

Gafisa S.A.
Form 6-K
May 06, 2016

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

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

For the month of May, 2016

(Commission File No. 001-33356),

Gafisa S.A.

(Translation of Registrant's name into English)

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

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

Form 20-F Form 40-F

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

Yes No

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

Yes No

Indicate by check mark whether by furnishing the information contained in this Form,
the Registrant is also thereby furnishing the information to the Commission pursuant

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to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes _____ No ___X___

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

EARNINGS

RELEASE

1Q16

FOR IMMEDIATE RELEASE - São Paulo, May 5, 2016 – Gafisa S.A. (Bovespa: GFSA3; NYSE: GFA), one of Brazil’s leading homebuilders, today reported financial results for the first quarter ended March 31, 2016.

GAFISA RELEASES 1Q16 RESULTS

MANAGEMENT COMMENTS AND HIGHLIGHTS

The first quarter of 2016 was characterized by continued economic deterioration and political uncertainty in Brazil. These market conditions came as a result of high interest rates and rising inflation and unemployment rates, which in turn, pressured the Brazilian real estate market. The Gafisa Group, due to its diversification in both the medium-high income and the low income segments, have been fairly resilient in this challenging period.

The Gafisa and Tenda segments each faced substantially different operating environments throughout the first quarter. The Gafisa segment was significantly impacted by the poor macroeconomic environment. It sought to maintain a conservative launch strategy, while also focusing on operational and project-level improvements. The Tenda segment, conversely, benefited from greater resilience in the low-income market, and was able to consistently expand the scale of its business model.

In 1Q16, the Gafisa segment recorded a reduction in the volume of launches from the previous quarter and also faced an increased level of dissolutions, which impacted the results of the period. The segment launched one project in the first quarter in São Paulo, representing

R\$80.1 million in PSV, with sales starting in the last week of March.

The Gafisa segment's operating performance reflected impacts from both a difficult macroeconomic environment and political instability. This was particularly notable in January and February. Gross pre-sales totaled R\$237.1 million in the first quarter, with dissolutions reaching R\$170.3 million, resulting in net pre-sales of R\$66.8 million. The result was down 72.7% compared to the previous quarter, and decreased 62.8% compared to 1Q15.

EARNINGS

RELEASE

1Q16

As a result of the market difficulties, Gafisa segment's SoS was 3.3% in 1Q16, compared to 10.8% in the previous quarter and 8.0% in 1Q15. Gafisa segment's SoS in the last twelve months reached 28.9%, compared to 27.9% in the same period last year. The volume of dissolutions in the Gafisa segment was higher than the last 12 month average, and a key driver of quarterly results. The increase came as a result of a high level of project deliveries in 4Q15, which accounted for R\$1.0 billion in PSV, approximately 43.3% of total delivered PSV last year.

One of the main operating guidelines which the Company has emphasized since the start of 2015 is its focus on the sale of inventory units. As a result, 87.8% of net sales during the 1Q16 were related to inventory. However, given the higher volume of dissolutions related to projects launched before 2015, net sales of 2015 launches inventory represented 82.0% of total net sales of remaining units, mainly reflected in Gafisa segment's capacity of generating revenues.

We ended 1Q16 with 24 projects under construction, all on schedule and within the delivery timeframe, reflecting our commitment to clients. In 1Q16, we delivered 2 projects accounting for 191 units, and representing R\$104.8 million in PSV. The transfer volume reached R\$110.0 million, showing our good level of operational controls and efficiency, which despite the current credit restrictions, still manages to partner with banks in the transfer process.

We expect the current market conditions to continue in the coming months, considering consumer confidence levels, decreases in household income and limited financing availability. It appears that the

Compared to 1Q15, the Tenda segment recorded launches of R\$228.5 million 1Q16, comprised of 9 new projects/phases in the states of São Paulo, Rio Grande do Sul, Minas Gerais, Bahia and Pernambuco. Launches represented 8.2% of the Tenda segment's total sales in the period, and the quarter's SoS reached 23.9%, up from the 23.3% recorded in 1Q15.

1Q16 gross sales reached R\$312.7 million and dissolutions remained at a moderate R\$46.2 million, resulting in net pre-sales of R\$266.5 million, an increase of 12.2% sequentially and 9.4% higher year on year.

