which the development must be subject.

The legal requirements for the approval of the land subdivision by a municipality include: (1) the developer must preserve a percentage of the land used for residential communities as open spaces for public use and for municipal or community properties with the percentage determined by each municipal zoning code; (2) each lot must have a minimum area of 125 m² and the distance between the building and the street must be at least five meters; and (3) the developer must reserve 15 meters of land on either side of running or still water and of strips of public domain land for roads and highways.

The Urban Land Subdivision Act also sets forth locations where subdivisions are not permitted, such as: (1) on wetlands and those subject to flooding, until measures have been taken to assure water drainage; (2) on land that has been filled with material that is a public health hazard, unless previously cleaned up; (3) on land that has a slope equal to or greater than 30 degrees, unless the requirements of the appropriate authorities have been met; (4) on lands where geological conditions make buildings inadvisable; and (5) in ecological preserves or areas where pollution creates unacceptable sanitary conditions, until corrected.

In order to offer greater security to the property market, the Urban Land Subdivision Act prohibits the sale or promise of sale of any lot that is the result of a subdivision where the developer has not previously obtained approval by the appropriate municipality and the development has not been recorded with the respective Real Estate Registry Office. If any such lot is sold or contracted to be sold, the developer and any person or legal entity benefiting from such sale or promise of sale shall be jointly liable for the resulting damages to the purchaser and the public authorities.

Assets for Appropriation

Law No. 10,931 provides for certain protection of real estate assets. Accordingly, such protected assets are segregated from other properties, rights and obligations of the developer, including other assets previously appropriated, and such appropriated assets can only be used to guarantee debts and obligations related to the respective development. The appropriated assets are considered bankruptcy free and will not be affected in the event of bankruptcy or insolvency of the developer. In the event of a bankruptcy or insolvency of the developer, joint ownership of the construction may be instituted by a resolution of the purchasers of the units or by judicial decision. The joint owners of the construction will decide whether the project will proceed or the assets appropriated will be liquidated. Developers may also opt to submit a project to appropriation in order to benefit from a special tax system. Under this system, land and objects built on the land, financial investments in the land, and any other assets and rights with respect to the land are considered to be protected for benefit of the construction of that development and the delivery of the units to the final owners, and are thus separate from the remaining assets of the developer.

In addition, in order to encourage the use of the appropriation system, a new rule was enacted on March 30, 2009, which granted tax benefits for the adoption of the system by reducing tax rates on appropriated assets from 7% to 6% and, in the case of the appropriated assets under the public housing program “Minha Casa, Minha Vida,” from 7% to 1%.

We have not yet utilized the appropriation system for any of our real estate developments. We prefer to use our subsidiaries and our jointly-controlled entities for each specific real estate development. Our subsidiaries and jointly-controlled entities allow us to borrow funds by segregating the credit risk taken on by the financial institutions.

Credit Policy Regulations

The real estate sector is highly dependent on the availability of credit in the market, and the Brazilian government's credit policy significantly affects the availability of funds for real estate financing, thus influencing the supply and demand for properties.

Housing Finance System, or "SFH"

Law No. 4,380 of August 21, 1964, as amended, created the SFH to promote the construction and ownership of private homes, especially for low income earners. Financing resources under the SFH's control are provided by the Government Severance Indemnity Fund for Employees (Fundo de Garantia por Tempo de Serviço), or "FGTS," and from savings account deposits. The FGTS, created by Law No. 5,107 of September 13, 1966 and regulated by Law No. 8,036 of

May 11, 1990, imposes a mandatory 8% employee payroll deduction on all employees in Brazil. Employees maintain FGTS accounts, which are similar to pension funds, and are allowed, among other things, to use the funds deposited in the accounts for the acquisition of real estate property under certain circumstances, as set forth by applicable law. CEF is the agency responsible for managing the funds deposited in the FGTS. In order to be eligible for the financing, the beneficiary must purchase either (1) a new unit priced between R$80,000 and R$130,000 with a minimum down payment of 5% or (2) a completed unit or unit under construction priced at up to R$450,000. In addition, in both cases, the beneficiary shall (1) not own or be the committed purchaser of any residential real estate financed by SFH within Brazil; (2) not own or be the committed purchaser of, any real estate property built or under construction in both his or her current city of residence and the city where the beneficiary conducts his or her main activities; (3) reside for at least one year in the city where the property is located; (4) pay the FGTS; and (5) be registered for at least three years with the FGTS regime. The unemployed also have access to the FGTS to purchase real estate property provided that he still has funds on the FGTS account (where the 8% payroll deduction was deposited while employed).

Financings that originate from savings account deposits in the entities comprising the Brazilian Saving and Loan System (Sistema Brasileiro de Poupança e Empréstimo), or “SBPE,” are regulated by the Central Bank. Such financings can be obtained through the SFH, which is strictly regulated by the Brazilian government, or through the mortgage portfolio system, where banks are free to set the financing conditions. SFH financing offers fixed interest rates lower than the market rates, capped at 12% per year, and SFH financing contract terms vary, in general, between 15 and 30 years. The mortgage portfolio system financing offers market interest rates as determined by the financial institutions, generally varying between 12% and 14% per year.

CMN Resolution No. 3,347 of February 8, 2006, as amended, or Resolution No. 3,347, provides for the allocation of the funds deposited in savings accounts in the entities comprising SBPE and states that the following conditions must be met for SFH financing: (1) the maximum amount of the financing is R$450,000; (2) the maximum sales price for the financed unit is R$500,000; (3) the maximum actual cost to the borrower, which includes charges such as interest, fees and other financial costs, except insurance, may not exceed 12% per year; and (4) in the event of an outstanding balance at the end of the financing term, such term will be extended by half of the initial term.

SFH financings need to be secured by at least one of the following: (1) a first mortgage over the unit that is being financed; (2) a conditional sale over the unit that is being financed, as prescribed by Law No. 9,514 of November 20, 1997, as amended by Law No. 10,931 of August 2, 2004, or Law No. 9,514; (3) a first mortgage or conditional sale, as determined by Law No. 9,514, of other property of the borrower or a third party; or (4) some other guarantee, as established by the financing agent. SFH funds are only released upon the formalization of one of these methods of guaranteeing the loan.

The federal government has recently announced changes in the regulations on financing and construction in order to promote growth in the real estate market. Among the measures announced are: (1) financial institutions have the option to grant financing with previously fixed rates; (2) lenders have the option of excluding the TR index (Taxa Referencial) from the financing and applying only the limit of 12% per year; (3) allowing financing installment payments to be directly deducted from a borrower’s wage; (4) establishing a new credit program from CEF to real estate developers; and (5) reducing the Tax on Manufactured Products (Imposto sobre Produtos Industrializados), or “IPI,” for products utilized in the construction segment.

Mortgage Portfolio

While a large portion of the funds in the deposits in saving accounts are allocated to SFH, some of the funds are allocated to loans granted at market rates. CMN Resolution No. 3,005 of July 30, 2002, as amended, before the enactment of Resolution No. 3,347, increased the financing of new real estate projects from approximately R$2 billion in 2003 to approximately R$3 billion in 2004 and established that at least 65% of these deposits should be used for real estate financing, with a minimum of 80% of the financing going to housing loans under the SFH and the remaining balance for loans granted at market rates which are usually higher than in SFH loans, including mortgage portfolio used by banks for the concession of housing loans.

In early 2005 the Brazilian government took a number of measures to better regulate the use of the funds raised in savings account deposits in order to promote growth of the real estate sector, these measures included: (1) cancellation of payment to the Central Bank of funds not invested in real estate financing in January, February and March; (2) creation of a real estate interbank deposit market to allow financial institutions with excessive investments in real estate to trade with financial institutions that has capacity for more real estate credits; (3) increase of the operating limits of the SFH to units with a maximum sales price of R$350,000; (4) review of the factors used in the calculation guidelines of the SFH in order to stimulate financing for the acquisition of new real estate properties at a low cost, applicable as of January 1, 2005; and (5) authorization for the SFH to provide financing to legal entities for the construction of development projects for their employees, provided that such entities follow all SFH guidelines. These changes have significantly increased the funds available for investments in the Brazilian real estate sector.

Real Estate Finance System, or “SFI”

The SFI was created by Law No. 9,514 to establish assignment, acquisition and securitization criteria for real estate credits. The system seeks to develop primary (loans) and secondary (trading of securities backed by receivables) markets for the financing of real estate properties by creating advantageous payment conditions and special protection of creditors’ rights. The SFI supervises real estate financing transactions carried out by savings banks, commercial banks, investment banks, real estate credit portfolio banks, housing loan associations, savings and loan associations, mortgage companies and other entities authorized by the CMN to provide such financing. SFI real estate credits may be freely negotiated by the parties, under the following conditions: (1) the amount loaned and the related adjustments must be fully reimbursed; (2) interest must be paid at the rates established by the contract; (3) interest must be capitalized; and (4) borrowers must purchase life and permanent disability insurance.

Real estate sales, rental, or other real estate property financing in general, can be negotiated with non-financial institutions under the same conditions permitted by authorized entities under the SFI. In these cases, non-financial entities are authorized to charge capitalized interest rates greater than 12% per year.

The following types of guarantees are applicable to loans approved by the SFI: (1) mortgages; (2) fiduciary assignment of credit rights resulting from sales contracts; (3) guarantee of credit rights resulting from contracts of sale or promise of sale of property; and (4) conditional sale of real estate property.

Law No. 9,514 also reformed securitizations of real estate assets provisions, making them less expensive and more attractive. The securitization of credits in the context of the SFI is made through real estate securitization companies, non-financial institutions formed as joint stock companies whose objective is to acquire and securitize real estate credits. Funds raised by the securitizing companies can be made through the issuance of debentures or notes, or the creation of a new type of Real Estate Receivable Certificates (Certificados de Recebíveis Imobiliários), or “CRIs.” According to applicable law, CRIs are nominative credit securities issued exclusively by securitizing companies, backed by real estate credits, freely negotiated, and payable in cash. CRIs tend to have, among others, the following characteristics: they are issued in book-entry form, they may have fixed or floating interest rates and can be paid in installments, they may contain adjustment provisions, they are registered and traded through centralized systems of custody and financial settlement of private securities and they can be secured by the assets of the issuing company.

“Minha Casa, Minha Vida” Program

Provisional Measure No. 459 enacted on March 25, 2009, created a public housing program called “Minha Casa, Minha Vida,” which calls for government investment of more than R$30 billion and is focused on building one million houses for families with monthly incomes of up to ten times the minimum wage. Under this program, the government is authorized to spend up to R$2.5 billion on families with monthly incomes of up to six times the minimum wage purchasing houses with assessed values between R$80,000 and R$130,000.

Municipal Legislation

Municipal planning is regulated by articles 182 and 183 of the Federal Constitution and by Law No. 10,257 of July 10, 2001 (Estatuto da Cidade). Law No. 10,257 provides, among other things, for the establishment of (1) rules for the parceling, use and occupation of urban tracts of land in each municipality for the collective welfare and environmental balance of the community; and (2) a master plan, which shall be reviewed every 10 years. The master plan is the guiding tool used to plan developments in the urban areas of each municipality and is used as a reference by all public and private agents acting within the municipality. It establishes the strategic goals and general guidelines for urban construction, the objectives and guidelines for differentiated areas of planning and the instruments for their deployment.

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We set out below certain details of the laws governing the municipal planning of the two major cities in which we operate, São Paulo and Rio de Janeiro:

São Paulo Municipality

City laws govern the zoning, construction, parceling, use and occupation of land in the municipality of São Paulo. They set forth technical and urban planning requirements for parceling, and provide that the division, subdivision or segregation of urban tracts of land are subject to the prior approval of the São Paulo municipal government. Moreover, the zoning laws describe the types of permissible uses for the land and their respective characteristics, by dividing São Paulo into areas of use with fixed locations, limits and boundaries. They also provide for fines and sanctions for noncompliance.

Municipal Law No. 13,430 of September 13, 2002, approved the master plan and created the Planning System of the municipality of São Paulo. In addition, Law No. 11,228 of June 25, 1992, approved the Code of Works and Construction, regulated by Decree 32,329 of September 23, 1992, which governs administrative and executive procedures and sets forth the rules to be followed in the planning, licensing, execution, maintenance and use of public works and construction within properties in the municipality of São Paulo, and provides for sanctions and fines applicable in cases of non-compliance with these rules.

Rio de Janeiro Municipality

Decree 322 of March 3, 1976, of the municipality of Rio de Janeiro, and Decree “E” 3,800 of April 20, 1970, of the then State of Guanabara, jointly created the municipality’s Zoning Regulation, Land Parceling Regulation and Construction Regulation. These regulations control the use of the municipality land, including urban zoning, use of properties, development of construction sites and conditions for the use of each zone in the municipality. The Ten-Year Master Plan of the municipality, approved pursuant to Supplementary Law 16 of June 4, 1992, establishes rules and procedures related to urban policy of the municipality, determines guidelines, provides instruments for its execution and defines area policies and their related programs, aiming at meeting the social needs of the city.

Environmental Issues

We are subject to a variety of Brazilian federal, state and local laws and regulations concerning the protection of the environment, as described below. Applicable environmental laws may vary according to the development’s location, the site’s environmental conditions and the present and former uses of the site. These environmental laws may result in delays, cause us to incur substantial compliance and other costs, and prohibit or severely restrict development. Before we purchase any real estate property, we conduct investigations of all necessary and applicable environmental issues, including the possible existence of hazardous or toxic materials, waste substances, springs, trees, vegetation and the proximity of the real estate property to permanent preservation areas. We generally condition the consummation of real estate property acquisitions on obtaining the required regulatory approvals prior to closing.

We have adopted certain practices to further our commitment to environmental protection and landscape development. As of December 31, 2008, we believe we were the only company in our industry to recycle cement bags used in our projects, making us a pioneer in our industry on recycling. Through our Selective Collection Project, we have partnered with private and governmental entities, including non-governmental organizations (Reviverde, Papel da Gente and Associação Ecos da Vitória), the Secretariat of Environment of the State of São Paulo, the Sub-municipality of the State of Rio de Janeiro, the Technical Assistance and Rural Extension Institute and the Urban Cleaning Municipal Company of the State of Rio de Janeiro, among others, to educate others about the environment. For example, through our partnership with Reviverde and Associação Ecos da Vitória, we provide training to all of our outsourced workers before we begin work on any particular project that focuses on the importance of preserving the environment and how to effectively collect, store and control recycling materials. Our subsidiary Alphaville was given the “ECO Award” in 2006 and 2007 by the American Chamber of Commerce and the “Top Ambiental Award” (Top Environmental Award) in 2007 by the Brazilian Association of Marketing and Sales Agents, in recognition for its socially responsible practices. Our Eldorado Business Tower building is the fourth building in the world, and the only building in Latin American, to be pre-certified by U.S. Green Building Council as a Leed CS 2.0 Platinum building for leadership in energy and environmental design.

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Environmental Licenses and Authorizations

Brazilian environmental policy requires environmental licenses and permits for the construction of development projects. This procedure is necessary for both initial constructions and improvements of existing developments, and the licenses must be periodically renewed. The Brazilian Institute of Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis), or the IBAMA, is responsible for granting such licenses in regional or national developments affecting the environment of more than one state or the country borders. In other cases, state entities are responsible for granting such environmental licenses.

The environmental licensing process is comprised of three stages: initial license, construction license and operational license. The licensing process imposes a fee up to 0.5% of the total cost of construction for all projects significantly affecting the environment and constructed since July 2000. If an environmental license is mandatory for a project, starting work without such a license is an environmental crime, and is subject to injunctions prohibiting continuing the development activities and fines of up to R$10 million. The construction, maintenance and sale of our projects may be hampered or halted by delays in or a failure to receive the applicable licenses, or by our inability to meet the requirements set forth in the licenses or otherwise established by the environmental authorities.

The construction of real estate developments often requires land moving activities, and in many cases, the cutting down of trees. These activities may require prior authorization of the relevant environmental authorities. As conditions to granting these authorizations, the relevant environmental authorities may require the licensees to plant new trees or acquire forests to repair the areas affected. Unauthorized activity in these protected areas or the cutting down of protected trees are environmental crimes, and could also result in administrative and legal penalties or other liabilities.

Solid Residues

Brazilian environmental legislation regulates the treatment of solid residues, including those arising from construction. A violation of these regulations could result in penalties. See "—Environmental Responsibility."

Contaminated Areas

We develop and construct projects in several states within Brazil. Each state member has its Environmental Secretary and/or Environmental Agency. The São Paulo State Secretary of Environment (Secretaria de Estado do Meio Ambiente de São Paulo), or the SMA, and the Environmental Sanitation Technology Company (Companhia de Tecnologia de Saneamento Ambiental), or CETESB, are the principal environmental regulatory entities of the State of São Paulo, and they have adopted procedures with regard to the management of contaminated areas, including the creation of environmental standards to preserve the quality of land and underground water. In addition, the Rio de Janeiro State Secretary of Environment (Secretaria de Estado do Meio Ambiente e Desenvolvimento Urbano do Rio de Janeiro) and the State Environmental Foundation, or FEEMA, also maintain quality standards established by CONAMA Resolutions. Other member states have similar requirements. Non-compliance with the guidelines established by the environmental and health entities may result in criminal, as well as administrative and legal penalties. Moreover, the owners of properties may be required to pay for costs relating to the clean-up of any contaminated soil or groundwater at their properties, even if they did not cause the contamination.

To ensure that we will be able to comply with these and other environmental requirements, we conduct investigations of all necessary and applicable environmental issues, including the possible existence of hazardous or toxic materials, waste substances, springs, trees, vegetation and the proximity of the real estate property to permanent preservation areas, and we work towards ensuring the proper solutions to any environmental issues given the relevant requirements of law.

Environmental Responsibility

The Brazilian environmental legislation establishes criminal, civil and administrative penalties for individuals and legal entities carrying out activities considered to be environmental infringements or crimes, independent of the obligation to repair any environmental damage. The penalties to which we may be subject as a result of environmental crimes and infringements include the following:

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- the imposition of fines that, at the administrative level, may amount to R$50 million, depending on the infringer's financial condition, the facts of the case, and any prior violations by the infringer. Fines may be doubled or tripled in the case of repeated infringements;
- suspension of development activities;
- loss of tax benefits and incentives; and
- imprisonment.

The directors, executive officers and other individuals acting as our representatives or attorneys-in-fact are jointly responsible for the environmental crimes related to us, and are subject, according to their relative level of responsibility, to penalties and possibly the loss of their rights and liberty.

In Brazil, environmental damages involve strict liability. This means that the costs of remedying the problems may be imposed on all persons directly or indirectly involved, without regard to who was responsible for the damage or contamination. Accordingly, we may be responsible for any environmental damages or costs relating to projects developed by subsidiaries or by jointly-controlled entities. In addition, we are responsible for costs relating to environmental damages on our projects caused by third parties who are rendering services for us, such as cutting trees or moving soil, if they are not in compliance with environmental requirements. Moreover, Brazilian environmental legislation provides that the controlling legal entity can be found liable despite a limited liability legal status if this will assist in the collection of damages.

C. Organizational Structure

The following chart shows our organizational structure for our principal subsidiaries, all of them incorporated in Brazil, as of December 31, 2008:

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For more information on our remaining subsidiaries and jointly-controlled entities, see "Item 4.B. Information on the Company—Business Overview—Subsidiaries." A list of our significant subsidiaries as determined in accordance with Rule 1-02(w) of Regulation S-X is being filed as Exhibit 8.1 to this annual report.

