

Gafisa S.A.  
Form 20-F  
April 30, 2018

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM 20-F**

(Mark One)

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

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934**

**For the fiscal year ended December 31, 2017**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_.**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**Date of 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)

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Attn: Carlos Eduardo Moraes Calheiros – 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 as of December 31, 2017 was:

Title of Class	Number of Shares Outstanding
Common Stock	28,040,162*

\*Includes 938,044 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.

Yes      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.

Yes      No

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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.

Yes      No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes      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):

Large Accelerated Filer   Accelerated Filer   Non-accelerated Filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

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.

Item 17      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).

Yes      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. dollar” or “US\$” are to U.S. dollars, the official currency of the United States. References to “Brazilian GAAP” or “BR GAAP” are to accounting practices adopted in Brazil and references to “U.S. GAAP” are to generally accepted accounting principles in the United States. Any reference to “financial statement” is related to our consolidated financial statements.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Financial Information

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

Brazilian Law No. 6,404/76, as amended by Brazilian Law No. 9,457/97, Brazilian Law No. 10,303/01, Brazilian Law No. 11,638/07, Brazilian Law No. 12,431/11 and Brazilian Law No. 12,973/14, which we refer to hereinafter as “Brazilian corporate law;”

the rules and regulations of the Brazilian Securities Commission (*Comissão de Valores Mobiliários*), or the “CVM;” and

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

Brazilian corporate law was amended by Law No. 11,638, dated December 28, 2007, in order to facilitate the convergence of Brazilian GAAP with International Financial Reporting Standards, or “IFRS,” and thereafter, the CPC issued new accounting standards that generally converged Brazilian GAAP with IFRS, except for revenue recognition related to real estate transactions.



In preparing our financial statements, we have applied: (1) Guideline OCPC 04 – Application of the Technical Interpretation of ICPC 02 to the Brazilian Real Estate Development Entities – regarding revenue recognition, and the respective costs and expenses arising from real estate development operations over the course of the construction period (percentage of completion revenue recognition method), and (2) CPC 37 (R1), which requires that an entity develops accounting policies based on the standards and interpretations of the CPC. We have adopted all pronouncements, guidelines and interpretations of the CPC issued through December 31, 2017. As a result, our financial statements are prepared in accordance with Brazilian GAAP, which allows revenue recognition on a percentage of completion basis for construction companies (i.e., revenue is recorded in accordance with the percentage of financial evolution of the construction project), and are therefore not compliant with IFRS as issued by the International Accounting Standards Board (“IASB”), which require revenue recognition on a delivery basis (i.e., revenue is recorded upon transferring the ownership risks and benefits to the purchaser of real estate, usually after the construction is completed and the unit is delivered).

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 equity and net income (loss) 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 statement of operations and balance sheet information for all of our subsidiaries, and also separately disclose the interest of non-controlling shareholders.

As set forth in “Item 4. Information on the Company—A. History and Development of the Company”, on December 9, 2013, we completed the sale of a controlling stake in Alphaville Urbanismo S.A., or “Alphaville”, the leading residential community development company in Brazil. The transaction involved the sale of 50% interest by Gafisa and 20% interest by our subsidiary Construtora Tenda S.A., or “Tenda”, with Gafisa retaining the remaining

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30% of Alphaville capital stock. As a result, since November 30, 2013, Alphaville is no longer consolidated in the financial statements of the Company. In this annual report, while financial information related to Alphaville is treated as discontinued operations, all operating information related to our business includes full operating information for Alphaville through December 9, 2013.

As explained in Notes 1 and 8.2 to our consolidated financial statements for the year ended December 31, 2017, the results of operations of Tenda have been presented as discontinued operations under Brazilian GAAP in the Company's 2017, 2016, 2015 and 2014 consolidated statements of operations. Under Brazilian GAAP, previous period balance sheet information is not retrospectively adjusted. Brazilian GAAP selected consolidated statements of operations financial data for the year ended December 31, 2013 has also been retrospectively adjusted to also reflect the results of operations of Tenda as discontinued operations for comparability purposes. Additionally, earnings per share amounts have been adjusted retroactively to reflect the reverse split of our common shares at the ratio of 13.483023074 to 1, which was consummated on March 23, 2017.

The table below sets forth the line items in our statements of profit or loss for the year ended December 31, 2013 that have been reclassified to reflect Tenda as discontinued operations, as previously mentioned:

	<b>For the Year ended December 31,</b>		
	<b>2013</b>		
	Balances originally reported as of 12/31/2013	Impact of discontinued operations	Balances restated after reclassification
<b><u>Statement of profit or loss</u></b>			
Net operating revenue	2,481,211	(817,461)	1,663,750
Operating costs	(1,863,766)	752,216	(1,111,550)
Operating (expenses) income	(215,574)	179,951	(35,623)
Financial income (expenses)	(162,503)	3,812	(158,691)
Income tax and social contribution	(2,812)	8,651	5,839
Non-controlling interests	235	—	235
Profit or loss of discontinued operations	631,122	(127,169)	503,953
<b>Net income (loss) for the year</b>	<b>867,443</b>	<b>—</b>	<b>867,443</b>