In 1Q16, the volume of dissolutions decreased by 17.9% year on year, and increased 15.9% sequentially, in line with a higher gross sales volume. Percentage of dissolutions over gross sales reached 14.8%.

Since 2013, when the new model operations started, Tenda has launched 60 projects, representing a total of R\$2.2 billion in PSV. Of this total, Tenda has delivered R\$845.1 million, comprised of 22 projects/phases. Notably, all projects related to the first year of new model operations (2013) have been completed and delivered within the agreed time. In relation to the 2014 projects, only 3 of the 14 projects launched that year are still waiting delivery and are scheduled to be delivered within the next months. In 1Q16, the Tenda segment delivered 3 projects/phases corresponding to 464 units, and representing R\$61.7 million in PSV.

In the coming quarters, Tenda will continue to focus on increasing its scale by growing launches and implementing strategies designed to ensure a strong

country will take some time to exit the current downturn, which ultimately delays our expectation for a recovery in the real estate market. In light of this, we may see a more restrictive liquidity environment, which may impact pricing levels, margins and sales volumes. We maintain a conservative approach moving into the rest of 2016 in regards to the placement of new products in the market. We are prioritizing those projects with more liquidity, in order to reach adequate sales and profitability levels.

sales pace, guided by market behavior. The consistency of the segment's results from new model projects reaffirms management's confidence in the 2016 business plan.

Tenda's 1Q16 results reflect a more comfortable scenario in the low-income market, with relevant launches and decreasing dissolutions, specially due to the transfer policy, which occurs immediately after the sale, as well as from the reduction in its legacy portfolio. The Tenda segment continues to concentrate on increasing the scale of its new business model. The consolidation of Tenda's new model is based on four strategic pillars – aluminum mold, contracted launches, sales in own stores, and the transfer of sales to financial institutions. Another competitive advantage of the Tenda segment is its concentration in the six main metropolitan areas of the country - São Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre, Salvador and Recife. These factors enabled Tenda to achieve excellent operating and financial results, with resumption of net income, which reached R\$4.8 million in 1Q16.

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On a consolidated basis, launches totaled R\$308.6 million in 1Q16, a decrease of 1.6% year over year and of 54.8% quarter over quarter. The Gafisa segment accounted for 26% of 1Q16 launches, while Tenda accounted for the remaining 74%. First quarter 2016 net pre-sales totaled R\$333.3 million, a decrease of 21.3% year over year and a 30.9% sequential reduction. In the quarter, sales from launches represented 9.0% of total sales, while the sale of inventory units represented 91.0%. The Gafisa segment accounted for 20% of net pre-sales while the Tenda segment represented 80%. 1Q16 consolidated adjusted gross profit was R\$110.2 million, at a margin of 27.2%.

In the current economic environment, the Company's focus on greater stability in its cost and expense structure is paramount. Selling and administrative expenses were R\$81.0 million in 1Q16, 14.2% lower compared to 4Q15, confirming the Company's efforts to respond to changes and movements in real estate market conditions, thus providing a cost structure more adequate to the current environment.

As a result of all this factors, Gafisa reported a consolidated net loss of R\$53.2 million in 1Q16, compared to the R\$31.6 million profit recorded in the previous year period.

At the end of the year, the Net Debt/Shareholders Equity ratio reached 46.5%, the lowest level since 3Q14. Excluding project finance, the Net Debt/Shareholder Equity ratio was negative 14.6%.

One of the positive highlights in the quarter was the consolidated operating cash generation, which reached R\$94.3 million, ending the quarter with net cash generation of R\$28.3 million.

Our positive cash flow performance and the maintenance of a low level of leverage reinforces the Company's conservative approach to capital discipline, which remains a priority during this period of macroeconomic uncertainty in Brazil.

We will maintain this conservative approach throughout the year, seeking to balance the placement of new products on the market, prioritizing those projects with more liquidity in order to reach adequate sales and profitability levels. The Gafisa segment, through its consistent and balanced performance, is focused on improving the return on invested capital. The Tenda segment is ready to expand the volume of new projects, backed by the positive results achieved from the new model and the resilience of the low-income market. The Company continues to advance guided by capital discipline, its profitability goals, and value creation for shareholders.