D. Property, Plants and Equipment

We lease our headquarters located at Av. Nações Unidas No. 8,501, 19th floor, São Paulo, SP – Brazil. We also lease our branch office located at Avenida das Américas, 500, block 19—rooms 101 and 102, in Rio de Janeiro, RJ- Brazil. Currently, we and our main subsidiaries leased approximately 5,000 square meters. We believe our current facilities are adequate for the full development of our operations.

Our properties for sale, including both completed and uncompleted units, are recorded as current assets at their cost of purchase and construction plus capitalized interest from project-specific financing, provided that it does not exceed their expected realizable value.

On December 31, 2008, our property and equipment recorded on our balance sheet were mainly comprised of sales stands, facilities, model apartments, computer equipment, vehicles and leasehold improvements, among others, the balance of which was R$50.3 million.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

A. Operating Results

We have retroactively applied changes to Brazilian GAAP introduced by the newly formed CPC and the provisions of Brazilian Law No. 11,638/07 from January 1, 2006 to ensure consistency of presentation in our financial statements. See note 2(a) to our financial statements included elsewhere in this annual report for amendments and other reclassifications to our Brazilian GAAP financial statements. All periods presented as from January 1, 2006 have been modified to reflect such new accounting practices.

Following the acquisition, formation and incorporation of the entities Alphaville, FIT and Bairro Novo in 2007 and following the merger of FIT into Tenda in 2008, our financial results for 2007 and 2008 included the results of the following segments: Gafisa S.A., Alphaville, Tenda, FIT (merged with Tenda in October 2008) and Bairro Novo (following 2008, however, FIT and Bairro Novo will cease to be included in our results, for the reasons explained herein). See "Item 4. Information on the Company—A. History and Development of the Company—Historical Background and Recent Developments." Our chief executive officer, who is responsible for allocating resources among these businesses and monitoring their progress, uses economic present value data, which is derived from a combination of historical operating results and forecasted operating results, has begun to assess segment information primarily on the basis of different business segments rather than geographic regions in Brazil. Beginning in 2007, the prior periods were retrospectively adjusted to conform to our new segment reporting structure and the only segment for this structure in prior years is Gafisa S.A.

Overview

We generate our revenues mainly from the development and sale of real estate developments. We recognize revenues from the sale of real estate developments over the course of their construction periods, based on a financial measure of completion and not at the time that the sales agreements are executed. To a lesser extent, we also generate revenues from real estate services such as construction, technical and real estate management we render to third parties. We structure some of our projects through either our subsidiaries or jointly-controlled entities organized as special purpose vehicles.

Brazilian Economic Environment

Our business and results of operations are significantly affected by changes in the Brazilian economic environment, including changes in employment levels, population growth, consumer confidence, stability of income levels and availability of financing for land homesite acquisitions.

In September 2004, the Central Bank implemented a policy of increasing interest rates because inflation targets for 2005 were not being reached. The increase of interest rates had immediate consequences on the country's economic activity, which did not grow in 2005 at the same pace as it did in 2004. GDP grew by approximately 2.3% in 2005. In September 2005, after one year of tightened monetary policy, the Central Bank started a process of gradual loosening of the Sistema Especial de Liquidação e Custódia, or "SELIC," which is the Brazilian Central Bank's system for performing open market operations, as the estimated inflation rates for 2005 and the following 12 months started to converge to the established target. The SELIC closed the 2005 year at the rate of 18%. The principal reason for the lower growth of the GDP in 2005 was the maintenance of SELIC at high levels. The inflation rate, as measured by the IPCA, was 5.7%, above the target established by the Central Bank of 5.1%. The real appreciated by 13.4% against the U.S. dollar. Notwithstanding the real's appreciation, Brazil achieved a trade surplus of US$44.7 billion, its highest trade surplus ever.

In 2006, the Central Bank continued to reduce the SELIC rate, which attained 13.25% as of December 31, 2006. During this period, average inflation according to the IPCA was 3.1%. The real appreciated 9.5% in relation to the dollar, reaching R$2.1380 per US$1.00 as of December 31, 2006. Notwithstanding the real's appreciation, Brazil's account balance was US$46.5 billion in 2006.

The global economic scenario remained favorable and global growth continued to be strong throughout the year ended December 31, 2007. Favorable liquidity conditions continue despite the recent increase in the international markets' long-term interest rates. However, the recent crisis in 2008 in the United States mortgage market affected credit markets, which had a negative impact on emerging markets and on stock exchanges throughout the world. During this period,

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average inflation according to the IPCA was 5.9%. The SELIC rate closed the 2008 year at the rate of 11.8%. The real depreciated 24.2% in relation to the dollar, reaching R$2.337 per US$1.00 as of December 31, 2008.

The table below shows the actual growth of the Brazilian GDP, inflation, interest rates and dollar exchange rates for the periods indicated:

	Year ended December 31,		
	2008	2007	2006
	(%, unless otherwise stated)		
Real growth in GDP	5.1	5.7	4.0
Inflation rate (IPCA)(1)	5.9	4.5	3.1
Inflation rate (IGP–M)(2)	9.8	7.7	3.8
National Construction Index (INCC)(3)	11.9	6.2	5.0
TJLP rate (4)	6.3	6.3	6.8
CDI rate (5)	12.4	11.8	15.0
Appreciation (devaluation) of the real vs. US$	(24.2)	20.7	9.5
Exchange rate (closing) — US$1.00	R$2.34	R$1.77	R$2.14
Exchange rate (average)(6) — US$1.00	R$2.03	R$1.95	R$2.18

(1) IPCA: consumer price index measured by the Brazilian Institute of Geography and Statistics (Instituto Brasileiro de Geografia e Estatística), or “IBGE.”

(2) General Market Price Index (Índice Geral de Preços—Mercado) measured by Getulio Vargas Foundation (Fundação Getulio Vargas), or “FGV.”

(3) National Index of Construction Cost (Índice Nacional de Custo da Construção) measured by FGV.

(4) Represents the interest rate used by the National Bank of Economic and Social Development (Banco Nacional de Desenvolvimento Econômico e Social), or “BNDES” for long-term financing (end of period).

(5) Represents an average of interbank overnight rates in Brazil (accumulated for period-end month, annualized).

(6) Average exchange rate for the last day of each month in the period indicated.

Brazilian Real Estate Sector

The Brazilian real estate sector is characterized by cyclical performance influenced by various macroeconomic factors. Demand for housing, the availability of financing and growth in population and incomes are, among others, factors that influence the performance of the real estate market.

Since 1994, Brazil’s ability to control inflation has contributed to the country’s economic recovery (particularly at the lower income level) and allowed Brazil to assert itself more effectively into the global economic context. For example, during the second half of the 1990s, policies that promoted economic liberalization and privatization of public services facilitated a significant influx of foreign investment. This environment generated pressure among the Brazilian financial and business communities to encourage responsible and transparent public management, promoting economic stability. In general, the current and previous presidential administrations have adopted comparatively austere economic policies, characterized by increased independence from the Central Bank, transparency and control over public accounts. Another significant effect of Brazil’s heightened international profile and economic stability was an increase in the competitiveness of various economic sectors, with a notable improvement in standards of corporate administration and governance. This pattern, along with favorable conditions in the global economy, have contributed to improved economic indicators in Brazil.

In addition, since 2006, the Brazilian government has enacted incentives in the real estate sector, including the following:

- Provisional Measure No. 321 enacted on September 12, 2006, later converted into Law No. 11,434 enacted on December 28, 2006, gave banks the option to charge fixed interest rates on mortgages;

- Decree No. 5,892 enacted on September 12, 2006, amended Decree No. 4,840 enacted on September 17, 2003, allowed payroll deductible mortgage loans to employees of both public and private entities;

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- Provisional Measure No. 459 enacted on March 25, 2009, created a public housing program called "Minha Casa, Minha Vida," which calls for government investment of more than R$30 billion and is focused on building one million houses for families with monthly incomes of up to ten times the minimum wage; and

- Decree No. 6,006 enacted on December 28, 2006, implemented a 50% tax cut on Tax on Manufactured Products (Imposto sobre Produtos Industrializados), or IPI, levied on the acquisition of important construction products, including certain types of tubes, ceilings, walls, doors, toilets and other materials. In 2009, other decrees eliminated the IPI levied on the acquisition of similar products, but were implemented for a limited term only and are set to expire in July 2009.

Critical Accounting Policies and Estimates

Our financial statements included elsewhere in this annual report were prepared in accordance with Brazilian GAAP. The preparation of financial statements in accordance with Brazilian GAAP requires management to make judgments and estimates that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used for, among other things, the selection of the useful lives of movable assets and equipment, provisions necessary for contingent liabilities, taxes, budgeted costs and other similar charges. Although we believe that our judgments and estimates are based on reasonable assumptions that are subject to several risks and uncertainties and are made in light of information available to us, our actual results may differ from these judgments and estimates.

In this sense, we set forth below summarized information related to our critical accounting policies. See the notes to our financial statements included elsewhere in this annual report for further information on these and other accounting policies we adopt.

Development and sale of real estate

In installment sales of finished units, revenue and costs are recognized when the sale is made regardless of the term for receipt of the contractual price, provided that the following conditions are met: (a) the value thereof can be estimated, i.e. the receipt of the sale price is known or the sum that will be received may be reasonably estimated, and (b) the process of recognition of the sales revenues is substantially completed, i.e. we are released from our obligation to perform a considerable part of our activities that will generate future expenses related to the sale of the finished unit.

In sales of unfinished units, the procedures and rules established by CFC Resolution No. 963 are:

- the cost incurred (including the cost related to land) corresponding to the units sold is fully included in our results;

- the percentage of the cost incurred for units sold (including costs related to land) is calculated as a percentage of total estimated costs, and this percentage is included in revenues from units sold, as adjusted pursuant to the conditions of the sales agreements, and in selling expenses, thus determining the amount of revenues and selling expenses to be recognized;

- any amount of revenues recognized that exceeds the amount received from clients is recorded as current or non-current "Receivables from clients". Any amount received in connection with the sale of units that exceeds the amount of revenues recognized is recorded as "Obligations for purchase of land and advances from clients";

- interest and inflation adjustments on accounts receivable from the time the client takes possession of the property, as well as adjustments to present value of accounts receivable, are included in our results for the development and sale of real estate using the accrual basis of accounting; and

- financial charges on accounts payable from the acquisition of land and real estate credit operations incurred during the construction period are included in the costs incurred, and recognized in our results upon the sale of the units of the venture to which they are directly related.

Taxes on the difference between revenues from real estate development and taxable accumulated revenues are calculated and recognized when the difference in revenues is recognized. Other income and expenses, including advertising and publicity, are included in results as they are incurred using the accrual basis of accounting.

Allowance for doubtful accounts

The allowance for doubtful accounts is recorded under selling expenses in an amount we consider sufficient to cover any probable losses on realization of our accounts receivable from our customers; no adjustment is made to net operating revenues.

Consolidation

We structure some of our projects through either our subsidiaries or jointly-controlled entities in partnership with third parties both incorporated as special purposes vehicles. Our consolidated financial statements include our accounts and those of all our subsidiaries, with separate disclosure of the participation of minority shareholders. The proportional consolidation method is used for investments in jointly-controlled entities, which are all governed by shareholder agreements; as a consequence, the assets, liabilities, revenues and costs are consolidated based on the proportion of the equity interest we hold in the capital of the investee. Under U.S. GAAP, in the event a minority interest partner is able to veto our critical operating decisions, we treat our investment in these subsidiaries using the equity method of accounting.

Goodwill and amortization of gain on the acquisition of investments

We calculate goodwill at the acquisition date, for purposes of Brazilian GAAP, as the excess purchase price over the proportion of the underlying book value, based on the interest in the shareholders' equity acquired. Amortization of gain is also calculated at the acquisition date, for purposes of Brazilian GAAP, as the excess of the book value of assets acquired over the purchase consideration.

We amortized goodwill, for purposes of Brazilian GAAP, through 2008 (no longer amortized from 2009 following a change to Brazilian GAAP) in accordance with the underlying economic basis which considers factors such as the land bank, the ability to generate results from developments launched and/or to be launched and other inherent factors. Goodwill that cannot be justified economically is immediately charged to results for the year. Amortization of gain that is not justified economically is recognized in the results only upon disposal of the investment. We evaluate whether there are any indications of permanent loss and record an impairment provision, if required, to adjust the carrying value of goodwill to recoverable amounts or to realizable values. The amortization of gain on the sale of FIT to Tenda in exchange for a 60% interest in Tenda is classified as "Deferred gain on sale of investment" for purposes of Brazilian GAAP and will be credited to income over the average estimated period of construction of the FIT real estate ventures. FIT was merged into Tenda on October 21, 2008.

Sales of Receivables for Securitization

When we sell our accounts receivable, the amount of the mortgage-backed securities issued by the real estate securitization company is recorded as a reduction of accounts receivable on our balance sheet. The financial discount, which represents the difference between the amounts received and the book value of the mortgage-backed securities on the date of the assignment, and the fee paid to the issuer of the mortgage-backed securities, are reflected in receivables from clients account and are included in our income statement as "Financial expense." Receivables from clients are only removed from the balance sheet when a true sale has been concluded and no beneficial interests are retained in the receivables sold.

Properties for sale

Our properties for sale are recorded at the lower of cost or fair value. In the case of uncompleted units, the portion in inventories corresponds to the costs incurred in units that have not yet been sold.

The cost is made up of construction (materials, own or outsourced labor and other related items) and land, including financial charges allocated to the venture as incurred during the construction phase.

Land is recorded at acquisition cost. See "Item 4.B. Information on the Company—Business Overview—Our Operations—Land Acquisition." We acquire portions of land through swaps where, in exchange for the land acquired, we undertake to deliver either real estate units of developments in progress or part of the sales revenues originating from the sale of the real estate units in the developments. Land acquired through barter transactions are recorded at fair value.

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We capitalize interest on the developments during the construction phase under the National Housing System credit line and other credit lines that are used for financing the construction of developments (limited to the corresponding financial expense amount).

When construction costs exceed the undiscounted cash flows expected from sales of completed units, properties under construction or land under development, an impairment loss is recorded in the period in which it is determined that the carrying amount is not recoverable. The same analysis applies equally to our high, medium and low income residential developments and our land developments, irrespective of geographic location or stage of completion.

Our properties for sale are considered long-lived assets and we regularly review the carrying value of each of our developments whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying value of a development is not recoverable from its estimated future undiscounted cash flows, it is impaired and written down to its estimated fair value. In estimating the future undiscounted cash flows of a property, we use various estimates such as (1) expected sales price, based upon general economic conditions of the market, the location of our development and competition within the market and (2) costs expended to date and costs expected to be incurred in the future, which are associated with all future expenditures necessary to develop our properties for sale, including interest payments that will be capitalized as part of the costs of the asset.

We have evaluated all of our developments for impairment and have not identified any cases of impairment for any of our properties for sale and no impairment provisions have been recorded for any of our developments for the years ended December 31, 2006, 2007 or 2008.

Adjustment to present value of assets and liabilities

The INCC inflation-indexed receivables from installment sales of unfinished units, which are generated prior to delivery of the units and do not accrue interest, are discounted to present value. The present value adjustment is accreted to net operating revenue as we finance our clients through to the delivery of the units. As interest from funds used to finance the acquisition of land for development and construction is capitalized, the accretion of the present value adjustment arising from the obligation is recorded in real estate development operating costs or against inventories of properties for sale, as the case may be, until the construction phase of the venture is completed. The selection of the discounting rate is subjective and is based on management's best estimates of the value of money over time and the specific risks of the asset and the liability.

Taxes on income

Deferred income and social contribution taxes are calculated to take into account all tax timing differences as follows: (1) amounts not yet taxed due to the fact that net income from real estate activities is taxed when the sales price is collected in cash as opposed to when revenue is recognized on an accrual basis; (2) income or expenses which are not yet taxable or deductible, such as provisions for contingencies; and (3) net operating losses, when realization or recovery in future periods is considered probable. In the event our jointly-controlled subsidiaries elect to change from the "taxable profit" regime to the "presumed profit" regime, accumulated tax loss carryforwards will be forfeited.

New Developments and Contracted Sales

New developments

The table below presents detailed information on our new developments for the periods presented, including developments launched by our jointly-controlled entities in partnership with third parties:

	As of and for the year ended December 31,		
	2008	2007	2006
New developments			
Number of projects launched	64	53	30
Number of units launched (1)	10,963	10,315	3,052
Launched usable area (m2) (2) (3)	1,838,000	1,927,812	407,483
Percentage of Gafisa investment	70%	77%	82%

(1) The units delivered in exchange for land pursuant to swap agreements are not included.

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

(3) Does not include data for FIT and Tenda in 2008.

In 2008, we launched 64 residential developments with a total sales value of R$2.7 billion. This sales value was approximately 23% higher than that achieved in 2007, during which we launched residential developments totaling R$2.2 billion. This increase is a reflection of our business combination with Tenda, our target segment strategy (primarily high-potential and less explored markets) and our strategy for geographic diversification.

Sixteen of the 64 developments we launched during 2008 were located in the state of São Paulo, while another 10 developments were located in the state of Rio de Janeiro. The remaining 38 residential developments launched were located in the cities of Salvador and Camaçari in the state of Bahia, Curitiba and Londrina in the state of Paraná, Belém and Ananindeua in the state of Pará, João Pessoa in the state of Paraíba, Maceió in the state of Alagoas, Porto Alegre in the state of Rio Grande do Sul, Serra in the state of Espirito Santo, Cuiabá in the state of Mato Grosso, Manaus in the state of Amazonas, Mossoró in the state of Rio Grande do Norte, Goiânia in the state of Goiás, São Luis in the state of Maranhão, Porto Velho in the state of Rondonia and Aracajú in the state of Sergipe.

During 2008, approximately 40% of our total sales value was generated from launches outside the states of São Paulo and Rio de Janeiro. Our diversification into the affordable entry-level business (through our subsidiaries Tenda, FIT and Bairro Novo) accounted for approximately 27% of our total sales value for the year ended December 31, 2008. In the year ended December 31, 2007, the affordable entry-level business represented approximately 4% of our total sales value.

In 2007, we launched 53 residential developments with a total sales value of R$2.2 billion. This sales value was approximately 122% higher than that achieved in 2006, during which we launched residential developments totaling R$1.0 billion. This increase is a reflection of our target segment strategy (primarily high-potential and less explored markets) and our strategy for geographic diversification.

Seventeen of the 53 developments we launched during 2007 were located in the state of São Paulo, while another 11 developments were located in the state of Rio de Janeiro. The remaining 25 residential developments launched were located in the cities of Goiânia and Aparecida de Goiânia, both in the state of Goiás; Maceió, in the state of Alagoas; São Luis, in the state of Maranhão; Belem, in the state of Pará; Manaus, in the state of Amazonas; Salvador, in the state of Bahia; Curitiba and Londrina in the state of Paraná; Campo Grande in the state of Mato Grosso do Sul; and Serra in the state of Espírito Santo.

During 2007, approximately 33% of our total sales value was generated from launches outside the states of São Paulo and Rio de Janeiro. Our segment diversification through our entrance into the affordable entry-level business (through our subsidiaries FIT and Bairro Novo) accounted for approximately 13% of our total sales value for the year ended December 31, 2007.