## 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 "EMBRAESP," the

Association of Managers of Real Estate Companies (*Associação de Dirigentes de Empresas do Mercado Imobiliário*), or “ADEMI,” the Getulio Vargas Foundation (*Fundação Getulio Vargas*), or “FGV,” the National Bank of Economic and Social Development (*Banco Nacional de Desenvolvimento Econômico e Social*), or “BNDES,” the Real Estate Companies’ Union (*Sindicato das Empresas de Compra, Venda, Locação e Administração de Imóveis Residenciais e Comerciais*), or “SECOVI,” the Brazilian Institute of Geography and Statistics (*Instituto Brasileiro de Geografia e Estatística*), or “IBGE,” and the Brazilian Central Bank (*Banco Central do Brasil*), or the “Central Bank,” among others. Industry and government publications, including those referenced here, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Although we have no reason to believe that any of this information or these reports are inaccurate in any material respect, such information has not been independently verified by us. Accordingly, we do not make any representation as to the accuracy of such information.

#### Rounding and Other Information

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

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

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

- changes in 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;

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 business, market share, financial condition, liquidity and results of our operations;  
and

other risk factors discussed under “Item 3. Key Information—D. Risk Factors.”

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

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following selected financial data for 2017, 2016, 2015 and 2014 has been derived from our audited consolidated financial statements presented herein. As explained in footnote 7 below, our selected Brazilian GAAP and U.S. GAAP financial data for 2013 has been retrospectively reclassified to reflect the results of operations of Tenda as discontinued operations for comparability purposes.

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 (loss) and equity from Brazilian GAAP to U.S. GAAP, see notes to our consolidated financial statements included elsewhere in this annual report. See also “Presentation of Financial and Other Information.”

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

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As explained in Notes 1 and 8.2 to our consolidated financial statements for the year ended December 31, 2017, and Notes 2.3 and 8.2 to our consolidated financial statements for the year ended December 31, 2016, the results of operations of Tenda have been presented as discontinued operations under Brazilian GAAP in the Company's 2017, 2016, 2015 and 2014 consolidated statements of operations. Under Brazilian GAAP, previous period balance sheet information is not retrospectively adjusted. Brazilian GAAP selected consolidated statements of operations financial data for the year ended December 31, 2013 has also been retrospectively adjusted to also reflect the results of operations of Tenda as discontinued operations for comparability purposes. Additionally, earnings per share amounts have been adjusted retroactively to reflect the reverse split of our common shares at the ratio of 13.483023074 to 1, which was consummated on March 23, 2017.

The following table sets forth financial information as of and for the years ended December 31, 2017, 2016, 2015, 2014 and 2013, which has been prepared in accordance with Brazilian GAAP in effect as of December 31, 2017. Certain information below is presented in accordance with U.S. GAAP.

	As of and for the year ended December 31,				
	2017(4)	2016(4)	2015(4)	2014(4)	2013(4)
	(in thousands of <i>reais</i> , except per share, per ADS and operating data)				
Consolidated Statement of Operations					
Data:					
Brazilian GAAP:					
Net operating revenue	608,823	915,698	1,443,357	1,580,861	1,663,750
Operating costs	(818,751)	(1,029,213)	(1,061,921)	(1,164,997)	(1,111,550)
Gross profit (loss)	(209,928)	(113,515 )	381,436	415,864	552,200
Operating expenses, net	(654,216)	(362,747 )	(295,595 )	(324,211 )	(35,623 )
Financial expenses, net	(107,268)	(25,679 )	(50,422 )	(16,250 )	(158,691 )
Income (loss) before income tax and social contribution	(971,412)	(501,941 )	35,419	75,403	357,886
Income tax and social contribution	23,100	(100,080 )	(658 )	(8,949 )	5,839
Net income (loss) from continuing operations	(948,312)	(602,021 )	34,761	66,454	363,725
Net income (loss) from discontinued operations	98,175	(559,704 )	36,218	(110,179 )	503,953
Net income (loss) for the year attributable to non-controlling interest	(281 )	1,871	(3,470 )	(1,176 )	235
Net income (loss) for the year attributable to owners of Gafisa	R\$(849,856)	R\$(1,163,596)	R\$74,449	R\$(42,549 )	R\$867,443

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As of and for the year ended December 31,  
2017(4) 2016(4) 2015(4) 2014(4) 2013(4)

(in thousands of *reais*, except per share, per ADS and  
operating data)

Share and ADS data (1):

Per common share data—R\$ per share:

Earnings (loss) per weighted average number of shares—Basic	(31.6037)	(43.2218)	2.7309	(1.4274)	27.4355
From continuing operations	(35.2546)	(22.6637)	1.6187	2.2439	11.4965
From discontinued operations	3.6509	(20.5581)	1.1122	(3.6714)	15.9390
Earnings (loss) per weighted average number of shares —Diluted	(31.6037)	(43.2218)	2.7123	(1.4274)	27.2708
From continuing operations	(35.2546)	(22.6637)	1.6077	2.2439	9.8628
From discontinued operations	3.6509	(20.5581)			