Sandro Gamba

Chief Executive Officer – Gafisa

Rodrigo Osmo

Chief Executive Officer – Tenda

1Q16

MAIN CONSOLIDATED FIGURES

Table 1- Operating and Financial Highlights (R\$ 000 and % Company)

	1Q16	4Q15	Q/Q(%)	1Q15	Y/Y(%)
Launches	308,648	682,905	-55%	313,581	-2%
Launches, Units	1,860	2,660	-30%	1,950	-5%
Net Pre-sales	333,339	482,648	-31%	423,344	-21%
Pre-sales, Units	2,137	2,256	-5%	1,908	12%
Pre-sales of Launches	30,116	321,502	-91%	59,716	-50%
Sales over supply (SoS)	10.6%	14.1%	-350 bps	12.8%	-220 bps
Delivered projects (PSV)	166,500	1,239,270	-87%	785,748	-79%
Delivered projects, Units	655	3,121	-79%	3,534	-81%
Net Revenue	405,534	559,246	-27%	519,501	-22%
Adjusted Gross Profit ¹	110,239	189,319	-42%	179,302	-39%
Adjusted Gross Margin ¹	27.2%	33.9%	-670 bps	34.5%	-730 bps
Adjusted EBITDA ²	15,495	78,026	-80%	96,366	-84%
Adjusted EBITDA Margin ²	3.8%	14.0%	-1,020 bps	18.5%	-1,470 bps
Net Income (Loss)	(53,227)	827	-	31,651	-
Backlog Revenues	708,871	764,024	-7%	930,601	-24%
Backlog Results ³	275,030	310,127	-11%	367,567	-25%
Backlog Margin ³	38.8%	40.6%	-180 bps	39.5%	-70 bps
Net Debt + Investor Obligations	1,415,038	1,443,377	-2%	1,535,215	-8%
Cash and cash equivalents	792,076	712,311	11%	1,116,168	-29%
Shareholders' Equity	3,043,671	3,095,491	-2%	3,066,952	-1%
Shareholders' Equity + Minority	3,046,284	3,097,236	-2%	3,070,891	-1%
Total Assets	6,779,953	6,760,332	0%	7,333,898	-8%
(Net Debt + Obligations) / (SE + Minority)	46.5%	46.6%	-10 bps	50.0%	-350 bps

1) Adjusted by capitalized interest.

2) Adjusted by expenses with stock option plans (non-cash), minority. Consolidated EBITDA considers the equity income from Alphaville.

3) Backlog results net of PIS/COFINS taxes (3.65%), and excluding the impact of PVA (Present Value Adjustment) method according to Law 11.638.

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FINANCIAL RESULTS

§ 1Q16 net revenue recognized by the “PoC” method was R\$171.0 million in the Gafisa segment and R\$234.5 million in the Tenda segment. This resulted in consolidated revenue of R\$405.5 million, a decrease of 21.9% year-on-year and a decrease of 27.5% from the previous quarter.

§ Adjusted gross profit for 1Q16 was R\$110.2 million, lower than than R\$179.3 million recorded in 1Q15 and down from R\$189.3 million in 4Q15. Adjusted gross margin reached 27.2%, compared to 34.5% in 1Q15 and 33.9% in the 4Q15. The Gafisa segment accounted for an adjusted gross profit of R\$36.0 million, with an adjusted gross margin of 21.0%, while the Tenda segment accounted for an adjusted gross profit of R\$74.2 million, with a margin of 31.7%.

§ Consolidated Adjusted EBITDA was R\$15.5 million in 1Q16, with an adjusted EBITDA margin of 3.8%. The Gafisa segment reported negative adjusted EBITDA of R\$18.1 million, while the Tenda segment’s adjusted EBITDA was positive R\$22.8 million. Please note that consolidated adjusted EBITDA includes Alphaville equity income, while the Gafisa segment’s adjusted EBITDA is net of this effect.

§ The Company reported net loss of R\$53.2 million in 1Q16, compared with net income of R\$0.8 million in 4Q15 and the profit of R\$31.6 million in 1Q15. The Gafisa segment reported a net loss of R\$58.0 million, while the Tenda segment reported a profit of R\$4.8 million.

§ Operating cash generation totaled R\$94.3 million in 1Q16. Net cash generated in the quarter was R\$28.3 million.

OPERATING RESULTS

§ Launches totaled R\$308.6 million in 1Q16, comprising 10 projects in the states of São Paulo, Rio Grande do Sul, Minas Gerais, Bahia and Pernambuco, in line with the R\$313.6 million launch volumes in 1Q15. The Gafisa segment accounted for 26% of the quarter's launches, while the Tenda segment accounted for the remaining 74%.