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Contracted sales

The following table shows the development of our contracted sales by the type of development, according to units sold during the same year that they were launched and the units sold in the years after they were launched, as well as their respective percentages in relation to total sales for the periods presented:

	For the year ended December 31,		
	2008	2007	2006
	(in thousands of R$, unless otherwise stated)		
Type of development			
Luxury buildings	R$ 472,846	R$ 255,855	R$ 144,882
Middle-income buildings	755,728	1,028,907	647,062
Affordable entry-level housing	601,206	64,026	32,868
Commercial	3,100	27,900	138,090
Lots	405,678	249,916	32,172
Total contracted sales	2,238,558	1,626,604	995,074
Sale of units launched in the year	R$ 1,362,425	R$ 1,139,113	R$ 555,292
Percentage of total contracted sales	61%	70.0%	55.8%
Sale of units launched during prior years	876,133	487,491	439,781
Percentage of total contracted sales	39%	30.0%	44.2%

The following table shows our and our main subsidiaries, contracted sales for the periods presented:

	For the year ended December 31,		
	2008	2007	2006
	(in thousands of R$, unless otherwise stated)		
Company			
Gafisa	R$ 1,345,411	R$ 1,328,785	R$ 995,074
FIT	394,090	47,143	—
Tenda	167,800	—	—
Bairro Novo	31,368	12,359	—
Alphaville	299,889	238,317	—
Total contracted sales	R$ 2,238,558	r$ 1,626,604	R$ 995,074

In 2008, we sold approximately 49% of the units launched that year, which together with the sales of units launched during prior periods, resulted in total contracted sales of R$2.2 billion, an increase of approximately 38% compared to 2007. In 2007, we sold approximately 51% of the units launched during that year. This, together with the sales of units launched during prior periods, resulted in a total contracted sales of R$1.6 billion, a 63.5% increase over 2006. The increase in 2008 is a result, among others, of better economic conditions, our target segment strategy (primarily a focus on the affordable entry-level segment) and better financing structures provided to our customers by public as well as private banks.

The following table sets forth the growth of our contracted sales to be recognized, as well as the amount corresponding to the cost of units sold, and the expected margin, all of them to be recognized in future periods, for the periods presented:

As of and for the year ended December 31,

	2008	2007	2006
	(in thousands of R$, unless otherwise stated)		
Sales to be recognized—end of the year	R$ 2,996,905	R$ 1,526,597	R$ 795,320
Net sales(1)	2,887,518	1,470,876	766,291
Cost of units sold to be recognized	(1,872,927)	(943,200)	(484,073)
Expected profit—yet to be recognized(2)	1,014,591	527,676	282,218
Expected margin	33.9%	34.6%	35.5%

(1) Excludes indirect PIS and COFINS taxes of 3.65%.

(2) Based on management's estimates.

Gross Operating Revenues

Our revenues are derived mainly from the development and sale of real estate and, to a lesser extent, the rendering of construction services to third parties, as follows:

	For year ended December 31,		
	2008	2007	2006
		(%)	
Real estate development and sales	97.9	97.2	96.8
Construction services rendered	2.1	2.8	3.2
Total	100.0	100.0	100.0

Real estate development and sales

Real estate development revenues, including inflation adjustments and interest from credit sales, make up revenues from the sales of units in the residential buildings we develop, and to a lesser extent, the sales of lots and commercial buildings.

Construction services rendered

Our revenues generated by real estate services consist substantially of amounts received in connection with construction management activities for third parties, technical management and real estate management.

Operating Costs

Our operating costs consist of real estate development costs and, to a lesser extent, costs of services rendered.

Real estate development costs

Real estate development costs consist of costs of land, construction (which includes costs for a broad variety of raw materials and labor), capitalized interest (financial costs) from project specific financing, projects, foundations, structuring and furnishing, as well as costs for outsourced labor. The items making up our costs, as a total percentage of our total cost, were the following for the periods presented:

	For the year ended December 31,		
	2008	2007	2006
		(%)	
Land	12.1	12.5	15.2
Construction costs	80.9	83.3	83.1
Financial costs	4.4	2.1	1.7
Development costs	2.6	2.1	—
Total	100.0	100.0	100.0

One of our principal real estate development costs is the cost of land. Over the last three years, land represented 13.3% of our total cost of development. However, this is an extremely volatile component, varying according to characteristics of the land, the region where the land is located, the type of development to be launched and market conditions. Land can be acquired for cash, through the exchange of units once the building is constructed, through a financial exchange (whereby a portion of sales is given to the owner of land as a form of financing for the land), or through a combination of the three options.

No single raw material alone represents a significant portion of our total costs of development, but in total over the last three fiscal years, raw materials represented, on average, approximately 22% of our total cost of development. The index that measures construction cost variation, the INCC, increased by 11.9%, 6.2% and 5.0% in 2008, 2007 and 2006, respectively. Although some of the principal raw materials, such as steel, have experienced significant price increases well above the level of inflation over the last three years, we have reduced our raw materials costs by developing and using new construction techniques and materials.

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During the last three years, labor represented on average approximately 42% of our total cost of real estate development.

Over the last three fiscal years, we have incurred most of our construction costs from the 1st to the 18th month of construction of a development, as shown in the table below:

Period of construction	Percentage of costs incurred(1)
1st to 6th month	29%
7th to 12th month	27%
13th to 18th month	30%
19th to 24th month	14%

(1) Including cost of land.

Real estate services

Our costs of real estate services consist of direct and indirect labor fees and outsourced services.

Operating Expenses

Our operating expenses include selling, general and administrative expenses and depreciation and amortization expenses and revenues.

Selling expenses

Selling expenses include advertising, promotion, brokerage fees and similar expenses.

General and administrative expenses

General and administrative expenses principally include the following:

- employee compensation and related expenses;
- fees for outsourced services, such as legal, auditing, consulting and others;
- management fees and social expenses;
- stock option plan expenses;
- overhead corporate expenses; and
- legal expenses related to public notaries and commercial registers, among others.

Depreciation and amortization

Depreciation expenses consist of depreciation of our property and equipment. Amortization expenses are related to the amortization of goodwill, net of negative goodwill amortization.

Amortization of deferred gain on partial sale of FIT

The amortization of gain that resulted from the gain on the partial sale of FIT to the shareholders of Tenda for the Tenda merger is amortized over the average construction period of the real estate ventures of FIT as of October 21, 2008, the date of FIT's merger into Tenda. The construction period, used for amortization of negative goodwill, which began in October 2008 is twelve months.

Financial Income and Expenses

Financial income include income from financial investments and interest from present value adjustment which accreted to our real estate development revenue. Interest revenues are recognized at the time the effective profit accrues

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from the asset, based on the accrual method. Financial expenses generally consist of interest payable on loans, financings and debentures.

Taxes on Income

In general, taxes on income in Brazil consist of federal income tax (25%) and social contribution (9%); the composite statutory tax rate being 34%. We calculate our income and social contribution taxes according to the “taxable profit” regime. Our subsidiaries and jointly-controlled entities, however, with annual billings lower than a specified amount, may calculate their respective income and social contribution taxes through either this “taxable profit” regime or through the “presumed profit” regime, depending on our tax planning. For the companies that opt for the “presumed profit” regime, the income tax basis is calculated as 8% of gross revenues and the social contribution basis is calculated as 12% of gross revenues, to which income tax and social contribution rates of 25% and 9%, respectively, are applied.

Results of Operations

The following discussion of our results of operations is based on our consolidated financial statements prepared in accordance with the Brazilian GAAP. References to increases or decreases in any given period relate to the corresponding preceding period, except unless otherwise indicated.

Results of Operations for the Years Ended December 31, 2007 and 2008

Net operating revenue

Net operating revenue increased by 44.5%, from R$1,204.3 million in 2007 to R$1,740.4 million in 2008. Gross revenues generated from the sales of real estate properties totaled R$1,768.2 million in 2008, an increase of R$551.4 million or 45.3% as compared to the same period in 2007, when revenues generated from the sales of real estate properties totaled R$1,216.8 million. This increase is mainly due to the recognition of revenues from sales contracted in prior periods. Net revenues generated from services increased by 6.3%, from R$35.1 million in 2007 to R$37.3 million in 2008, reflecting the overall growth of the real estate market in Brazil.

The following table sets forth the percent completion of constructions in progress at the end of 2008 and 2007 and the related net operating revenue from real estate development and sales recognized during those years:

		Total area (m2)	As of December 31,					For the year ended December 31,	
			2008	2007	2008	2007	Gafisa	2008	2007
Development	Month/Year launched	(1)(2)	Final completion(%)		Percentage sold-accumulated (%)		Participation(%)	Revenue recognized (in thousands of R$)	
Alphaville Barra Da Tijuca	Dec 08	170,010	50	—	90	—	65	47,956	—
London Green	Jul 07	44,007	54	33	67	49	100	44,656	17,449
Enseada Das Orquídeas	Jun 07	52,589	36	21	72	72	80	29,628	10,488
Espaço Jardins	May 06	28,926	93	48	100	100	100	35,903	23,582
Collori	Nov 06	39,462	64	28	94	84	50	22,158	7,276
Vp Agrias	Nov 06	21,390	87	45	100	80	100	42,550	23,140

Parque Barueri	May 08	58,437	13	—	50	—	100	10,206	—
Islã Residence Clube	Mar 07	31,423	56	18	88	76	100	29,782	10,717
Olimpic Chac. Santo Antonio	Aug 06	24,988	85	43	99	99	100	34,747	18,023
Vp – Mirabilis	Mar 06	23,355	98	69	100	94	100	35,049	27,481
Arena	Dec 05	29,256	100	87	100	100	100	22,342	38,908
Parc Paradiso	Aug 07	23,991	26	9	95	57	90	23,766	8,286
Felicita	Dec 06	11,323	79	32	96	78	100	16,839	6,213
CSF Paradiso	Nov 06	16,286	79	12	90	76	100	20,223	6,926
CSF Santtorino	Aug 06	14,979	88	42	100	100	100	19,415	8,277
Vp Parides	Nov 06	13,093	98	64	100	100	100	20,143	16,867
Península FIT	Mar 06	24,080	100	73	79	61	100	38,848	33,953
CSF Acácia	Jun 07	23,461	64	25	96	70	100	24,004	2,799
Vistta Ibirapuera	May 06	9,963	100	77	100	100	100	13,914	15,432
Acqua Residence	Dec 07	35,536	46	15	40	34	100	12,743	5,270

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Development	Month/Year launched	Total area (m2) (1)(2)	As of December 31, 2008 Final completion(%)	2007	2008 Percentage sold-accumulated (%)	2007	Gafisa Participation(%)	For the year ended December 31, 2008 Revenue recognized (in thousands of R$)	2007
Espacio Laguna	Aug 06	16,364	85	28	76	63	100	18,465	12,220
Celebrare (Caxias)	Mar 07	14,679	40	17	77	0	100	7,763	4,804
Rcb Paço Das Águas	May 06	24,080	99	63	98	80	45	21,265	5,438
Terraças Alto Da Lapa	Mar 08	23,248	37	—	73	—	100	18,354	—
Blue Land	Jun 06	18,252	100	51	66	59	100	19,549	20,284
CSF Prímula	Jun 07	13,897	64	24	84	37	100	12,248	2,345
Verdemar	Mar 08	13,084	30	—	56	—	100	7,499	—
Vision	Dec 07	19,712	45	—	76	47	100	24,444	1
Vivance Res. Service	Nov 06	14,717	53	15	81	75	100	10,443	2,900
Supremo	Aug 07	34,864	44	39	86	52	100	22,673	32,474
Icaraí Corporate	Dec 06	5,683	70	28	94	87	100	8,507	12,849
Magic	Oct 07	31,487	40	22	42	15	100	14,128	—
Grand Valley	Mar 07	16,908	57	34	61	51	100	9,995	4,522
Olimpic Condominium Resort	Oct 05	21,851	100	93	100	100	100	12,696	29,935
Olimpic Bosque Da Saúde	Oct 07	19,150	50	25	81	76	100	13,463	8,652
Reserva Do Lago	Feb 07	16,898	47	8	81	69	50	6,204	785
Town Home	Nov 05	8,319	100	74	98	80	100	11,819	11,470
Ville Du Soleil	Oct 06	8,920	100	37	72	47	100	14,912	7,638
Star Res. Service/Blue Concept	Dec 05	9,367	100	92	98	65	100	9,195	17,998
Icon Residence Service	Oct 04	8,175	100	44	82	65	100	6,099	9,168
Secret Garden	May 07	15,344	41	15	66	61	100	8,236	3,291
Art Ville	Apr 07	16,157	36	10	92	79	50	3,507	2,892
Sunspecial Residence Service	Mar 05	21,189	100	96	99	86	100	16,035	32,913
Mirante Do Rio	Oct 06	8,125	79	26	100	99	60	8,635	2,181
Carpe Diem Belém	May 08	13,951	19	—	52	—	70	3,113	—
Forest Ville	Sept 06	15,556	51	17	99	98	50	5,330	2,516
Beach Park Living	Jun 06	14,913	100	14	87	67	80	17,236	8,143
Solares Da Vila Maria	Dec 07	13,376	29	—	100	67	100	9,085	14

Manhattan Office Wall Street	Jun 08	25,804	14	—	39	—	50	2,823	—
Acquarelle	Apr 07	17,742	24	2	66	39	85	3,730	364
Privilege Residencial Spe	Sept 07	16,173	27	12	82	58	80	5,668	1,363
Magnific	Mar 08	9,225	27	—	63	—	100	5,057	—
Palm D'or	Sept 05	8,493	100	90	100	100	100	6,698	17,697
Orbit	Aug 07	11,332	45	—	30	13	100	3,535	—
Grand Valley Niterói	Oct 07	17,905	27	17	93	73	100	5,511	6,736
Alphaville Jacuhy	Dec 07	307,598	31	0	97	76	65	31,966	—
Alphaville Barra da Tijuca	Dec 08	60,638	50	0	66	0	35	25,824	—
Alphaville Campo Grande	Mar 07	150,029	96	49	81	52	67	20,045	9,841
Alphaville Rio Costa do Sol	Sept 07	181,772	41	4	97	85	58	19,847	2,665
Alphaville Recife	Aug 06	176,041	94	53	93	94	65	19,828	15,768
Alphaville Salvador II	Feb 06	193,135	99	65	97	93	55	19,639	23,743
Alphaville Gravataí	Jun 06	138,355	98	59	74	44	64	13,750	7,967
Alphaville Burle Marx	Mar 05	129,772	99	84	37	24	50	12,859	12,406
Alphaville Londrina II	Dec 07	67,060	48	0	72	17	63	11,753	—
Alphaville Eusébio	Sept 05	160,656	100	86	86	69	65	11,230	16,640
Others and CPC adjustments								378,664	585,062
Bairro Novo ventures								32,743	—
Tenda's ventures								251,258	—
Total development revenues recognized during the periods (3)								1,768,200	1,216,773

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

(2) Values for 100% of the building development.

(3) Includes other developments where individual revenues for those periods are not significant.

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Operating costs

Operating costs in 2008 totaled R$1,214.4 million, an increase of 39.9% as compared to R$868.0 million in 2007. This increase is due to the greater volume of construction in progress in 2008 as compared to 2007. The cost of land increased by 34.7% in 2008 from 2007. Construction costs payable to third parties decreased in 2008, totaling 80.9% of total operating costs, as compared to 83.3% in 2007. Operating costs, as a percentage of net operating revenue, decreased to 69.8% in 2008 as compared to 72.1% in 2007, mainly due to the greater mix in the types of developments under construction during 2008, as a result of our market segment diversification strategy and our entry into the affordable entry-level business through Tenda, FIT and Bairro Novo.

Gross profit

Gross profit in 2008 totaled R$526.0 million, representing an increase of 56.4%, as compared to R$336.3 million in 2007. This increase was mainly attributable to higher gross revenue from a greater number of developments. In 2008, the gross margin generated from our activities increased to 30.2% as compared to 27.9% in 2007. This increase was due to the strong demand for Gafisa properties in all segments and geographies and sales at higher margins as we recognized revenue from developments launched in 2007 and 2008.

Selling expenses

Selling expenses in 2008 totaled R$154.4 million, representing an increase of 121.2%, as compared to R$69.8 million in 2007. This increase reflects our aggressive growth strategy, through geographic and segment diversification. In 2008, we had 64 launches compared to 53 in 2007 which caused higher sales commissions, and marketing and advertising expenses. Selling expenses in 2008 represented 8.9% of our net operating revenue compared to 5.8% in 2007.

General and administrative expenses

General and administrative expenses totaled R$180.8 million in 2008, representing an increase of 38.1%, as compared to R$130.9 million in 2007. This increase is mainly due to (1) our growth strategy reflected in general and administrative expenses of Tenda, FIT and Bairro Novo totaling R$28.7 million, R$20.7 million and R$8.1 million, respectively and (2) stock option plan expenses, a non cash expense, totaling R$26.1 million in 2008 and R$17.8 million in 2007. The current general and administrative expenses in proportion to sales revenue has been diluted as we increased our revenues. General and administrative expenses in 2008 represented 10.4% of our net operating revenue as compared to 10.9% in 2007.

Depreciation and amortization

Depreciation and amortization in 2008 totaled R$52.6 million, representing an increase of 35.9%, as compared to R$38.7 million in 2007. The increase is mainly due to the increase in expenditures on sales stands, facilities, model apartments and related furnishings, and new office facilities in Rio de Janeiro and São Paulo in 2008 and the depreciation of the capital expenditures recorded in 2007.

Amortization of gain on partial sale of FIT

The amortization of gain that resulted from the deferred gain on the partial sale of FIT totaled R$41.0 million in 2008. The amortization of gain is amortized over the average construction period of the real estate ventures of FIT as of October 21, 2008, the date of FIT's merger into Tenda. Deferred gain is amortized over a 12-month period.

Financial income and expenses, net

Net financial results totaled an income of R$41.9 million in 2008 compared to R$28.6 million in 2007. Financial expenses during 2008 totaled R$61.0 million, an increase of 72.8% over R$35.3 million in 2007 due to higher debt. Our outstanding debt as of December 31, 2008, increased 123.2% as compared to December 31, 2007, mainly due to (1) the first issuance of the third debenture program of R$250 million, (2) working capital loans of R$285.0 million obtained in 2008; (3) other loans, mainly SFH and working capital loans, obtained in 2008 of R$240.9 million; and (4) accrued interest of R$116.8 million, which was partially offset by the repayment of debt of R$145.7 million, primarily related to SFH and working capital loans. Financial income increased from R$63.9 million in 2007 to R$102.9 million in 2008 mainly due to interest received on cash balances.

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Taxes on income

Income and social contribution taxes in 2008 totaled R$43.4 million, or 42.8% higher than in 2007, when income and social contribution taxes totaled R$30.4 million. In 2008 and 2007, the combined effective income and social contribution tax rates, calculated as a percentage of income before taxes on income, were 20.7% and 23.7%, respectively. The combined effective rates during these years were lower than the composite statutory rate of 34% as some of our jointly-controlled subsidiaries calculated their taxes on the presumed profit regime and the amortization of negative goodwill adjustment on the Tenda business combination. The increase in 2008 reflects the growth of our pre-tax income.

Net income

Net income in 2008 totaled R$109.9 million, an increase of 20.0% over the previous year, when net income was R$91.6 million. The increase in net income was primarily due to our continuing growth strategy through segment and geographic diversification and the increase of launches during 2008.