§ Net pre-sales totaled R\$333.3 million, 21.3% lower than the R\$423.3 million recorded in 1Q15 and 30.9% lower q-o-q. The Gafisa segment reached R\$66.8 million and the Tenda segment reached R\$266.5 million in 1Q16. Consolidated sales from launches in the quarter represented 9.0% of the total, while sales from inventory comprised the remaining 91.0%.

§ Consolidated sales over supply (SoS) reached 10.6% in 1Q16 compared to 14.1% in 4Q15, and 12.8% in 1Q15. On a trailing 12-month basis, Gafisa's SoS was 28.9%, while Tenda's SoS was 55.0%.

§ Consolidated inventory at market value presented a reduction of 3.6% in 1Q16, and stood at R\$2.8 billion. Gafisa's inventory ended the quarter at R\$2.0 billion, while Tenda's inventory totaled R\$849.1 million.

§ Throughout the first quarter, the Company delivered 5 projects/phases, totaling 655 units, accounting for R\$166.5 million in PSV.

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ANALYSIS OF RESULTS

Gafisa Segment

Sales Volume, Revenue Level and Profitability Impacted by the Higher Volume of Dissolutions and Challenging Market Environment

Table 2 – Gafisa Segment – Operating and Financial Highlights (R\$ 000 and % Gafisa)

	1Q16	4Q15	Q/Q(%)	1Q15	Y/Y(%)
Launches	80,104	380,270	-79%	75,227	6%
Net pre-sales	66,842	245,196	-73%	179,807	-63%
Net pre-sales of launches	8,187	129,227	-94%	14,436	-43%
Sales over Supply (SoS)	3.3%	10.8%	-750 bps	8.0%	-470 bps
Delivered projects (Units)	191	1,641	-88%	1,847	-90%
Net Revenue	170,982	352,424	-51%	340,058	-50%
Adjusted Gross Profit¹	35,979	127,392	-72%	125,502	-71%
Adjusted Gross Margin¹	21.0%	36.1%	-1,510 bps	36.9%	-1,590 bps
Adjusted EBITDA²	(18,140)	49,858	-	58,291	-
Adjusted EBITDA Margin²	-10.6%	14.1%	-2,470 bps	17.1%	-2,770 bps
Net Income (Loss)	(58,021)	13,818	-	20,205	-
Backlog Revenues	427,365	497,561	-14%	742,154	-42%
Backlog Results³	159,970	192,355	-17%	294,093	-46%
Backlog Margin³	37.4%	38.7%	-130 bps	39.6%	-220 bps

1) Adjusted by capitalized interest.

2) Adjusted by expenses with stock option plans (non-cash), minority. Consolidated EBITDA considers the equity income from Alphaville.

3) Backlog results net of PIS/COFINS taxes (3.65%), and excluding the impact of PVA (Present Value Adjustment) method according to Law 11.638.

The 1Q16 results were marked by a lower volume of net sales, resulting from the high volume of dissolutions related to uncertainty in the political and economic environment. Despite the higher share of projects launched before 2015 in the gross sales mix (74.7% of gross sales), the high volume of dissolutions in these projects (97.8% of dissolutions in the quarter) resulted in a concentration in net sales of inventory from more recent projects. Thus, revenues in the quarter were impacted not only by the lower volume of net sales, but also by the concentration of net sales in projects with slower evolution of work progress. These factors impacted the segment's profitability in the first quarter.

Gross margin in 1Q16 was mainly impacted by the following factors:

(i) R\$25.3 million net effect, due to the volume of dissolutions higher than average, mainly those related to corporate projects - 25.2% of total dissolved PSV during the period. Commercial units have a direct financing model, whose balance is adjusted only after the delivery (IGMP + 12.0% p.y. interest). Due to this adjustment, the reversed revenue is higher, generating a stronger impact when cost and revenue are reversed;

(ii) R\$6,6 million, related to the increase in provisions for doubtful accounts and dissolutions for customers who present significant evidence regarding the risk of dissolution of their contracts;

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(iii) R\$6,9 million, related to other effects, such as a difference in the pricing seen in the resale of dissolved units, especially in the case of corporate projects, in order to reach the liquidity needed in the current market conditions.

Thus, the Gafisa segment ended the 1Q16 with gross margin of 2.0%; excluding the abovementioned effects, the gross margin of the Gafisa segment would have reached 20.0%, more adherent to the 23.9% margin recorded in 4Q15. In turn, adjusted gross margin was 21.0% in 1Q16, or 35.5% excluding the effects above.

In this quarter, we highlight the efforts of the Gafisa segment in maintaining a level of SG&A expenses more aligned to the current level of our business cycle and the challenges and outlook for the Gafisa segment market, with a slight increase in the annual comparison even considering a 9.4% inflation (IPCA) measured in the period.

Net Income

Net income for the period was a loss of R\$58.0 million compared to a profit of R\$13.8 million in 4Q15 and of R\$20.2 million in the 1Q15. As we previously stated, this was due to the higher volume of dissolutions in the period, mainly related to projects launched before 2015, reflecting on the volume and on the mix of net sales in the period, with a consequent effect in revenue and profitability levels of the quarter. Excluding the R\$10.9 million in equity income from Alphaville, the Gafisa segment had a net loss in 1Q16 of R\$68.9 million, compared to the loss of R\$12.9 million recorded in 4Q15 and a R\$3.2 million profit in 1Q15.

Table 3 – Gafisa Segment – Net Income (R\$ Million)

	1Q16	4Q15	1Q15
Adjusted Gross Profit	36.0	127.4	125.5
Adjusted Gross Margin	21.0%	36.1%	36.9%
Net Income	(58.0)	13.8	20.2
Equity Income from Alphaville	10.9	26.7	17.0
Net Profit Ex- Alphaville	(68.9)	(12.9)	3.2

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Tenda Segment

Maintenance of Operational and Financial Profitability Supported
by the Performance of the New Model

Table 4 – Tenda Segment – Operating and Financial Highlights (R\$ 000 and % Tenda)

	1Q16	4Q15	Q/Q(%)	1Q15	Y/Y(%)
Launches	228,544	302,635	-24%	238,354	-4%
Net pre-sales	266,497	237,452	12%	243,537	9%
Net pre-sales of Launches	21,930	192,275	-89%	45,280	-52%
Sales over Supply (SoS)	23.9%	20.9%	300 bps	23.3%	60 bps
Delivered projects (Units)	464	1,480	-69%	1,687	-72%
Net Revenue	234,552	206,822	13%	179,443	31%
Adjusted Gross Profit¹	74,260	61,927	20%	53,800	38%
Adjusted Gross Margin¹	31.7%	29.9%	180 bps	30.0%	170 bps
Adjusted EBITDA²	22,755	1,464	1,454%	21,114	8%
Adjusted EBITDA Margin²	9.7%	0.7%	900 bps	11.8%	-210 bps
Net Income (Loss)	4,794	(12,991)	-	11,446	-58%
Backlog Revenues	281,506	266,463	6%	188,447	49%
Backlog Results³	115,060	117,772	-2%	73,474	57%
Backlog Margin³	40.9%	44.2%	-330 bps	39.0%	190 bps

1) Adjusted by capitalized interest.

2) Adjusted by expenses with stock option plans (non-cash), minority. Consolidated EBITDA considers the equity income from Alphaville.

3) Backlog results net of PIS/COFINS taxes, and excluding the impact of PVA (Present Value Adjustment) method according to Law 11.638.

The Tenda segment posted another profitable quarter in 1Q16, after the effects of the non-recurring items recorded at the end of 2015.

In this period, the Tenda segment maintained efficient operating performance, supported by positive sales performance. This resulted in an improved adjusted gross margin for Tenda, which reached 31.7% in the

period, slightly higher than the previous quarters.

Adjusted EBITDA totaled R\$22.8 million, with adjusted EBITDA margin reaching 9.7% in 1Q16, higher y-o-y, which was impacted by the non-recurring items recorded in 4Q15, and slightly lower than the 1Q15 margin, which in turn benefited from the reversal of provision for bonus of R\$5.6 million.

Net Income

The Tenda segment achieved net income of R\$4.8 million in 1Q16, a reversal from the net loss of R\$13.0 million recorded in 4Q15, which was impacted by the non-recurring items recorded. This was a decrease from the net income of R\$11.4 million of 1Q15, which benefited from the reversal of R\$5.6 million provision related to bonus provisioning.