Results of Operations for the Years Ended December 31, 2006 and 2007

Net operating revenue

Net operating revenue increased by 85.8%, from R$648.2 million in 2006 to R$1,204.3 million in 2007. Gross revenues generated from the sales of real estate properties totaled R$1,216.8 million, an increase of R$556.5 million or 84.3% as compared to the same period in 2006, when revenues generated from the sales of real estate properties totaled R$660.3 million. This increase is mainly due to the recognition of revenues from sales contracted in prior periods. Net revenues generated from services increased by 63.3%, from R$21.5 million in 2006 to R$35.1 million in 2007, reflecting the overall growth of the real estate market in Brazil.

The following table sets forth the final completion of the construction in progress in 2007 and 2006 and the related net operating revenue from real estate development and sales recognized during those years:

		Total area	As of December 31,					For the year ended December 31,	
			2007	2006	2007	2006	Gafisa	2007	2006
Development	Month/Year launched	(m2)(1)(3)	Final completion(%)		Percentage sold-accumulated (%)		Participation(%)	Revenue recognized	
								(in thousands of R$)	
Alphaville Maringá	Nov 02	510,710	100	—	36	—	67	563	—
Sunshine	Nov 02	10,979	100	100	98	92	60	989	261
Reserva das Palmeiras	Feb 03	16,912	100	96	100	100	90	1,320	3,668
New Point	Apr 03	12,034	100	60	99	97	90	5,035	1,205
Sunview	Jun 03	14,268	99	92	100	92	100	1,719	8,678
Blue Land	Aug 03	18,252	71	36	66	36	100	15,166	6,846
Alphaville Cuiabá	Nov 03	545,631	100	—	95	—	55	1,782	—
Grand Vue	Nov 03	5,230	100	84	100	100	50	2,127	2,945

Sundeck	Nov 03	13,043	100	90	98	80	100	12,201	23,110
Sunprime	Nov 03	11,802	100	92	100	93	100	1,796	9,588
Riviera Ponta Negra - Cannes e Marseille	Jan 04	22,332	100	94	73	63	100	5,630	14,056
Alphaville Litoral Norte	Mar 04	798,893	100	—	84	—	63	1,806	—
La Place	May 04	8,416	100	83	100	79	100	5,145	13,831
Alphaville Gramado	Jun 04	431,663	98	—	43	0	67	3,216	—
Riv. Ponta Negra - Cannes e Marseille	Jun 04	22,332	97	63	78	69	50	3,742	3,512
Side Park - Ed. Style	Jul 04	10,911	98	68	100	97	200	3,193	11,103
Terras de São Francisco	Jul 04	114,160	100	98	97	88	50	3,749	4,108
Eldorado	Nov 04	—	100	73	100	100	39	6,165	74,759
Empresarial Pinheiros	Nov 04	17,149	100	49	100	11	39	29,136	3,027
Lumiar	Feb 05	7,193	94	35	100	52	100	11,613	2,820
Sunspecial Resid. Service	Mar 05	21,189	96	42	86	83	100	31,268	20,070
Alphaville Burle Max	Apr 05	1,305,022	69	NA	21	NA	50	2,601	—
Montenegro Boulevard	Jun 05	174,862	100	69	100	100	100	10,439	6,702
Weber Art	Jun 05	5,812	97	34	97	86	100	10,882	4,346
The House	Oct 05	5,313	38	25	96	89	100	1,507	1,152
Beach Park Acqua	Nov 05	9,770	67	12	89	83	90	18,339	2,035
Bem Querer	Nov 05	11,136	100	19	100	100	100	19,329	4,174
Town Home	Nov 05	8,319	74	24	80	50	100	10,527	3,412
Campo D'Ourique	Dec 05	11,775	65	11	32	9	50	1,116	127
Península FIT	Mar 06	24,080	73	6	61	54	100	33,182	3,222
Sunplaza Personal Office	Mar 06	6,328	92	16	98	70	100	24,370	3,625

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Development	Month/Year launched	Total area (m2)(1)(3)	As of December 31, 2007 Final completion(%)	2006	2007 Percentage sold-accumulated (%)	2006	Gafisa Participation(%)	For the year ended December 31, 2007 Revenue recognized	2006
								(in thousands of R$)	
Villagio Panamby-Mirabilis	Mar 06	23,355	69	43	94	75	100	28,227	24,746
Alphaville Gravataí	Jun 06	1,309,397	41	—	40	0	64	5,565	—
Beach Park – Living	Jun 06	14,913	23	—	69	49	80	3,358	—
Blue Vision - Sky e Infinity	Jun 06	18,514	78	37	84	77	50	13,045	7,373
Reserva do Lago	Jun 06	16,800	8	—	74	—	50	707	—
Quinta Imperial	Jul 06	8,422	45	4	79	72	100	4,135	536
Espacio Laguna	Aug 06	16,364	38	—	32	3	80	8,827	—
Ville Du Soleil	Oct 06	8,920	46	—	29	—	100	3,205	—
Collori	Nov 06	39,462	42	—	48	—	50	7,035	—
CSF – Paradiso	Nov 06	16,286	12	—	75	—	100	2,791	—
Villagio Panamby - Agrias	Nov 06	21,390	45	—	80	18	100	23,954	2,581
Villagio Panamby - Parides	Nov 06	13,093	64	47	100	61	100	17,882	13,347
Icaraí Corporate	Dec 06	5,683	33	—	85	—	100	10,718	—
Alphaville Campo Grande	Mar 07	517,869	40	—	48	—	67	5,052	—
Celebrare	Mar 07	14,679	17	—	—	—	100	4,918	—
FIT Jaçanã	Mar 07	9,181	32	—	91	—	100	7,686	—
Grand Valley	Mar 07	16,908	34	—	51	—	100	4,180	—
Isla	Mar 07	31,423	18	—	76	—	100	11,119	—
Evidence	Apr 07	23,487	19	—	32	—	50	2,041	—
Secret Garden	May 07	15,344	15	—	54	—	100	3,200	—
CSF – Acácia	Jun 07	23,461	25	—	70	—	100	2,849	—
CSF – Dália	Jun 07	9,000	25	—	88	—	100	549	—
CSF – Prímula	Jun 07	13,897	24	—	37	—	100	927	—
Privilege Residencial	Jun 07	—-	12	—	58	—	80	1,769	—
Art Ville	Apr 07	16,157	37	—	80	—	50	2,852	—
Palm Ville	Apr 07	13,582	8	—	75	—	50	1,153	—
Alphaville D. Pedro	Aug 04	616,224	94	—	100	—	58	7,638	—
Belle Vue	Aug 04	7,565	100	35	50	46	70	1,806	2,445
Alphaville Manaus	Aug 05	464,688	69	—	100	—	63	13,900	—
Alphaville Recife	Aug 06	704,051	38	—	94	—	65	7,816	—
CSF – Santtorino	Aug 06	14,979	42	8	100	87	100	8,261	2,290

FIT Niterói	Aug 06	8,523	42	22	83	63	100	4,575	3,131
Olimpic - Chácara Sto Antonio	Aug 06	24,988	43	20	99	80	100	18,857	9,162
Alphaville Araçagy	Aug 07	195,829	25	—	85	—	50	5,711	—
Parc Paradiso	Aug 07	35,987	9	—	98	—	90	6,958	—
Supremo	Aug 07	—	39	—	52	—	100	16,533	—
Arena	Dec 05	29,256	87	32	100	99	100	40,590	21,213
Blue II e Concept	Dec 05	28,296	92	61	65	57	150	14,942	11,578
Cuiabá	Dec 05	11,775	80	16	34	12	50	1,788	124
The Gold	Dec 05	10,465	90	48	86	61	100	18,468	10,654
Felicitá - Evangelina 2	Dec 06	11,323	32	—	78	—	100	6,397	—
Riviera Nice	Dec 06	6,761	21	—	34	—	50	733	—
Alphaville Natal	Feb 05	1,028,722	97	—	100	—	63	1,112	—
Alphaville Salvador II	Feb 06	853,344	46	—	88	—	55	15,775	—
CSF - Saint Etienne	May 05	11,261	91	31	96	93	100	18,311	6,581
Del Lago	May 05	62,022	96	36	98	86	100	21,128	13,608
Espaço Jardins	May 06	28,926	48	12	100	87	100	23,829	7,041
Paço das Águas	May 06	24,080	63	36	80	64	45	11,781	8,246
Vistta Ibirapuera	May 06	9,963	77	36	100	100	100	15,851	13,140
Villagio Panamby - Double View	Oct 03	10,777	100	83	100	84	100	3,184	7,149
Olimpic Resort	Oct 05	21,851	93	39	100	98	100	30,601	20,457
Mirante do Rio	Oct 06	8,125	26	1	99	91	60	2,996	158
Enseada das Orquídeas	Oct 07	52,589	21	—	72	—	80	10,881	—
FIT Jaraguá	Oct 07	14,345	20	—	18	—	100	547	—
Grand Valley Niterói	Oct 07	—	17	—	73	—	100	6,974	—
Horto	Oct 07	—	35	—	95	—	50	27,735	—
Olimpic Bosque da Saúde	Oct 07	—	25	—	76	—	100	8,971	—
Villagio Panamby – Anthurium	Sep 02	16,579	100	100	100	96	100	340	2,578
Blue One	Sep 03	15,973	100	98	78	81	67	1,795	5,712
CSF - Benne Sonanz	Sep 03	9,437	100	100	100	87	50	1,274	2,991
CSF - Verti Vita	Sep 03	6,439	100	97	100	78	100	886	4,018
Verdes Praças	Sep 04	19,005	100	49	50	38	100	3,361	6,835
Alphaville Eusébio	Sep 05	534,314	74	—	60	—	65	10,818	—
Palm D'Or	Sep 05	8,493	90	35	100	65	100	18,314	6,163
Villagio Panamby - Domaine Du Soleil	Sep 05	8,225	97	57	100	76	100	19,863	14,523
Villagio Panamby - Jazz Duet	Sep 05	13,400	95	54	98	57	100	33,124	15,195
Forest Ville	Sep 06	15,556	18	12	98	84	50	936	1,126
Garden Ville	Sep 06	11,998	21	14	100	95	50	1,209	2,108
Alphaville Rio Costa do Sol	Sep 07	1,521,753	4	0	53	—	58	2,666	—
FIT Imbui	Sep 07	22,442	11	0	67	—	50	1,122	—

Parc Paradiso (Fase 2)	Sep 07	—	9	0	57	—	—	1,170	—

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Development	Month/Year launched	Total area (m2)(1)(3)	As of December 31, 2007 Final completion(%)	2006	2007 Percentage sold-accumulated (%)	2006	Gafisa Participation(%)	For the year ended December 31, 2007 Revenue recognized	2006
								(in thousands of R$)	
Alphaville	—	—	—	—	—	—	—	93,430	—
Other developments(2)	—	—	—	—	—	—	—	194,419	181,120
Total development revenues recognized during the periods								1,216,773	660,311

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

(2) Includes other developments where individual revenues for those periods are not significant.

(3) Values for 100% of the building development.

Operating costs

Operating costs in 2007 totaled R$868.0 million, an increase of 86.7% as compared to R$464.8 million in 2006. This increase is due to the greater volume of construction in progress in 2007 as compared to 2006. The cost of land increased by 53.3% in 2007 from 2006. Construction costs payable to third parties increased slightly in 2007, totaling 83.3% of total operating costs, as compared to 83.1% in 2006. Operating costs, as a percentage of net operating revenue, increased to 72.1% in 2007 as compared to 71.7% in 2006, mainly due to the greater mix in the types of developments under construction during 2007, as a result of our segment diversification strategy and our entry into the affordable entry-level segment through FIT and Bairro Novo.

Gross profit

Gross profit in 2007 totaled R$336.3 million, representing an increase of 83.4%, as compared to R$183.4 million in 2006. This increase was mainly attributable to higher gross revenue from a greater number of developments. In 2007, the gross margin generated from our activities decreased to 27.9% as compared to 28.3% in 2006. This decrease was due to an increase in operating costs, despite sales at higher margins as we have recognized revenue from developments launched in 2005 and 2006 and extraordinary revenue derived from services we rendered at our commercial development Eldorado Business Tower in the total amount of R$97.9 million.

Selling expenses

Selling expenses in 2007 totaled R$69.8 million, representing an increase of 35.0%, as compared to R$51.7 million in 2006. This increase reflects our aggressive growth strategy, through geographic and segment diversification. In 2007, we had 53 new developments compared to 30 new developments in 2006, which increase resulted in the need to construct showrooms and furnished model apartments and caused higher sales commissions, and marketing and advertising expenses. Selling expenses in 2007 represented 5.8% of our net operating revenue compared to 8.0% in 2006.

General and administrative expenses

General and administrative expenses totaled R$130.9 million in 2007, representing an increase of 103.6%, as compared to R$64.3 million in 2006. This increase is mainly due to (1) our acquisition and internal growth strategy, including increases in our personnel expenses, as reflected in the acquisition, formation and incorporation of the entities Alphaville, FIT and Bairro Novo in 2007; (2) general and administrative expenses of Alphaville, FIT and Bairro Novo totaling R$20.4 million, R$12.2 million and R$0.8 million, respectively; (3) an increase in our profit sharing expenses of R$9.9 million in 2007 as compared to 2006; and (4) stock options plan expenses totaling R$17.8 million, representing an increase of R$8.7 million as compared to 2006, primarily related to Gafisa in the amount of R$16.5 million and Alphaville in the amount of R$1.3 million. The proportion of current general and administrative expenses to sales revenue will be diluted as we increase our revenues in the future. General and administrative expenses in 2007 represented 10.9% of our net operating revenues as compared to 9.9% in 2006.

Depreciation and amortization

Depreciation and amortization in 2007 totaled R$38.7 million, representing an increase of R$31.3 million, as compared to R$7.4 million in 2006. The increase is mainly due to the increase in depreciation as a result of capital expenditures in the amount of R$61.3 million in 2007 for sales stands, facilities, model apartments and related furnishings, and new office facilities.

Financial expenses and income, net

Net financial results totaled an income of R$28.6 million in 2007 compared to an expense of R$11.9 million in 2006. Financial expenses in 2007 totaled R$35.3 million, a decrease of 45.6% compared to R$64.9 million in 2006, while our outstanding loans and financing in 2007 were higher than in 2006, which was offset by a capitalization of interest of R$36.7 million and lower interest rates in 2007 as compared to 2006. Our outstanding debt as of December 31, 2007, increased 135.4% as compared to December 31, 2006, mainly due to (1) working capital loans of R$200.0 million obtained in 2007; (2) other loans, mainly SFH and working capital loans obtained in 2007, of R$227.0 million; and (3) accrued interest of R$22.9 million, which was partially offset by the repayment of debt of R$51.7 million, primarily related to SFH and working capital loans. Financial income increased from R$53.0 million in 2006 to R$63.9 million in 2007, primarily as a result of financial income from present value adjustments to our real estate development sales, despite lower interest rates in 2007 as compared to 2006.

Taxes on income

Income and social contribution taxes in 2007 totaled R$30.4 million, 257.6% higher than in 2006, when income and social contribution taxes totaled R$8.5 million. In 2007, the combined effective income and social contribution tax rates, calculated as a percentage of income before taxes on income, were 23.7% and 16.2%, respectively. The combined effective rates for 2007 were lower than the composite statutory rate of 34% due as some of our jointly-controlled subsidiaries calculated their taxes on the presumed profit regime and recorded tax loss carryforward from previous periods. The increase in 2007 reflects the increase in of our pre-tax income.

Net income

Net income in 2007 totaled R$91.6 million, an increase of 108.2% over the previous year, when net income was R$44.0 million. The increase in net income was primarily due to our aggressive growth strategy through segment and geographic diversification and the increase of launches during the period.

Business Segments

Following the acquisition, formation and incorporation of the entities Alphaville, FIT and Bairro Novo in 2007 and following the merger of FIT into Tenda in 2008, our financial results for 2007 and 2008 included the results of the following segments: Gafisa S.A., Alphaville, Tenda, FIT (which merged with and into Tenda in October 2008) and Bairro Novo (following 2008, however FIT and Bairro Novo will cease to be included in our results, for the reasons explained herein). See “Item 4. Information on the Company—A. History and Development of the Company—Historical Background and Recent Developments.” Because Tenda launched very few units in 2008, we believe the full impact of the merger are not reflected until 2009. Our chief executive officer, who is responsible for allocating resources among these businesses and monitoring their progress, uses economic present value data, which were derived from a combination of historical operating results and forecasted operating results, has begun to assess segment information primarily on the basis of different business segments rather than geographic regions in Brazil. The prior periods have been retrospectively adjusted to conform to our new segment reporting structure and the only segment for this structure in 2006 is Gafisa S.A.

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We provide below a measure of historical profit or loss, selected segment assets and other related information for each reporting segment. The information below is derived from our statutory accounting records which are maintained in accordance with Brazilian GAAP. Revenues from no individual customer represented more than 10% of our net operating revenue.

	For Year Ended December 31, 2008					
	Gafisa (1)	Tenda (2)	Alphaville	FIT (3)	Bairro Novo	Total
	(thousands of reais except for percentages)					
Net operating revenue	1,214,562	163,897	249,586	78,467	33,892	1,740,404
Operating costs	(847,617)	(111,920)	(167,043)	(60,082)	(27,739)	(1,214,401)
Gross profit	366,945	51,977	82,543	18,385	6,153	526,003
Gross margin	30.2	31.7	33.1	23.4	18.2	30.2

(1) Includes all subsidiaries, except Alphaville, Tenda, FIT and Bairro Novo.

(2) Tenda's results for the period from October 22, 2008 through December 31, 2008.

(3) FIT's results for the period from January 1, 2008 through October 21, 2008. FIT was merged with Tenda on October 21, 2008.

	For Year Ended December 31, 2007(2)				
	Gafisa (1)	Alphaville	FIT	Bairro Novo	Total
	(thousands of reais except for percentages)				
Net operating revenue	1,004,418	192,700	7,169	—	1,204,287
Operating costs	(726,265)	(136,854)	(4,877)	—	(867,996)
Gross profit	278,153	55,846	2,292	—	336,291
Gross margin	27.7	29.0	32.0	—	27.9

(1) Includes all subsidiaries, except Alphaville, FIT and Bairro Novo.

(2) The relevant results of Tenda are available only from October 22, 2008, the date after the merger of FIT into Tenda. Accordingly, there was no comparative information for Tenda in 2007.

Gafisa S.A.

Years ended December 31, 2007 and 2008

Net operating revenue

Net operating revenue for the Gafisa segment was R$1,214.6 million in 2008 compared to R$1,004.4 million in 2007, which represents an increase of 20.9%. This increase was primarily due to the continued strong demand for Gafisa properties and recognition of results from sales contracted in prior periods, since there was no variation in the amount of developments launched during the period.

Operating costs

Operating costs for the Gafisa segment were R$847.6 million in 2008 compared to R$726.3 million in 2007, which represented an increase of 16.7%. This increase was mainly due to the greater volume of construction in progress during 2008 as compared to 2007.

Gross profit

Gross profit for the Gafisa segment was R$366.9 million or 69.8% of our total gross profit in 2008, compared to R$278.2 million or 82.7% of our total gross profit for 2007. The increase in gross profit was primarily due to higher gross revenue from the greater number of developments. In 2008, the gross margin generated from the sale of our developments increased to 30.2% as compared to 27.7% in 2007. This increase was due to sales at higher margins as we recognized revenue from developments launched in prior years.