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Table 5 –Tenda Segment – Net Income (R\$ Million)

	1Q16	4Q15	1Q15
Adjusted Gross Profit	74.3	61.9	53.8
Adjusted Gross Margin	31.7%	29.9%	30.0%
Net Income	4.8	(13.0)	11.4

RECENT EVENTS

ALLOCATION OF THE 2015 FISCAL YEAR RESULTS

In accordance with Article 47, paragraph 2 (b) of the Bylaws, 25% of the balance of net income of the fiscal year will be allocated for the payment of the statutory dividend to all shareholders after the deductions provided for in the Bylaws and adjusted pursuant to article 202 of Brazilian Corporate Law.

Due to the R\$74.4 million income calculated in the year ended on December 31, 2015, the Company's management proposed, at the Annual General Meeting held on April 25, 2016, the distribution of approximately R\$17.7 million, about R\$0.048 per share. This distribution will allow shareholders to gauge a dividend yield of approximately 2.0%, based on the 2015 closing price.

UPDATE SHARE BUYBACK PROGRAM

Reaffirming its commitment to generating shareholder value, on March 3, 2016, the Company approved the creation of the fourth share buyback program, up to a maximum of 8.2 million common shares which, when added to the 10.6 million shares currently held in treasury, correspond to 5% of the total common shares issued by the Company. The goal of the Program is to efficiently use the Company's available funds, aiming at medium and long-term profitability. A portion of the shares to be acquired will be allocated for the exercise of the options and/or shares to be granted in the Stock Option Plan, as approved at the Company's Extraordinary General Meeting.

The Company also reaffirms its commitment to capital discipline. The execution of the program is conditioned to the maintenance of Gafisa's Consolidated Net Debt to Equity ratio in a level equal or lower than 60%. The Company's Executive Officers are authorized to determine the opportunities in which operations will be performed, as well as the amount of shares to be effectively traded.

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GAFISA SEGMENT

Focuses on residential developments within the upper, upper-middle, and middle-income segments, with average unit prices above R\$250,000.

Operating Results | Launches and Pre-Sales

First quarter launches totaled R\$80.1 million and consisted of 1 project/phase in São Paulo, which started sales in the last week of March. The sales speed of this launch reached 10.2%.

Launches (R\$ million)

First quarter gross pre-sales in the Gafisa segment totaled R\$237.1 million. Dissolutions in 1Q16 were R\$170.3 million, yielding total net pre-sales of R\$66.8 million, down 72.7% q-o-q and down 62.8% y-o-y.

It is worth noting that in 1Q16 operating performance was impacted quite heavily, especially in January and February due to the continued deterioration of the macroeconomic environment and the troubled political scenario, also taking into account seasonal characteristics. Results in March reached R\$101.1 million in net pre-sales, closer to last year's result, signaling an improvement when compared to the first two months of the year.

As seen in 2015, and one of the main current operational guidelines for the year, the Company continues to focus its efforts on the sale of remaining units. As a result, 96.5% of gross sales for the period were related to units in inventory. However, due to the higher volume of dissolutions of projects launched before 2015,

which accounted for 97.8% of total volume, the breakdown of net sales of inventory in the quarter ended up concentrated in units launched in 2015, which accounted for 82.0% of total net sales of remaining units and for 72.0% of total net sales in the period.

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Table 6 – Gafisa Segment – Launches and Pre-sales (R\$ 000)

	1Q16	4Q15	Q/Q(%)	1Q15	Y/Y(%)
Launches	80,104	380,270	-79%	75,227	6%
Pre- Sales	66,842	245,196	-73%	179,807	-63%

Sales over Supply (SoS)

The Gafisa segment's SoS of the last twelve months reached 28.9% compared to 27.9% in the same period last year. In the 1Q16, SoS was 3.3%, compared to 10.8% in the previous quarter and to 8.0% in 1Q15.

Dissolutions

The weak economic conditions observed in 2016 have directly impacted consumer confidence and, accordingly, the level of dissolutions. Due to the challenging operating environment, the level of dissolutions in the Gafisa segment reached R\$170.3 million in 4Q15, an increase compared to R\$125.3 million in 4Q14 and R\$124.8 million in 1Q15. Notably, the level of dissolutions was higher than the LTM average, especially due to the strong volume of projects delivered in 4Q15, totaling R\$1.0 billion in PSV, approximately 43% of the total PSV delivered in the FY2015.