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Alphaville

Years ended December 31, 2007 and 2008

Net operating revenue

Net operating revenue for the Alphaville segment was R$249.6 million in 2008 compared to R$192.7 million in 2007, which represents an increase of 29.5%. This increase was primarily due to (1) higher volume of contracted sales during 2008, mainly related to the increase of launches from 6 in 2007 to 11 in 2008 and; (2) recognition of results from sales in prior periods and geographic expansion.

Operating costs

Operating costs for the Alphaville segment was R$167.0 million in 2008 compared to R$136.9 million in 2007, which represents an increase of 22.0%. This increase was mainly due to the greater volume of construction in progress in 2008 as compared to 2007.

Gross profit

Gross profit for the Alphaville segment was R$82.5 million or 15.7% of our total gross profit in 2008, compared to R$55.8 million or 16.6% of our total gross profit for 2007. The increase in gross profit was primarily due to higher gross revenue from the greater number of developments in 2008.

FIT

Year ended December 31, 2007 and period from January 1, 2008 to October 21, 2008

Net operating revenue

Net operating revenue for the FIT segment was R$78.5 million in the period from January 1, 2008 to October 21, 2008 compared to R$7.2 million in 2007, an increase of R$71.3 million. This increase was primarily due to the start-up of FIT operations in 2007.

Operating costs

Operating costs for the FIT segment was R$60.1 million in the period from January 1, 2008 to October 21, 2008 compared to R$4.9 million in 2007. This increase was mainly due to the start-up of FIT operations in 2007.

Gross profit

Gross profit for the FIT segment was R$18.4 million or 3.5% of our total gross profit in the 2008 period, compared to R$2.3 million or 0.7% of our total gross profit for 2007. The increase in gross profit was primarily due to the start-up of FIT operations in 2007 and gross revenue from the developments launched at the end of 2007 and in 2008.

Bairro Novo

Years ended December 31, 2007 and 2008

Net operating revenue

Net operating revenue for the Bairro Novo segment was R$33.9 million in 2008. There was no recognized revenue for 2007, since Bairro Novo Cotia was launched in November 2007.

Operating costs

Operating costs for the Bairro Novo segment was R$27.7 million in 2008. There was no operating cost in 2007.

Gross profit

Gross profit for the Bairro Novo segment was R$6.1 million or 1.2% of our total gross profit in 2008.

We do not provide a comparative analysis for Tenda because our business combination occurred on October 21, 2008. In addition, the usefulness of the comparative analysis for the Bairro Novo segment is limited since Bairro Novo Cotia was launched in November 2007.

B. Liquidity and Capital Resources

Our transactions are financed mainly through the contracting of real estate financing and securitization of receivables. When necessary and in accordance with market demands, we carry out long-term financing for the sale of our developments. In order to turn over our capital and accelerate its return, we try to transfer to banks and sell to the market the receivables portfolio of our completed units. We did not use this source of funding in 2008. In March 2009, we completed a sale of receivables from completed units for net proceeds of R$70.0 million.

We consistently review opportunities for acquisition and investments. We consider different types of investments, either direct or through our subsidiaries and jointly-controlled entities. We finance such investments using capital market financings, capital increase or through a combination thereof.

The current global credit markets have impacted our ability to secure financing at favorable interest rates. Construction financing lines of credit are available and we have fulfilled substantially all of our construction financing needs for 2009 at rates that have increased an average of up to 100 basis points per year since 2008. In order to mitigate the effects of the current global credit crisis, the Brazilian government has announced additional lines of credit to assist the construction industry and its customers, including R$3 billion from the FGTS (a Government Severance Indemnity Fund for Employees). In addition, the Brazilian government will finance up to 20% of construction costs, to be financed by the Brazilian Saving and Loan System (Sistema Brasileiro de Poupança e Empréstimo – SBPE).

The credit market turmoil has not yet had a material impact on our customers' ability to obtain bank mortgage loans during 2008 and the first quarter of 2009, although interest rates have gone up about 100 basis points, from 10.5% to 11.5%. Delinquency rates among our customers have not increased materially in 2008 compared to 2007.

The following table shows the balance of our receivables from clients' portfolio for the development and sale of properties for the periods presented:

	As of December 31,		
	2008	2007	2006
	(in thousands)		
Real estate development receivables:			
Current	R$ 1,254,594	R$ 473,734	R$ 533,593
Long-term	863,950	497,910	41,492
Total	2,118,544	971,644	575,085
Receivables to be recognized on our balance sheet according to percentage of completion method:			
Current	R$ 812,406	R$ 486,794	R$ 30,161
Long-term	2,754,513	881,352	729,810

Total	3,566,919	1,368,146	759,971
Total clients' portfolio	R$ 5,685,463	R$ 2,339,790	R$ 1,335,056

The total clients' portfolio balances have the following maturity profile:

	As of December 31, 2008 (in thousands)
Maturity	
2009	R$ 2,067,000
2010	1,983,571
2011	992,919
Thereafter	641,973
Total	R$ 5,685,463

Loans made to our clients are generally adjusted on a monthly basis: (1) during construction, by the INCC in São Paulo, Rio de Janeiro and other Brazilian cities; and (2) stated date in the contract, by the IGP-M plus 12% per annum in all markets.

We limit our exposure to credit risk by selling to a broad customer base and by continuously analyzing the credit of our clients. As of April 30, 2009, our clients' default level was 3.7% of our accounts receivable. We did not record a provision for the years ended December 31, 2008, 2007 and 2006 because we considered the allowance for doubtful accounts not to be necessary, except for Tenda, taking into account that our financing with clients is mainly related to developments under construction and that deeds are not granted to the clients until after payment and/or negotiation of the clients' debt. In addition, our risk of loss is limited to the stage when we negotiate our agreements with our clients, after which it is substantially transferred to financial institutions. The allowance for doubtful accounts for Tenda totaled R$18.8 million on December 31, 2008 and is considered sufficient by our management to cover future losses on the realization of accounts receivable of this subsidiary.

Cash Flows

Operating activities

Net cash used in operating activities totaled to R$812.5 million in 2008 as compared to R$451.9 million in 2007 mainly due to the higher level of ongoing construction projects, the acquisition of land to support future launches and the increase of accounts receivable.

In 2007, there was a significant increase in the operating expenditures as compared to 2006 mainly due to the increased number of launches from 30 in 2006 to 53 in 2007, the acquisition of land to support future launches and the higher level of ongoing construction projects. As a result, net cash used in operating activities amounted to R$451.9 million in 2007 as compared to R$271.2 million in 2006.

Investment activities

Net cash used in investment activities, including the acquisition of property, equipment and new investments, was R$78.3 million, R$149.3 million and R$25.6 million in 2008, 2007 and 2006, respectively.

Our expenditure in 2008 was mainly related to investments in property and equipment in the amount of R$63.1 million, in subsidiaries in the amount of R$15.0 million and restricted cash for loan guarantees in the amount of R$67.1 million. Cash acquired along with Tenda's business combination totaled R$66.9 million.

Our expenditure in 2007 was related to the acquisition of investments in subsidiaries and property and equipment. The increase of our cash used in investments activities in 2007 was primarily due to the acquisition of (1) shares of Catalufa Participações Ltda., whose principal asset consisted of an investment in Alphaville; and (2) all shares held by Redevco do Brasil in the following jointly-controlled entities: Blue I SPE Planejamento, Promoção, Incorporação e Venda Ltda.; Blue II SPE Planejamento, Promoção, Incorporação e Venda Ltda.; Jardim I Planejamento, Promoção e Venda Ltda. and Sunplace SPE Ltda.

Our expenditure in 2006 was related to the acquisition of property, equipment and investments in certain subsidiaries.

Financing activities

Net cash provided by financing activities in 2008 totaled R$911.8 million, an increase of R$69.2 million, compared to the net cash provided by financing activities in 2007 of R$842.6 million. The cash provided in 2008 was mainly attributable to: (1) debt issuances in the amount of R$775.9 million, of which R$250 million was raised in June related to the first issuance of the third debenture program, and R$285.0 million was raised in September for working capital purposes; (2) contributions from venture partners in the amount of R$300 million, and (3) a capital increase of R$7.7 million. In addition, we paid R$145.7 million in loans and financing, mainly SFH and working capital loans and dividends of R$27.0 million.

In 2007, net cash provided by financing activities totaled R$842.6 million, a significant increase of 96.4% compared to R$429.1 million in 2006. The increase of our net cash provided by financing activities in 2007 is mainly due to the following: (1) a capital increase, net of stock issuance expenses, of R$476.2 million as a result of the initial public offering in the United States, completed on March 17, 2007 and (2) debt issuances in the amount of R$427.0 million, of which R$200 million was raised in November for working capital purposes. In addition, we paid R$51.7 million in loans and financings, mainly SFH and working capital loans and dividends of R$11.0 million.

In January 2008, we formed an unincorporated venture represented by 13,084,000 Class A quotas fully paid by us and 300,000,000 Class B quotas from our venture partner, of which R$300.0 million was subscribed by our venture partner. The venture, which will use these funds to acquire equity investments in real estate developments, has a term that ends on January 31, 2017 at which time we are required to fully redeem our venture partner's interest. The venture partner receives an annual dividend substantially equivalent to the variation in the Interbank Certificate of Deposit (CDI) rate. The venture's charter provides that we must comply with certain covenants in our capacity as lead partner, which include the maintenance of minimum net debt and receivables. We and the venture are currently in compliance with these covenants. The redemption of Class B quotas will start on January 31, 2012.

Pledged mortgage receivables and cash and cash equivalents

As of December 31, 2008, substantially all of our mortgage receivables totaling R$2.3 billion are pledged. In addition, R$111 million of our cash and cash equivalents are restricted as they have been pledged.

Capital Expenditures

In 2006, we invested R$21.6 million in property and equipment, primarily information technology equipment, expenditures incurred for the construction of sales stands, facilities, model apartments and related furnishings, and new office facilities in Rio de Janeiro and São Paulo to accommodate our recently created internal sales force.

In 2007, we invested R$61.3 million in property and equipment, primarily information technology equipment, software, expenses for the construction of sales stands, facilities, model apartments and related furnishings and new office facilities in Rio de Janeiro and in São Paulo. Our main investments during the period were construction of sales stands of R$37.0 million and the implementation of SAP that totaled R$7.5 million. In addition, investments in information technology equipment and software totaled R$1.5 million, and office facilities totaled R$2.3 million.

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

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

Indebtedness

When appropriate, we have incurred indebtedness within SFH, which offers lower interest rates than the private market. When our customers obtain a mortgage, we use the proceeds to amortize our SFH indebtedness. We intend to continue our strategy of maintaining low levels of debt comprised mainly of transactions within SFH or long-term transactions.

As of December 31, 2008 we had outstanding debt in the total amount of R$1,552.1 million, an increase of 123.2% as compared to December 31, 2007. Our indebtedness principally consists of: (1) the first issuance of the third debenture program of R$250.0 million; (2) working capital loans in the total amount of R$285.0 million; (3) other loans (mainly SFH) obtained throughout 2008 in the total amount of R$240.9 million; and (4) accrued interest in the amount of R$116.8 million, which was partially offset by a repayment of debts in the total amount of R$145.7 million, primarily related to SFH and working capital loans.

In order to mitigate interest rate and exchange rate volatility risks, we have entered into cross-currency interest rate swap contracts in the total amount of our fixed-rate loans denominated in foreign currency, which amounted to the notional amount of R$200.0 million as of December 31, 2008.

As of December 31, 2007 we had outstanding loans and financing in the total amount of R$695.4 million, an increase of 135.4% as compared to December 31, 2006. This increase was mainly due to: (1) working capital loans in the total amount of R$200.0 million; (2) other loans (mainly SFH and working capital loans) obtained throughout 2007 in the total amount of R$227.0 million; and (3) accrued interest in the amount of R$22.9 million, which was partially offset by a repayment of debts in the total amount of R$51.7 million, primarily related to SFH and working capital loans. See note 9 to our financial statements included elsewhere in this annual report.

The table below sets forth information on our loans, financing and debentures as of December 31, 2008:

		Maturity			
	Total	2009	2010	2011	2012 and thereafter
	(in thousands of reais)				
Debentures (1)	503,945	61,945	96,000	96,000	250,000
Working capital	662,535	283,044	153,315	152,073	74,103
Housing Finance System (SFH)	372,255	156,819	187,650	27,786	—
Other	13,386	7,640	4,056	1,690	—
Total	1,552,121	509,448	441,021	277,549	324,103

(1) Does not include the Tenda R$600 million debentures issued in May 2009.

In addition to the loans listed above, we received contributions from venture partners of R$300.0 million in 2008 which will be fully redeemed by us in 2014.

Debenture program

Our first debenture program was approved by and registered with the CVM on April 29, 2005. This enabled us to make public offerings of non-convertible debentures, secured on property and/or with guarantees subordinated to our general creditors. The offer of debentures through the program was limited to a maximum value of R$200 million.

On December 1, 2005, we issued R$112.5 million aggregate principal amount of debentures due December 1, 2010 under our first debenture program. This third issuance consisted of 11,250 nominal, non-convertible debentures with a face value of R$10,000 each and guaranteed by certain real estate credit rights held by us. The debentures provide for the payment of annual interest corresponding to 100% of the CDI rate, calculated from the date of issuance, plus a 2% annual spread. As of December 31, 2008, there was no outstanding balance under this second issuance.

On September 29, 2006, our second public offering of debentures was approved by the CVM. Under the second debenture program we can issue up to R$500.0 million in debentures that are not convertible into shares. The debentures are subordinated, and may be secured or unsecured.

We issued one series of debentures under the second debenture program for R$240.0 million aggregate principal amount due September 1, 2011. This is our fourth issuance which consists of 24,000 nominal, non-convertible debentures with a face value of R$10,000 each with subordinated guarantees. The debentures provide for the payment of annual interest corresponding to 100% of CDI rate, calculated from the date of issuance, plus a 1.3% annual spread (based on a 252 business-day year).

The first issuance under the second debenture program provides that the following indices and limits be calculated on a semi-annual basis by the trustee based on our consolidated financial statements, drawn-up according to Brazilian GAAP, that we file with the CVM: (1) total debt minus SFH debt minus cash does not exceed 75% of shareholders' equity; (2) total receivables plus post-completion inventory is equal to or greater than 2.0 times total debt; and (3) total debt minus available funds is less than R$1.0 billion, as adjusted for inflation, where:

- available funds is the sum of our cash, bank deposits and financial investments;
- SFH debt is the sum of all our loan agreements that arise from resources of the SFH;
- total receivables is the sum of our short and long-term "development and sale of properties" accounts, as provided in our financial statements;

- post-completion inventory is the total value of units already completed for sale, as provided on our balance sheet; and
- total debt is the sum of our outstanding debt, including loans and financing with third parties and fixed income securities, convertible or not, issued in local or international capital markets.

Our indenture under the debenture program contains various covenants including, among other things:

- limitations on our ability to incur debt;
- limitations on the existence of liens on our properties;
- limitations on transactions with related parties, which generally must be on terms no less favorable than those that could be obtained in a comparable arm's-length transaction; and
- maintenance of certain financial ratios calculated based on Brazilian GAAP.

As of the date of this annual report, we are not in compliance with these covenants. If we are not in compliance at the measurement date of June 30, 2009, we will be in default under the indenture and the amount due immediately would be $240 million, which is further described below.

In June 2008, the CVM approved our third debenture program under which we can issue up to R$1.0 billion in non-convertible debentures. The first issuance under the third debenture program consisted of 25,000 nominal, non-convertible debentures with a face value of R$10,000, which were issued in two series totaling R$250 million. The debentures provide for the payment of annual interest corresponding to 107.2% of the CDI rate, calculated from the subscription date, with a maturity of 10 years.

In April 2009, Tenda's first debenture program was approved, under which we received R$600 million in non-convertible debentures. The debentures provide for payment of annual interest at a spread of 8% + TR, calculated from the subscription date, with a maturity in five years.

Certain covenants contained in the agreements governing our debenture programs restrict our ability to take certain actions, including incurring additional debt and may require us to repay or refinance our indebtedness if we are unable to meet certain ratios. Our second and third debenture programs have cross default provisions whereby an event of default or prepayment of any other debt above R$5.0 million and R$10.0 million, respectively, could require us to prepay the indebtedness under the second or third debenture program. The ratios and minimum or maximum amounts generally required by those covenants and our performance against those minimum or maximum levels are summarized below:

	Actual	
	March 31, 2009	December 31, 2008
Second program - first issuance		
Total debt minus SFH debt minus cash does not exceed 75% of shareholders' equity	41%	35%
Total receivables plus post-completion inventory is equal to or greater than 2.0 times total debt	3.6	3.3
Total debt minus available funds is less than R$1.0 billion		

	R$1,061.9 million	R$946.6 million
Third program - first issuance		
Total debt minus SFH debt minus cash does not exceed 75% of shareholders' equity	41%	35%
Total receivables plus post-completion inventory is equal to or greater than 2.2 times total debt	5.4	5.5

We expect to comply with the covenants in the agreements governing our outstanding indebtedness which may limit our long-term growth prospects by hindering our ability to incur future indebtedness or grow through acquisitions. See "Item 3.D. Key Information—Risk Factors—Our level of indebtedness could have an adverse effect on our financial health, diminish our ability to raise additional capital to fund our operations and limit our ability to react to changes in the economy or the real estate industry."

As of the date of this annual report, our net debt level was in excess of the R$1.0 billion set forth in the covenants of our debentures issued in 2006 (our “Obligation to venture partners” balance is not considered to be part of debt for purposes of this covenant). We are currently not in breach of the covenant as it is only measured at June 30 and December 31 of each year. We are currently renegotiating an amendment to the covenant with the debenture holders, which may result in a higher interest rate. However, if at June 30, 2009 our net debt level remains in excess of that stipulated in the covenant and we are not able to amend the covenant or receive a waiver from debenture holders, the 2006 debentures could be accelerated and the amount due immediately would be R$240 million. If we fail to pay the 2006 debentures upon acceleration, other indebtedness in the amount of R$670 million may be accelerated and due immediately by us, which may have a material adverse effect on our financial position and results of operations.

Financing through the Housing Finance System (SFH)

Most of our financing is incurred directly or through our subsidiaries or jointly-controlled entities from the principal banks that operate within SFH. On December 31, 2008, the interest rates on these loans generally varied between 6.2% and 11.4% per annum, plus TR, and the loans generally mature through December 2010. This financing is secured by mortgages on property and by security interests on the receivables from clients. On December 31, 2008 we had 77 loan agreements in effect, with a balance of R$372.3 million. At the same date we also had R$1,128.2 million in aggregate principal amount of financing agreements with SFH, the funds of which will be released through the date of completion as construction of the corresponding developments progress.

Securitization Fund – FIDC

On March 31, 2009, we entered into a securitized receivables transaction, whereby we assigned a portfolio of select residential and commercial real estate receivables to “Gafisa FIDC” which issued senior and subordinated quotas. This first issuance of senior quotas was made through an offering restricted to qualified investors. Subordinated quotas, equivalent to 21% of the amount issued, were subscribed exclusively by Gafisa S.A. Gafisa FIDC acquired the present value of the portfolio based on an agreed discount rate. We provide Gafisa FIDC with administrative and accounting services including the reconciliation and analysis of receivables and collections and can be replaced by another collection agent in the event of non-fulfillment with contractual parameters. The senior and subordinated quotas are remunerated based on the IGP-M index plus interest of 12% per year. Because the subordinated quotas have a disproportional percentage of the expected losses, Gafisa FIDC was considered a variable interest entity and was fully consolidated in our financial statements as at March 31, 2009.

The receivables portfolio assigned totaled R$119.6 million of which we received the equivalent of the present value of R$88.7 million in cash. We consolidated receivables of R$88.7 million assigned to Gafisa FIDC in our financial statements at March 31, 2009 and recorded the mandatorily redeemable equity interest in the securitization fund of R$69.7 million as minority interests. The balance of our subordinated quotas was eliminated on consolidation.

Working Capital

We believe that our current working capital is sufficient for our present requirements and that our sources of funds from financing activities are sufficient to meet the financing of our activities and cover our need for funds for at least the next twelve months.

U.S. GAAP Reconciliation

We prepare our financial statements in accordance with Brazilian GAAP, which differs in significant respects from U.S. GAAP. Our net income, in accordance with Brazilian GAAP, was R$109.9 million, R$91.6 million and R$44.0

million, in 2008, 2007 and 2006, respectively. Under U.S. GAAP, we would have reported a net income of R$299.7 million, R$63.5 million and R$24.8 million, in 2008, 2007 and 2006, respectively.

Our shareholders’ equity, in accordance with Brazilian GAAP, was R$1,612.4 million as of December 31, 2008, R$1,498.7 million as of December 31, 2007 and R$807.4 million as of December 31, 2006. Under U.S. GAAP, we would have reported shareholders’ equity of R$1,723.1 million, R$1,441.9 million and R$795.3 million as of December 31, 2008, 2007 and 2006, respectively.

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The following items generated the most significant differences between Brazilian GAAP and U.S. GAAP in determining net income and shareholders' equity:

- revenue recognition;
- stock option plans;
- business combinations;
- effects of deferred taxes on the differences above; and
- minority interest.

For a discussion of the principal differences between Brazilian GAAP and U.S. GAAP as they relate to our financial statements and a reconciliation of net income and shareholders' equity see note 22 to our consolidated financial statements included elsewhere in this annual report and "Item 3.A. Key Information—Selected Financial Data."

New Accounting Pronouncements

Law No. 11,638/07 enacted on December 28, 2007 introduced changes to the Brazilian corporate law to be applied to financial statements in 2008. To ensure consistent presentation of our financial statements in prior periods, we have retroactively applied changes to Brazilian GAAP introduced by the newly formed CPC and the provisions of Law No. 11,638/07 from January 1, 2006 and have elected for tax purposes to adopt Provisional Measure No. 449/08, or "MP No. 449/08," which was converted into Law No. 11,941/09. As a result, there is no tax impact during 2006 and 2007 following retroactive adoption of these accounting policy changes. See note 2(a) to our financial statements included elsewhere in this annual report for this amendment and other reclassifications to our Brazilian GAAP financial statements.

We restated our Brazilian GAAP financial statements as of and for the years ended December 31, 2007 and 2006 when we adopted, beginning January 1, 2006, the changes introduced by Law 11,638/07 and the new accounting standards issued by the CPC in 2008. Brazilian GAAP encourages companies to make such restatements from the date the accounting changes were introduced in order to provide comparative information within the financial statements. See note 2(a) to our financial statements included elsewhere in this annual report for this amendment and other reclassifications to our Brazilian GAAP financial statements. However, selected financial information presented as of and for the years ended December 31, 2005 and 2004 has not been represented on the basis of the new accounting policies introduced in 2008, as the cost and time required to prepare such information would be prohibitive. As a result, such information is not comparative to the financial information reported herein as of and for the years ended December 31, 2008, 2007 and 2006.

Assets and liabilities

We adjust on a present value basis the assets and liabilities arising from long-term transactions. As set forth in CPC Interpretation No. 01, "Real Estate Development Entities," for inflation-indexed receivables arising from installment sales of unfinished units, the receivables generated prior to delivery of the units that does not accrue interest, were discounted to present value. The present value adjustment is accreted to our net operating revenue as the company finances its clients through delivery of the units. As interest from funds used to finance the acquisition of land for development and construction is capitalized, the accretion of the present value adjustment arising from the obligation is recorded in real estate development operating costs or against inventories of properties for sale, as the case may be, until the construction phase of the venture is completed.

Warranty provision

We record a provision for warranties, unless a third party provides warranties for the services rendered during construction. The warranty term is five years from the delivery of the unit.

Barter transactions

Under CPC Interpretation No. 01, for barter transactions of land in exchange for units, the value of land acquired by us is calculated based on the fair value of real estate units to be delivered, and recorded in inventories of properties for sale against liabilities for advances from clients, at the time the barter agreement is signed. The percentage-of-completion criteria adopted for appropriation of income is also applied to these transactions.

Expenditures on sales stands, facilities, model apartments and related furnishings

Expenditures incurred for the construction of sales stands, facilities, model apartments and related furnishings are capitalized as property and equipment. Depreciation commences upon launch of the development and is recorded over the average term of one year and subject to periodical analysis of asset impairment.

Stock options

We have executive stock compensation plans. Options, calculated at the grant date, must be recognized as an expense against shareholders' equity, over the period the services are rendered through the vesting date.

C. Research and Development, Patents and Licenses, etc.

We have a research and development department for new products, processes and methodologies focused on reducing the construction cycle. As of December 31, 2008, 2007 and 2006, we had 15, 12 and 9 employees engaged in research and development activities, respectively. Our research and development expenditures in 2008, 2007 and 2006 were immaterial.

D. Trend Information

Other than as disclosed elsewhere in this annual report including under "Item 3.D. Key Information—Risk Factors" and "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Brazilian Real Estate Sector," we are not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon our net sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information to not necessarily be indicative of future operating results or financial condition.

E. Off Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements or significant transactions with unconsolidated entities not reflected in our consolidated financial statements. All of our interests in and/or relationships with our subsidiaries or jointly-controlled entities are recorded in our consolidated financial statements.

F. Tabular Disclosure of Contractual Obligations

The table below presents the maturity of our significant contractual obligations as of December 31, 2008. The table does not include deferred income tax liability.

	Maturity Schedule				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
	(in thousands of R$)				
Loans and financing	1,048,176	447,503	526,570	74,103	—
Debentures	503,945	61,945	192,000	250,000	—
Interest (1)	288,086	115,111	140,963	32,012	—

Real estate development obligations (2)	2,465,963	1,499,317	966,646	—	—
Obligations for land purchase	392,762	280,209	59,953	52,600	—
Obligation to venture partners (3)	300,000	—	—	200,000	100,000
Credit assignments	67,552	46,844	20,708	—	—
Obligations from operating leases	31,475	5,651	8,763	7,747	9,314
Acquisition of investments	30,875	30,875	—	—	—
Other accounts payables	89,265	20,214	69,051	—	—
Total	5,218,099	2,507,669	1,984,654	616,462	109,314

(1) Estimated interest payments are determined using the interest rate at December 31, 2008. However, our long-term debt is subject to variable interest rates and inflation indices, and these estimated payments may differ significantly from payments actually made.

(2) Including obligations not reflected in the balance—CFC Resolution No. 963. Pursuant to Brazilian GAAP, and since the adoption of CFC Resolution No. 963, the total costs to be incurred on the units launched but not sold are not recorded on our balance sheet. As of December 31, 2008, the amount of "real estate development obligations" related to units launched but not sold was R$1,167.5 million.

(3) Obligation to venture partners accrues a minimum annual dividend equivalent to the variation in CDI, which is not included in the table above.

We have a commitment to purchase the remaining 40% of Alphaville's capital, not yet measurable and consequently not recorded, which will be based on a fair value appraisal of Alphaville prepared at the future acquisition dates. The acquisition agreement provides that we will purchase the remaining 40% of Alphaville by January 2012 (20% within three years from the acquisition date and the remaining 20% within five years from the acquisition date) in cash or shares, at our sole discretion.

We also made provisions for contingencies in relation to labor, tax and civil lawsuits in the amounts of R$17.6 million and R$36.0 million in current and non-current liabilities, respectively, as of December 31, 2008.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The table below shows the names, positions, and terms of office of the members of our board of directors:

Name	Age	Position	Election Date	Term of Office(1)
Gary R. Garrabrant(3)	52	Chairman	April 4, 2008	Annual Shareholders' General Meeting in 2010
Caio Racy Mattar(2)(3)	51	Director	April 4, 2008	Annual Shareholders' General Meeting in 2010
Richard L. Huber(2)(3)	72	Director	April 4, 2008	Annual Shareholders' General Meeting in 2010
Thomas J. McDonald(3)	44	Director	April 4, 2008	Annual Shareholders' General Meeting in 2010
Gerald Dinu Reiss (2)(3)	64	Director	April 14, 2008	Annual Shareholders' General Meeting in 2010
Jose Ecio Pereira da Costa Junior (2)(3)	57	Director	April 30, 2009	Annual Shareholders' General Meeting in 2010

(1) Under Brazilian corporate law, an annual shareholders' general meeting must take place within the first four months of the calendar year.

(2) Independent member pursuant to NYSE rules.

(3) Independent member pursuant to Brazilian Law. According to Brazilian Law, a director is considered independent when: (1) he/she has no relationship with the company, except for holding shares; (2) he/she is not a controlling shareholder, spouse or relative of the controlling shareholder, has not been in the past three years linked to any company or entity related to the controlling shareholder; (3) he/she has not been in the past three years an

employee nor an executive of the company, of the controlling shareholder or of any subsidiary of the company; (4) he/she is not a supplier or buyer, direct or indirect, of the company where the arrangement exceeds a certain amount; (5) he/she is not an employee or manager of any company which renders services to the company or which uses services or products from the company; (6) he/she is not a spouse or relative of any member of the company's management; and (7) he/she does not receive any compensation from the company, except for the compensation related to its position as a board member.

None of our directors is entitled to any severance compensation in the event of dismissal from office, except for unpaid portions related to prior years. Our directors are not subject to mandatory retirement due to age.

The following is a summary of the business experience and principal outside business interests of the current members of our board of directors.

Gary R. Garrabrant. Mr. Garrabrant is the chief executive officer and co-founder of Equity International and executive vice-president of Equity Group Investments, LLC (EGI), the privately held investment company founded and led by Sam Zell. Mr. Garrabrant joined EGI in 1996 and founded Equity International with Mr. Zell in 1999. Mr. Garrabrant is a director of Equity International, and is the former vice chairman and director of Homex and a former director of NH Hoteles (MSE:NHH). Previously, Mr. Garrabrant was involved in the creation of Capital Trust (NYSE:CT) where he served as vice chairman and director, and in the formation of Equity Office Properties Trust. Prior to joining EGI, he co-founded Genesis Realty Capital Management and was a managing director in the real estate investment banking division of Chemical Bank and in a similar role with The Bankers Trust Company. Mr. Garrabrant is a member of the University of Notre Dame's Mendoza College of Business Advisory Council and the Real Estate Advisory Board at

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Cambridge University. Mr. Garrabrant holds a bachelor's degree in finance from the University of Notre Dame and completed the Dartmouth Institute at Dartmouth College. He is currently the chairman of our board of directors, and his current term commenced on April 4, 2008. He is also a member of the Investment Committee and Compensation Committee. His business address is Two North Riverside Plaza, Suite 1700, Chicago, Illinois, 60606, United States.

Caio Racy Mattar. Mr. Mattar is currently the investment and construction officer of Companhia Brasileira de Distribuição (CBD- Pão de Açúcar Group). He is also a member of the board of directors of Sendas Distribuidora S.A. and Paramount Têxteis Indústrias e Comércio S.A. Mr. Mattar holds a bachelor's degree in civil engineering and a master's degree in business administration from the London Business School. He is currently a member of our board of directors, and his current term commenced on April 4, 2008. He is also a member of the Compensation Committee and Nomination and Corporate Governance Committee. His business address is Av. Nações Unidas No. 8,501, 19th floor 05425-070 - São Paulo, SP - Brazil.

Richard L. Huber. Mr. Huber is an investor in different companies from various segments, especially in South America. He is currently the chairman of Antarctic Shipping, a Chilean company that operates maritime cruises in the Antarctic, and a director of, and an investor in, Viña San Rafael in Chile, Covanta Energy Corporation, American Commercial Barge Line, and other companies in the United States. Mr. Huber holds a bachelor's degree in chemistry from Harvard University. He started his career as a trainee at First National Bank in 1959. He has worked for more than 40 years at Aetna Inc. in its financial area and as its chief executive officer and chairman, and left Aetna Inc. in 2000. He was also a member of the board of directors of many United States and Latin American companies. He is currently a member of our board of directors, and his current term commenced on April 4, 2008. He is also member of the Audit Committee and the Nomination and Corporate Governance Committee. His business address is 139 W. 78th Street, 10024, New York, New York, United States.

Thomas J. McDonald. Mr. McDonald is chief strategic officer of Equity International. Mr. McDonald has been associated with the Company since its inception in 1999. He is a director of several of Equity International's portfolio companies, including Gafisa (NYSE:GFA, BZ:GFSA3), Construtora Tenda (BZ:TEND3), BR Malls (BZ:BRML3), Parque Arauco (CI:PARAUCO), and AGV Logística. Prior to Equity International, Mr. McDonald was with Anixter International, a global provider of network infrastructure solutions and services. Prior to joining Anixter in 1992, Mr. McDonald was based in Mexico City with Quadrum S.A. de C.V., a Latin American finance company. Mr. McDonald holds a bachelor's degree in international relations and Spanish from the University of Notre Dame and a master's degree in business administration from the University of Chicago's Graduate School of Business. He is currently a member of our board of directors, and his current term commenced on April 4, 2008. He is also member of the Investment Committee, the Compensation Committee and the Nomination and Corporate Governance Committee. His business address is Two North Riverside Plaza, Suite 1700, Chicago, Illinois, 60606, United States.

Gerald Dinu Reiss. Mr. Reiss is the founder and the officer of the business consulting firm Reiss & Castanheira Consultoria e Empreendimentos Ltda. since 1987. He was the Planning and Controlling Officer of Grupo Ultra from 1980 to 1986 and member of its Executive Committee as of 1984. Professor of Business Planning of Escola de Administração de Empresas de São Paulo at Fundação Getulio Vargas from 1974 to 1986. Mr. Reiss was also a member of the Board of Directors of various Brazilian companies, as CAEMI, Petrobrás S.A., Petrobrás Distribuidora S.A, COMERC and Grupo Pão de Açúcar. Mr. Reiss holds a bachelor's degree in electric engineering from Escola Politécnica da Universidade de São Paulo and a PHD in Business Administration from California University, Berkeley, USA. He is currently a member of our board of directors, and his current term commenced on April 14, 2008. He is also member of the Audit Committee. His business address is Rua Cordeiro Galvão, 301, 05450-020 – São Paulo, SP – Brazil.

José Ecio Pereira da Costa Junior. Mr. Pereira is currently head of the Administrative Council of IBEF – PR Instituto Brasileiro dos Executivos de Finanças do Paraná. He started his auditing career in 1974 and became in 1986 partner of Arthur Andersen & Co. In June 2002 he was admitted as an audit partner at Deloitte Touche Tohmatsu in Brazil. Mr. Pereira is also the founder of the business consulting firm JEPereira Consultoria em Gestão de Negócios. Mr. Pereira holds a bachelor's degree in business administration from Fundação Getúlio Vargas and a bachelor's degree in accounting from Faculdade São Judas Tadeu. He is currently a member of our board of directors and the chairman of our Audit Committee, and his current term commenced on April 30, 2009. His business address is Av. República Argentina, 665, No. 906/907, 80240-210 – Curitiba, PR – Brazil.

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The table below shows the names, positions, and terms of office of our executive officers:

Name	Age	Position	Election Date	Term of Office
Wilson Amaral de Oliveira	56	Chief Executive Officer	December 22, 2006	December 31, 2009
Alceu Duilio Calciolari	46	Chief Financial Officer and Investor Relations Officer	December 22, 2006	December 31, 2009
Antônio Carlos Ferreira Rosa	37	Officer	December 22, 2006	December 31, 2009
Mário Rocha Neto	51	Officer	December 22, 2006	December 31, 2009
Odair Garcia Senra	62	Officer	December 22, 2006	December 31, 2009

None of our executive officers is entitled to any severance compensation in the event of dismissal from office, except the unpaid portions related to prior years. The business address of each of our executive officers is Av. Nações Unidas No. 8,501, 19th floor , 05425-070 - São Paulo, SP – Brazil.

The following is a summary of the business experience and principal outside business interests of the current members of our board of executive officers.

Wilson Amaral de Oliveira. Mr. Amaral is currently our chief executive officer, and his current term commenced in December 2006, and he is the president of the board of directors of Construtora Tenda S.A. He holds a bachelor’s degree in business administration from Fundação Getúlio Vargas and a marketing certificate from ESPM. Previously, he was a member of the board of directors and officer of Playcenter S.A., a member of the board of officers of Hopi Hari S.A. and of the fiscal council of Lojas Americanas S.A., an officer of Artex Ltda., as well as sales and marketing officer of Fundição Tupy S.A., Tupy Tubos e Conexões Ltda. and CLC Alimentos Ltda. He was also a member of the executive board of directors of Americanas.com S.A., Kuala Ltda. (successor of Artex Ltda.), Toalia S.A. and ABC Supermercados S.A. Mr. Amaral was also the managing partner of Finexia, country manager of DHL Worldwide Express do Brasil Ltda. and managing director of Tupi Perfis S.A.

Alceu Duilio Calciolari. Mr. Calciolari is currently our chief financial officer and investor relations officer, and his current term commenced in December 2006 and he is the vice president of the board of directors of Construtora Tenda S.A. He holds a bachelor’s degree in business administration from Faculdades Metropolitanas Unidas and a master’s degree in controllership from Pontifícia Universidade de São Paulo. Mr. Calciolari started his career as a trainee at ABN AMRO Real S.A. in 1978 and worked as an auditor, from 1983 to 1996, at Arthur Andersen LLP. He was also chief finance officer at Tupy S.A., from 1996 to 1998, and ALL—America Latina Logística S.A., from 1998 to 2000. Mr. Calciolari has been our chief financial officer since 2000.

Antônio Carlos Ferreira Rosa. Mr. Rosa is currently our executive officer responsible for new developments, and his current term commenced in December 2006. He holds a bachelor’s degree in civil engineering from Universidade de São Paulo. He joined Gafisa in 1995 as an intern, holding several positions, including construction manager and development manager.

Mário Rocha Neto. Mr. Rocha Neto is currently our operations executive officer, and his current term commenced in December 2006. He holds a bachelor’s degree in civil engineering from the Polytechnical School of the Universidade de São Paulo. Mr. Rocha Neto joined the former Gomes de Almeida in 1978 as an intern. He was also a member of the management of Y. Takaoka Empreendimentos S.A. and, from 2003 to 2004, a member of the São Paulo Construction Union.

Odair Garcia Senra. Mr. Garcia Senra is currently our executive officer responsible for institutional relations, and his current term commenced in December 2006. He holds a bachelor's degree in civil engineering from the civil engineering school of Mauá. Mr. Garcia Senra joined the former Gomes de Almeida in 1970 as an intern, and he has worked as a construction engineer, a construction manager and a construction officer. He was also a professor at the Civil Engineering School of Mauá in 1972, and officer of Secovi—Sindicato de Compra e Venda de Imóveis in São Paulo.

Our Relationship with our Executive Officers and Directors

As of December 31, 2008, there were no contracts of any type or any other material agreements entered into by us with the members of our board of directors and our board of officers. As of December 31, 2008, our board of officers in the aggregate held 0.99% of our share capital and our board of directors in the aggregate held less than a 1% direct or indirect interest in our share capital. Also, as of December 31, 2008, some of our executive officers held interests in our subsidiaries as partners, minority shareholders, and/or directors and executive officers. In none of these cases, as of the referenced date, were the interests held material. In addition, there is no family relationship among our executive officers, directors or controlling shareholders, if any.

B. Compensation

Under Brazilian corporate law, the company's shareholders are responsible for establishing the aggregate amount paid to members of the board of directors, the board of officers and the members of the fiscal council, when installed. Once the shareholders establish an aggregate amount of compensation, the members of the board of directors are then responsible for setting individual compensation levels.

In 2006, the aggregate compensation of the members of our board of directors and our consulting committees totaled R$800 thousand. For 2007, the aggregate compensation of the members of our board of directors and our consulting committees totaled R$867 thousand. For 2008, the aggregate compensation of the members of our board of directors and our consulting committees totaled R$916 thousand.

For each of 2006, 2007 and 2008, the aggregate compensation we paid to our executive officers totaled R$4.6 million, R$4.6 million and R$4.1 million, respectively. 50% of our employee compensation is determined based on the attainment of certain corporate goals.

For 2009, the shareholders have established R$7.8 million as the aggregate compensation to be paid to members of the board of directors, the board of officers and the committees.

C. Board Practices

General Information

We are managed by a board of directors consisting of at least five and a maximum of seven directors and a board of officers consisting of at least two and a maximum of seven officers. Our directors are elected for a two-year term and our executive officers are elected for a three-year term. Reelection of officers and directors is permitted. We also have a fiscal council, which is currently not installed as a permanent body, an investment committee, an audit committee, a compensation committee, a nominating and corporate governance committee, a finance committee, and ethics committee. See "Item 6.A. Directors and Senior Management."

Board of Directors

Our board of directors is our decision-making body responsible for formulating general guidelines and policies for our business, including our long term strategies. Among other things, our board of directors is responsible for appointing and supervising our executive officers.

Our board of directors meets at least once every quarter and at any other times when a meeting is called by its chairman or by at least two other members. The decisions of our board of directors are taken by the majority vote of its members. In the event of a tie vote, the chairman of our board of directors has, in addition to his personal vote, the right to cast a tie-breaking vote. In addition, pursuant to Brazilian corporate law, a member of our board of directors is prevented from voting in any shareholders' or board of directors' meeting, or from acting in any business or transaction, in which he may have a conflict of interest with our company.

Under Brazilian corporate law, a company's board of directors must have at least three members, and each of the members of the board of directors must be a shareholder of the company, although there is no requirement as to the minimum number of shares that an individual must hold in order to serve as a director. Our bylaws provide for a board of directors of at least five and a maximum seven members, from which at least 20% shall be independent members, as determined by the Listing Rules of the Novo Mercado. Our directors are elected at our annual general shareholders' meeting for a two-year term of office, with reelection permitted, and are subject to removal at any time by our shareholders at a shareholders' general meeting. Although the Listing Rules of the Novo Mercado require, in a board of directors that has six members, only one member needs to be an independent director, our current board of directors has four independent members.

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Paragraph 4 of Article 141 of Brazilian corporate law provides that shareholders with at least 10% of a company's total voting capital stock may request the adoption of the multiple voting procedure for the election of the board of directors, even where there is no provision for this in the company's bylaws. The multiple voting procedure grants each share as many votes as the number of board members, and allows shareholders to allocate either all of their votes to a single candidate or to distribute their votes among several candidates.

All the voting proceedings discussed in the previous paragraphs currently apply to our company.

As prescribed by CVM Instruction No. 282, of June 26, 1998, the minimum voting capital percentage required for the adoption of the multiple voting procedure in publicly-held companies may be reduced as a result of the amount of its capital stock. This minimum percentage may vary from 5% to 10% depending on the amount of our capital stock, as prescribed in the aforementioned CVM instruction. Based on the current amount of our capital stock, shareholders representing 5% of our total capital stock may request the adoption of the multiple voting procedure in order to elect the members to our board of directors. If the adoption of the multiple voting procedure is not requested, directors are elected by a majority vote of our shareholders, and such shareholders who, individually or collectively, represent at least 10% of our shares, are entitled to appoint, in a separate vote, a director and its alternate.

The Listing Rules of the Novo Mercado also provide that all members of our board of directors and our board of officers must comply, by means of the execution of a management compliance statement, with obligations set forth under the Novo Mercado Listing Agreement, the Market Arbitration Chamber Rules and the Listing Rules of the Novo Mercado, including, but not limited, to: (1) any shareholder that becomes our controlling shareholder, or becomes part of our controlling group, must comply, by means of executing of the controlling shareholder compliance statement, with the obligations set forth under the Novo Mercado Listing Agreement, the Market Arbitration Chamber Rules and the Listing Rules of the Novo Mercado; (2) any indirect controlling shareholder of our company must fully comply with the obligations established in the Novo Mercado Listing Agreement, the Market Arbitration Chamber Rules, the Listing Rules of the Novo Mercado, Brazilian corporate law, Brazilian Securities Regulations and our bylaws; (3) use best efforts to ensure that our shares are widely held through public share offerings; (4) re-establish the minimum percentage of outstanding floating stock; (5) inform BOVESPA with respect to the trading of the securities held by our controlling shareholders; (6) comply with the rules imposed on our directors in the event our public company registration with the CVM is cancelled; and (7) comply with rules and regulations applicable in the event of the delisting of our company from the Novo Mercado.

Board of Officers

Under Brazilian corporate law, a company's board of officers must have at least two members, and each of such members must be a resident in Brazil but is not required to be a shareholder of the company. Furthermore, no more than one-third of our directors may serve as members of our board of officers at any given time.

The members of our board of officers are our legal representatives and are primarily responsible for managing our day-to-day operations and implementing the general policies and guidelines set forth in our shareholders' general meetings and by our board of directors. Our bylaws require that our board of officers be composed of at least two members and a maximum of eight members. The members of our board of officers are appointed by our board of directors for three-year terms, and may be reelected or removed by our board of directors at any time. Our bylaws and our board of directors determine the role of our executive officers. Currently our executive officers are made up of a chief executive officer, a chief financial and investor relations officer and three other executive officers without a specific designation.

The chief executive officer submits to the board of directors for their approval the business plan, annual budget, investment plans and new expansion plans for Gafisa and our subsidiaries. The chief executive officer enacts these plans and develops our strategy and operational plan, including the manner in which we will execute the resolutions approved at the shareholders' meeting and by the board of directors. Together with the other officers, he also supervises and coordinates our activities. The officer in charge of investor relations supplies our financial information to investors, the CVM and the BOVESPA and is also responsible for keeping an updated register based on the applicable regulations.

Audit Committee

Our directors have established an Audit Committee that convenes as often as it determines is appropriate to carry out its responsibilities, but at least quarterly. The Audit Committee is currently comprised of Jose Ecio Pereira da Costa

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Junior, Richard L. Huber and Gerald Dinu Reiss, each of whom is a director of our company. Our board of directors has determined that Jose Ecio Pereira da Costa Junior, Richard L. Huber and Gerald Dinu Reiss are each independent as set forth in the NYSE Listed Companies Manual as well as being independent for the purpose of Rule 10A-3 of the Securities Exchange Act and our Audit Committee fulfills the other requirements of Rule 10A-3 of the SEC and NYSE Rule 303A. Our board of directors has determined that Jose Ecio Pereira da Costa Junior is an audit committee financial expert within the meaning of the regulations promulgated by the Securities and Exchange Commission.

This committee has responsibility for planning and reviewing our annual and quarterly reports and accounts with the involvement of our auditors in that process, focusing particularly on compliance with legal requirements and accounting standards, and ensuring that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving our annual and quarterly reports and accounts remains with our directors.

Fiscal Council

Under Brazilian corporate law, the fiscal council is a corporate body independent from the management of the company and its external auditors. The fiscal council may act either as a permanent or non-permanent body and whenever installed, must consist of no less than three and no more than five members. The primary responsibility of the fiscal council is to review management's activities and the company's financial statements and to report its findings to the shareholders of the company. The fiscal council is not equivalent to an audit committee as contemplated by the Securities Exchange Act, as amended. According to CVM Resolution No. 324/00 and taking into consideration our corporate capital, our fiscal council, a non-permanent body, must be established at a shareholders' general meeting upon the request of shareholders representing at least 2% of the shares with voting rights, and its members shall remain in office until the annual general shareholders' meeting of the year following their election. Each member of the fiscal council is entitled to receive compensation in an amount equal to at least 10% of the average amount paid to each executive officer (excluding benefits and profit sharing).

Individuals who are also employees or members of the administrative bodies of our company, of companies controlled by us, or of companies forming a group of companies with us (pursuant to Chapter XXI of Law No. 6,404/76), as well as spouses or relatives of our management, cannot serve on the fiscal council.

Our by-laws provide for a non-permanent fiscal council composed of three members, which can be formed and have its members elected at the shareholders' general meeting, as requested by the shareholders, in the events set forth by Brazilian corporate law. After the fiscal council is formed, its members would remain in office until the annual general shareholders' meeting of the year following their election. When in operation, our fiscal council consists of three members, and its compensation is set at the shareholders' general meeting that elects them.

Currently, we do not have a fiscal council in operation and therefore no member has been appointed. We have established an audit committee. See "Item 6.C. Director, Senior Management and Employees—Board Practices—Audit Committee."

Investment Committee

The investment committee is composed of the chairman of our board of directors, our chief executive officer and another member of our board of directors. Our investment committee is a non-permanent body and its duties are to: (1) analyze, discuss and recommend land acquisitions and new real estate developments; (2) advise our executive officers during the negotiation of new deals and the structuring of new developments; (3) supervise the beginning of new projects and their related cash flows; and (4) in special cases, assist in the negotiation and structuring of new types of business. Each decision by our investment committee to acquire land is made by ensuring that the investment meets the minimum return threshold set by us and comparing it with other potential investments. Such decision is made independent of the geographical location of the investment in order to maximize return on our capital allocation as a whole.

Currently, our investment committee is in operation and is comprised of Messrs. Gary R. Garrabrant, Wilson Amaral de Oliveira and Thomas J. McDonald.

Compensation Committee

Our directors have established a Compensation Committee composed of three members; currently, they are Gary R. Garrabrant, Caio Racy Mattar and Thomas J. McDonald. This committee reviews and makes recommendations to our directors regarding its compensation policies and all forms of compensation to be provided to our executive officers and other employees.

Nominating and Corporate Governance Committee

Our directors have established a Nominating and Corporate Governance Committee composed of three members; currently, they are Thomas J. McDonald, Richard L. Huber and Caio Racy Mattar. This committee considers and periodically reports on matters relating to the size, identification, selection and qualification of the board of directors, executive officers and candidates nominated for the board of directors and its committees; and develops and recommends governance principles applicable to us.

Finance Committee

Our directors have established a Finance Committee composed of three members; currently, they are Wilson Amaral de Oliveira, our Chief Executive Officer, Alceu Duilio Calciolari, our Chief Financial Officer and Investor Relations Officer and Fernando Cesar Calamita, our Planning and Controlling Officer. This committee evaluates and makes periodic recommendations to our board of directors regarding risk and financial investments policies.

Summary of Significant Differences of Corporate Governance Practices

NYSE Corporate Governance Rules provide that we are required to disclose any significant differences on our corporate governance practices from those required to be followed by U.S. companies under NYSE listing standard. We have summarized these significant differences below.

We are permitted to follow practice in Brazil in lieu of the provisions of the NYSE Corporate Governance Rules, except that we will be required to have a qualifying audit committee under Section 303A.06 of the Rules, or avail ourselves of an appropriate exemption. In addition, Section 303A.12(b) provides that our chief executive officer is obligated to promptly notify the NYSE in writing after any of our executive officers becomes aware of any material non-compliance with any applicable provisions of the NYSE Corporate Governance Rules.

Majority of Independent Directors

NYSE Rule 303A.01 provides that each NYSE-listed company must have a majority of independent directors. According to the Novo Mercado listing rules and our by-laws, we are required to have at least 20% of our board of directors represented by independent directors. Notwithstanding this, the majority of our board members qualify as independent directors under NYSE rules.

Separate Meetings of Non-Management Directors

NYSE Rule 303A.03 provides that the non-management directors of each NYSE-listed company must meet at regularly scheduled executive sessions without management. According to Brazilian corporate law, up to one-third of the members of the board of directors can also hold management positions. The remaining non-management board members are not expressly empowered to serve as a check on management and there is no requirement that those board members meet regularly without management. Notwithstanding the foregoing, our board of directors consists entirely of non-management directors and as such we believe we are in compliance with the NYSE Rule 303A.03.

Nominating and Corporate Governance Committee

NYSE Rule 303A.04 provides that each U.S. listed company must have a nominating/corporate governance committee composed entirely of independent directors. We are not required to have such a committee under Brazilian law. However, our board of directors formed such a committee to consider and periodically report on matters relating to the size, identification, selection and qualification of the board of directors and candidates nominated for the board of directors and its committees; and develop and recommend governance principles applicable to us. With respect to compensation, under Brazilian corporate law, the shareholders determine the total or individual compensation of our board members and

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executive officers, including benefits and allowances, at a general shareholders' meeting. If the shareholders only determine the total compensation, it is incumbent upon the board of directors to establish the individual amounts. See "Item 6.B. Directors, Senior Management and Employees—Compensation."

Compensation Committee

NYSE Rule 303A.05 provides that each U.S. listed company must have a compensation committee composed entirely of independent directors. We are not required to have such a committee under Brazilian law. However, our board of directors formed such a committee to review and make recommendations to our directors regarding its compensation policies and all forms of compensation to be provided to our executive officers and other employees.

Audit Committee

NYSE Rule 303A.06 and the requirements of Rule 10A-3 of the SEC provide that each U.S. listed company is required to have an audit committee consisting entirely of independent members that comply with the requirements of Rule 10A-3. In addition, the audit committee must have a written charter compliant with the requirements of NYSE Rule 303.A.07(c), have an internal audit function and otherwise fulfill all other requirements of the NYSE and Rule 10A-3. The SEC recognized that due to the local legislation for foreign private issuers, some of the functions of the audit committee could be subordinated by local laws to our other bodies.

Although we are not required under Brazilian law to have an audit committee, we formed such a committee, which complies with NYSE Rule 303A.06 and the requirements of Rule 10A-3 of the SEC, with the following responsibilities:

- Pre-approve services to be provided by our independent auditor;
- Choose and oversee the work of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing any other service;
- Review auditor independence issues and rotation policy;
- Supervise the appointment of our independent auditors;
- Discuss with management and auditors major audit issues;
- Review financial statements prior to their publication, including the related notes, management's report and auditor's opinion;
- Review our annual report and financial statements;
- Provide recommendations to the board on the audit committee's policies and practices;
- Review recommendations given by our independent auditor and internal audits and management's responses;
- Evaluate the performance, responsibilities, budget and staffing of our internal audit function and review the internal audit plan;
- Provide recommendations on the audit committee's bylaws; and

- Review our Code of Business Conduct and Ethics and the procedures for monitoring compliance with it.

Equity Compensation Plans

NYSE Rule 303A.08 provides that shareholders must be given the opportunity to vote on all equity compensation plans and material revisions thereto, with certain limited exemptions as described in the rule. Under Brazilian corporate law, shareholder pre-approval is required for the adoption of equity compensation plans and any material revision thereto.

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Corporate Governance Guidelines

NYSE Rule 303A.09 provides that each U.S. listed company must adopt and disclose their corporate governance guidelines. We do not have a similar requirement under Brazilian law. However, we have listed our common shares on the Novo Mercado (New Market) of the São Paulo Stock Exchange, which requires adherence to the corporate governance standards of that Exchange specified under "Item 10.B. Additional— Memorandum and Bylaws." In addition, we have adopted a written policy of trading of securities and disclosure matters.

Code of Business Conduct and Ethics

NYSE Rule 303A.10 provides that each U.S. listed company must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers. On July 10, 2007 we have adopted a Code of Business Conduct and Ethics that applies to our chief executive officer, chief financial officer, principal accounting officer and persons performing similar functions, as well as to our directors, other officers and employees. See "Item 16B. Code of Business Conduct and Ethics."

D. Employees

As of December 31, 2008, we had 3,916 employees, 2,778 in the State of São Paulo and 1,138 in the State of Rio de Janeiro. The table below shows the number of employees for the periods presented:

Period	Operations	Administration & Finance	Business Development	Sales	Other	Total
2008	3,665	115	72	17	47	3,916
2007	642	78	73	14	66	873
2006	337	76	60	14	43	530

Our administrative employees carry out management, accounting, IT, development, sale, legal and construction activities, in addition to negotiating with suppliers. Our construction site employees focus on management and oversight of our construction workers, a majority of whom is outsourced. The outsourced employees are hired by the contractors to carry out various tasks on the construction sites. Currently, we estimate that approximately 4,838 outsourced professionals are providing services to us. There are 3,052 in the State of São Paulo and 1,786 in the State of Rio de Janeiro.

We offer training programs to our employees, subcontractors and outsourced employees. All of our professionals involved in the construction of our developments are trained prior to the commencement of their work and are supervised directly by our engineers.

The majority of our employees and outsourced professionals of the State of São Paulo are enrolled with the Civil Construction Industries Workers' Union (SINTRACON). As a rule, the Civil Construction of Large Building Industry in the State of São Paulo (SINDUSCON-SP) annually negotiates with SINTRACON collective bargaining agreements applicable to our employees. The most recent collective bargaining agreement for our employees and outsourced professionals in the State of São Paulo was signed in May 2009, establishing a salary adjustment of 6.7% as of May 2009. This collective bargaining agreement became effective on May 2009 and will expire on April 30, 2010. The majority of our employees and outsourced professionals of the State of Rio de Janeiro are members of the Civil Construction, Tiles, Cement, Marble and Granite Products, Road Construction, Paving, and Land Moving and Industrial Maintenance and Assembly Industries' Workers Union of the Rio de Janeiro Municipality (SINTRACONST-RIO). As a rule, the Civil Construction of Large Building Industry in the State of Rio de Janeiro

(SINDUSCON-RIO) annually negotiates with SINTRACONST-RIO the collective bargaining agreements applicable to our employees. The most recent collective bargaining agreement for our employees and outsourced professionals in the State of Rio de Janeiro was signed in March 2009, establishing a salary adjustment of 7.5% as of March 2009. This collective bargaining agreement became effective in March 2009 and will expire in February 2010. We believe our relations with our employees and unions are good. Over the last three years, we have not experienced any work stoppage or collective claims proposed by the unions.

The benefits we offer to our permanent employees include life insurance, dental plan, health insurance, medical assistance plan, meal reimbursements and profit sharing.

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Health and Safety

We are committed to preventing work-related accidents and diseases. Accordingly, we maintain an environmental risk prevention program which seeks to maintain and enhance the health and physical conditions of our employees, by anticipating, recognizing, evaluating and controlling any existing or potential environmental risks in the workplace. In addition, we have an internal committee for the avoidance of accidents, which seeks to prevent diseases and accidents from occurring in the workplace. We make significant investments in this area, providing frequent training programs for both our construction employees and our subcontractors' employees, and we require our subcontractors to follow strict guidelines.

E. Share Ownership

As of the date of this annual report, our directors and executive officers do not hold, on an aggregate basis, any direct or indirect interest of greater than 1.0% of our total share capital or of the share capital of any of our subsidiaries or jointly-controlled entities. Also, as of December 31, 2008, some of our executive officers held interests in our subsidiaries and jointly-controlled entities as partners, minority shareholders, and/or directors and executive officers. In none of these cases, as of the date of this annual report, were the interests held material.

The table below sets forth the number of our total shares beneficially owned by each of our directors and executive officers as of the date of this annual report:

Name	Position	Number of Shares Owned
Thomas J. McDonald	Director	20,001
Gary R. Garrabrant	Director	50,395
Caio Racy Mattar	Director	1
Richard L. Huber	Director	16,217
Gerald Dinu Reiss	Director	1
Jose Ecio Pereira da Costa Junior	Director	1
Wilson Amaral De Oliveira	Chief Executive Officer	235,000
Alceu Duilio Calciolari	Chief Financial Officer and Investor Relations Officer	347,920
Odair Garcia Senra	Officer	363,733
Antonio Carlos Ferreira Rosa	Officer	88,738
Mario Rocha Neto	Officer	202,399
Total		1,324,406

Stock Option Plans

Our stock option plans seek to: (1) encourage our expansion and success by allowing our directors, executive officers and senior employees to acquire shares of our capital stock in order to encourage their integration with the company; (2) allow us to obtain and retain the services of directors, executive officers and senior employees by offering them the additional benefit of becoming one of our shareholders; and (3) align the interests of our directors, executive officers and senior employees with the interests of our shareholders.

We entered into individual agreements with our employees, directors and executive officers, under which they are entitled to purchase shares of our capital stock pursuant to the terms and conditions of the stock option plans and the specific conditions set forth in their agreements.

Stock Option Plan – 2000 to 2002

In 2002, our shareholders ratified the terms and conditions of our stock option plan. A standard stock option plan to grant subscription rights related to our preferred shares was approved by our board of directors at a meeting held on April 3, 2000. As a result of our entry in the Novo Mercado segment of the BOVESPA, our preferred shares were converted into common shares, and therefore all stock options relating to this stock option plan currently grant subscription rights related to our common shares.

As of the date of this annual report, options to purchase 2,145,000 shares of our common shares have been issued to employees, directors and executive officers pursuant to this stock option plan agreement. Of these shares, 1,958,700 shares have been acquired or expired pursuant to such agreements.

Stock Option Plan – 2006

In view of our entry in the Novo Mercado segment of the BOVESPA, and in order to protect the rights of the beneficiaries of the existing stock option plan, we decided to maintain the existing stock option plan. In addition, on February 3, 2006, our shareholders approved a new stock option plan. Under the 2006 stock option plan, our board of directors may release further programs on a regular basis of options to purchase up to 5% of the total outstanding shares of our company, as set forth in the 2006 stock option plan. Such new programs would grant our managers and senior employees the right to subscribe and/or acquire our shares for a set price, under terms and conditions laid down in stock option plan agreements entered into with each participant.

As of the date of this annual report, options to purchase 6,065,040 shares of our common shares have been issued to employees, directors and executive officers pursuant to this stock option plan agreement. Of these shares, 433,095 shares have been acquired or expired pursuant to such agreements.

Stock Option Plan – 2008

We approved a new stock option plan on June 18, 2008 during a special shareholders' general meeting. Under the new stock option plan, our board of directors may create additional programs on a regular basis for options to purchase up to 5% of the total outstanding shares of our company, as set forth in the 2008 stock option plan.

Under this new stock option plan, the board of directors may grant different types of options to certain beneficiaries, or "B options," for the exercise price of R$0.01. The exercise of B options, if granted, is subject to the proportional exercise of the regular options granted under this 2008 plan, according to the terms and conditions set forth in each program, and to lapse two years from the grant date.

As of the date of this annual report, options to purchase 151,189 shares of our common shares have been issued to employees, directors and executive officers pursuant to this stock option plan agreement. The options granted included 108,489 B options. Of the total options granted, 42,700 have been acquired or expired pursuant to such agreements.

Issuance	Number of Stock Options Issued	Number of Stock Options Outstanding (Not Expired or exercised)	Exercise Price per Stock Option	Expiration
April 2000	1,050,000	—	R$2.09	April 2009
April 2001	795,000	132,300	R$2.43	April 2010
April 2002	300,000	54,000	R$4.75	April 2011
February 2006	1,020,040	861,092	R$18.50	February 2014
February 2006	1,500,000	1,240,800	R$5.01	February 2014
February 2007	1,525,000	1,510,053	R$30.58	February 2015
May 2008	2,020,000	2,020,000	R$31.81	May 2016
June 2008	151,189	108,489	R$31.81	May 2011

(Exercise prices are adjusted according to the dividends paid and the IGP M inflation index plus an annual interest rate of 3% to 6%.)

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ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information relating to the ownership of our common shares as of the date of this report, by each holder of 5.0% or more of our common shares and all of our directors and officers as a group, as well as common shares held in treasury. Each holder of common shares has the same rights.

Shareholders	Shares	%
EIP Brazil Holdings, LLC (1) (2)	18,229,607	13.7
Marsico Capital	13,636,367	10.2
Morgan Stanley (4)	12,076,326	9.1
FMR LLC (Fidelity) (3)	7,806,682	5.9
EI Fund IV Pronto, LLC (1) (2)	6,600,000	4.9
Directors and officers (5)	1,324,406	1.0
Other shareholders	70,569,958	52.9
Treasury shares	3,124,972	2.3
Total	133,368,318	100.0

(1) Affiliate of Equity International.

(2) Based on information filed jointly by EIP Brazil Holdings, LLC (“EIP Brazil”), EI Fund II, LP (“EI Fund II”), EI Fund II GP, LLC (“EI Fund II GP”), EI Fund IV Pronto, LLC (“EI Pronto”), EI Fund IV, LP (“EI Fund IV”), EI Fund IV GP, LLC (“EI Fund IV GP”) and Equity International, LLC (“EI”) with the SEC on October 21, 2008. 18,229,607 common shares are owned directly by EIP Brazil. EIP Brazil is wholly owned by EGB Holdings, LLC, which is owned 99.9% by EI Fund II. EI Fund II GP is the general partner of EI Fund II. EI Fund II and EI Fund II GP may be deemed to have beneficial ownership of the shares owned directly by EIP Brazil. 3,300,000 ADSs representing 6,600,000 common shares are owned directly by EI Pronto. EI Pronto is wholly owned by EI Fund IV and EI Fund IV GP is the general partner of EI Fund IV. EI Fund IV and EI Fund IV GP may be deemed to have beneficial ownership of the shares owned directly by EI Pronto. Each of EI Fund II GP and EI Fund IV GP is indirectly wholly owned by EI and EI may be deemed to have beneficial ownership of the shares owned directly by EIP Brazil and EI Pronto.

(3) Based on information filed by FMR LLC with the SEC on February 17, 2009. Fidelity Management & Research Company, a wholly-owned subsidiary of FMR LLC and an investment adviser registered under Section 203 of the Investment Advisers Act of 1940, is the beneficial owner of 7,804,590 common shares as a result of acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940.

(4) Based on information filed jointly by Morgan Stanley and Morgan Stanley Investment Management Inc. with the SEC on February 17, 2009. The securities being reported on by Morgan Stanley as a parent holding company are owned, or may be deemed to be beneficially owned, by Morgan Stanley Investment Management Inc., an investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E) of the Securities Exchange Act, as amended. Morgan Stanley Investment Management Inc. is a wholly-owned subsidiary of Morgan Stanley.

(5) Does not include shares that may be purchased pursuant to outstanding stock option plans except for shares subject to options that are currently exercisable or exercisable within 60 days of the date of this annual report.

Approximately 49% of our total common shares outstanding are held by investors in Brazil. We are not aware of any shareholders' agreement currently in force with our main shareholder.

B. Related Party Transactions

Other than arrangements which are described in "Item 6.A. Directors, Senior Management and Employees— Directors and Senior Management— Our Relationship with our Executive Officers and Directors" and the transaction described below, since January 1, 2006, there has not been, and there is not currently proposed, any material transaction or series of similar transactions to which we were or will be a party in which any director, executive officer, holder of 5% of our capital stock or any member of their immediate family had or will have a direct or indirect interest.

Under Brazilian corporate law, our directors and executive officers cannot vote on any matter in which they have a conflict of interest and such transactions can only be approved on reasonable and fair terms and under conditions that are no more favorable than the terms and conditions prevailing in the market or offered by third parties.

We participate in the development of real estate ventures with other partners, directly or through related parties, based on the constitutive documents of condominiums and/or consortia. The management structure of these enterprises and the cash management are centralized in the lead partner of the enterprise, which manages the construction schedule and budgets. Thus, the lead partner ensures that the investments of the necessary funds are made and allocated as planned. The sources and uses of resources of the venture are reflected in the balance sheet of the ventures, reflecting the respective participation percentages of the partners, which are not subject to inflation adjustments or financial charges and do not have a predetermined maturity date. The average term for the development and completion of the projects in which the resources are invested is between 24 and 30 months. As of December 31, 2008, 2007 and 2006, we had current accounts receivable related to real estate ventures of R$60.5 million, R$17.9 million and R$47.3 million, respectively.

As of and for the years ended December 31, 2006, 2007 and 2008, we have not entered into any loan or other type of financing agreement with our directors or executive officers.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

For our consolidated financial statements and notes thereto see "Item 18. Financial Statements."

Legal Proceedings

We are currently party to several legal and administrative proceedings arising from the normal course of our business, principally relating to civil, environmental, tax and labor claims. We establish provisions in our balance sheets relating to potential losses from litigation based on estimates of probable losses. Brazilian GAAP requires us to establish provisions in connection with probable losses and we record a provision when, in the opinion of our management, we feel that an adverse outcome in a litigation is probable and a loss can be estimated. The determination of the amounts provisioned is based on the amounts involved in the claims and the opinion of our management.

Civil Claims

As of December 31, 2008, we were a party to 581 civil actions, totaling R$192.7 million. Of these actions, we were the plaintiff in 261 actions and the defendant in 1,664 actions, with aggregate amounts of R$32.2 million and R$237.9 million, respectively. For three of the claims where we are the defendant, the plaintiffs are seeking an aggregate amount of R$48.0 million. As of December 31, 2008, we have filed defenses to these claims. While we believe these claims are unfounded, we are of the view that the likelihood of loss is possible. In two of the three claims, our liability is limited because there are three other defendants. The third claim involves an amount of R$28.0 million of the proceeds from our Brazilian initial public offering that was withheld in an escrow deposit attached by court order to guarantee a writ of execution.

Most of these civil claims involve ordinary course matters relating to the development of our properties, including annulment of contractual clauses, termination of agreements with the reimbursement of the amounts paid and indemnification for labor accidents.

As of December 31, 2008, the provision for our civil claims amounted to R$27.8 million.

Environmental Claims

On August 27, 2004, the Federal Public Prosecution Office filed a Public Civil Action against us and others, including the Superintendência Estadual de Rios e Lagoas, or SERLA, which is responsible for managing the water resources of the State of Rio de Janeiro, alleging intervention in a permanent preservation area. The Federal Public Prosecution Office sought indemnification payment of R$1.0 million to repair the damaged area, as well as penalties for the damages caused to the environment. We are currently not able to estimate the amounts to be paid in this claim.

In addition, we are periodically party to other administrative environmental inquiries or claims by the Public Prosecution Offices of the States of São Paulo and Rio de Janeiro or by other governmental agencies or third parties. These inquiries may result in public environmental claims against us and the findings in these inquires may give rise to other administrative and criminal claims. However, based on currently available information, we do not believe these matters are, or are likely to be in the future, material to our business or financial condition.

As of December 31, 2008, we have made no provisions for environmental claims.

Tax Claims

On December 31, 2008, we were party to several tax proceedings involving tax liabilities in the aggregate amount of R$108.5 million. As of December 31, 2008, the provision for tax liabilities amounted to R$19.6 million. In addition, we have deposited R$4.5 million with the court in connection with some of these proceedings. These amounts take into consideration the tax liabilities of our subsidiaries, in proportion to our interest in their share capital. The main tax proceedings to which we are a party are described below.

We have challenged the constitutionality of the monthly payments to and the amendment of the tax basis for payment of the Social Integration Program Contribution (Contribuição para o Programa de Integração Social), or PIS, as determined by Laws No. 9,715/98 and No. 9,718/98. We obtained a partially favorable first level decision in the case and have not paid R$8.0 million to the tax authorities. Although we believe that an unfavorable final outcome is unlikely, we recorded the taxes under dispute in our consolidated financial statements as taxes and contributions in our current liabilities, in accordance with Brazilian regulation.

We are also challenging the constitutionality of the amendment of the tax basis and rate increase for payment of the Contribution for Social Security Financing (Contribuição para o Financiamento da Seguridade Social), or COFINS, as determined by Law No. 9,718/98. We obtained a partially favorable first level decision in the case and have not paid R$3.5 million, which amount is fully accrued. We believe that an unfavorable final outcome is unlikely with respect to the amendment of the contribution calculation basis and probable with respect to the rate increase. However, we recorded the taxes under dispute in our consolidated financial statements as taxes and contributions in our current liabilities.

As a result of our business combination with Tenda, we became party to a proceeding challenging the inclusion of revenues from the sale of real estate in the tax basis for payment of the COFINS, as determined by Law No. 9,718/98. A final decision was rendered unfavorably against Tenda and the payment due in connection with this proceeding will be withdrawn by the federal government.

We are party to two tax claims arising from tax assessments filed by the Brazilian Federal Revenue Service—SRF, because we deducted expenses that were considered non-deductible by the authorities from the IRPJ (Corporate Income Tax) and CSLL (Social Contribution on Net Income) calculation basis in fiscal years 1998 and 1999. The lower administrative court has rendered an unfavorable decision for the fiscal year 1999 claim. We filed an administrative appeal, but have not been notified of a final administrative decision. With respect to the fiscal year 1998 claim, the administrative court issued a partially favorable decision. We filed an appeal secured by a bank guarantee. We are awaiting the first level decision. If it is unfavorable, we plan to appeal the decision. Although we believe it is possible that our position will not prevail, we do not believe loss is probable. We believe we are more likely than not to prevail on this claim in court because we will have an opportunity to provide further evidence in our favor that was not presented at the administrative level. Such further evidence includes the investigation of our books by a court-appointed expert which was not permitted at the administrative proceedings. In addition, our argument that the tax claim was inappropriate is based on the position that the tax authorities erroneously re-characterized our service agreement with a third party as a purchase and sales agreement and disallowed the deduction of expenses from the IRPJ and CSLL tax bases based on this re-characterization of the agreement. We will rely on prior court rulings that have rejected similar attempts by tax authorities to impose taxes by re-characterizing leasing agreements as purchase and sales agreements. In those prior cases, the appeals court concluded that such re-characterization of the agreements was inappropriate and annulled the tax claims. In the opinion of management, this matter is a contingent liability that arises from an interpretation of the tax authorities with which we disagree and is not a tax obligation. Based on the foregoing, management has determined not to record the amount at this time. We are still awaiting for the higher administrative court's final decision on the fiscal year 1999 claim. If this administrative decision is unfavorable, we intend to file an appeal as we did for fiscal year 1998. The aggregate amount involved in these two claims is R$16.5 million, including interest, penalties and legal fees, which do not include attorney's fees.

Several municipalities charge a municipal tax on construction on an arbitrated basis, which varies depending on the characteristic of the construction. We have challenged the calculation of the arbitrated basis on several of our developments under construction and have filed lawsuits against the municipality of São Paulo. In these proceedings, we deposited R$5.3 million with the courts and we are awaiting a first level decision. In addition, the municipalities of Rio de

Janeiro and Santo Andre have issued tax assessments against us. We have filed administrative defenses and are awaiting first level administrative decisions. The total amount involved in these proceedings is R$9.0 million.

We are party to several proceedings regarding the “non-cumulative systematic” calculation and payment of the PIS and COFINS, as determined by Law No. 10,637/02. The total amount involved in these proceedings is approximately R$14.0 million. Our legal counsel in connection with these proceedings believes that an unfavorable final outcome is unlikely.

In addition, we have requested payment in installments for amounts not collected of the PIS and COFINS for the period from March 2004 to April 2005. The last installment payment is scheduled for January 2011. As of December 31, 2008, such installment plan had been deferred and an amount of R$7.2 million is fully accrued as accounts payable. An additional installment plan was granted to Tenda for amounts not collected of the IRPJ, CSLL, PIS and COFINS for the period from 2004 to 2006. The last installment payment is scheduled for April 2012. As of December 31, 2008, the amount due is R$9.0 million.

As a result of our acquisition of Alphaville, we have become party to administrative and judicial tax claims relating to the Excise Tax (Imposto Sobre Produtos Industrializados), or IPI, and the State Value Added Tax (Imposto Sobre a Circulação de Mercadorias e Serviços), or ICMS, regarding Alphaville’s alleged failure to pay taxes on its import of two aircrafts. The amount involved in these claims is R$37.6 million and the amount that was deposited with the court was R$1.3 million. These amounts are in proportion to our stake in Alphaville. Alphaville is waiting for the final decision by the courts on these proceedings. According to our acquisition agreement of Alphaville, the selling shareholders must reimburse any loss suffered by us or Alphaville arising from acts occurring before January 8, 2007, including the claims set forth above. As of December 31, 2008, we recorded a provision of R$16.7 million for this claim.

Labor Claims

As of December 31, 2008, we were a defendant in approximately 1,871 labor claims resulting from our ordinary course of business, of which approximately 97% were filed by outsourced workers and approximately 3% were filed by our former employees. The alleged legal bases for these claims mainly relate to termination benefits, overtime hours, employee relationship and dismissal rights. On December 31, 2008, the total value involved in the labor claims filed against us was approximately R$45 million. As of December 31, 2008, the provision for labor claims amounted to R$10.0 million.

Dividend Policy

The amount of any of our distributions of dividends and/or interest on shareholders’ equity will depend on a series of factors, such as our financial conditions, prospects, macroeconomic conditions, tariff adjustments, regulatory changes, growth strategies and other issues our board of directors and our shareholders may consider relevant, as discussed below. Our board of directors has recommended that we pay the mandatory 25% dividends on shareholders’ equity for the fiscal year 2008.

Amounts Available for Distribution

At each annual general shareholders’ meeting, our board of directors is required to propose to our shareholders how our earnings of the preceding fiscal year are to be allocated. For purposes of Brazilian corporate law, a company’s income after federal income tax for such fiscal year, net of any accumulated losses from prior fiscal years and amounts allocated to debentures, employees' and management's participation in earnings and founders' shares, represents its "net income" for such fiscal year. In accordance with Brazilian corporate law, an amount equal to the company's "net income" may be affected by the following:

- reduced by amounts allocated to the legal reserve;
- reduced by amounts allocated to any statutory reserve;
- reduced by amounts allocated to the contingency reserve, if any;

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- reduced by amounts allocated to the tax incentives reserve;
- reduced by amounts allocated to the investment reserve;