Over the last three years, the Company has been working on initiatives to strengthen the credit review component of its sale process. In doing so, the Company intends to reduce the level of dissolutions throughout the construction and delivery cycle. However, given the current uncertainties in the economic environment and its effects on the real estate market, it has not been possible to reduce the volume of dissolutions in a more effective manner.

Notably, a comprehensive approach in the credit review process at the time of sale has generated a more efficient process of transferring Gafisa customers to financial institutions, even amid a unfavorable economic environment. As an example of the efficiency achieved in this process, of all customers who asked for transfers in 1Q16, only 3.5% have been rejected in the bank's credit analysis, i.e. out of the 318 units asking for transfers, only 11 were not accepted.

In recent quarters the Gafisa segment has been able to reduce the level of dissolutions by enabling customers facing financial pressure to swap their units for those that better match their financial position. This exchange process reflects the flexibility of Gafisa's product portfolio.

In the quarter, 257 Gafisa units were cancelled and 116 units, representing R\$61.9 million, were already resold within the period.

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Inventory

Gafisa is maintaining its focus on inventory reduction initiatives. Projects launched prior to the end of 2015 represented 87.8% of net sales in the period. The market value of the Gafisa segment's inventory presented a decreased by 2.7% q-o-q, and of 4.6% y.o.y, totaling R\$2.0 billion. The reduction reflects current market conditions and the effect of the sales income in the period, as well as pricing adjustments on several legacy projects. Finished units outside of core markets accounted for R\$56.3 million, or 2.8% of total inventory.

Table 7 – Gafisa Segment – Inventory at Market Value (R\$ 000)

	Inventories BoP 4Q15	Launches	Dissolutions	Gross Sales	Adjustments¹	Inventories EoP 1Q15	Q/Q (%)
São Paulo	1,460,326	80,104	147,120	(207,729)	(46,863)	1,432,958	-2%
Rio de Janeiro	496,231	-	22,201	(20,832)	(11,978)	485,622	-2%
Other Markets	72,697	-	954	(8,556)	(8,749)	56,346	-22%
Total	2,029,254	80,104	170,275	(237,117)	(67,590)	1,974,926	-3%

¹ The Period Adjustment reflect the updates related to the project scope, release date and pricing update in the period.

During the same period, finished units represented R\$430.1million, or 21.8% of total inventory. Inventory from projects launched outside core markets, which is comprised exclusively of finished units, represented R\$56.3 million, a decrease of 51.0% when compared to the R\$115.0 million recorded last year and down 22.5% from 4Q15. The Company estimates that through the beginning of 2017, it will have monetized a large portion of its inventory in non-core markets, based on the sales rate observed in these markets over the past few quarters.

In regards to Gafisa's inventory, approximately 45%, or R\$890.6 million, is concentrated in projects to be delivered from 1Q17 on, not representing an immediate increase in the segment's volume of inventory of finished units.

Table 8 – Gafisa Segment – Inventory at Market Value- Construction Status (R\$ 000)

	Not Initiated	Up to 30% built	30% a 70% built	More than 70% built	Finished Units	Total 1Q16
São Paulo	73,948	-	729,798	511,500	117,712	1,432,958
Rio de Janeiro	-	4,700	89,295	135,603	256,024	485,622
Outros Mercados	-	-	-	-	56,346	56,346
Total	73,948	4,700	819,093	647,103	430,082	1,974,926

Inventory at market value includes projects in partnership. This indicator is not comparable to the accounting inventory, due to the implementation of new accounting practices on behalf of CPCs 18, 19 and 36.

EARNINGS

RELEASE

1Q16

Inventory Delivery Schedule

Landbank

The Gafisa segment landbank, with a PSV of R\$5.7 billion, is comprised of 26 potential projects/ phases, amounting to nearly 11.5 units. 71% of potential projects/phases are located in São Paulo and 29% in Rio de Janeiro. The largest portion of land acquired through swap agreements is in Rio de Janeiro, impacting the total percentage of land acquired, totaling 59.3%.

Table 9 – Gafisa Segment - Landbank (R\$ 000)

	PSV (% Gafisa)	% Swap Total	% Swap Units	% Swap Financial	Potential Units (% Gafisa)	Potential Units (100%)
São Paulo	4,048,411	50%	50%	0%	8,388	9,218
Rio de Janeiro	1,661,840	75%	75%	0%	2,271	2,271
Total	5,710,251	59%	59%	0%	10,659	11,489

¹ The swap percentage is measured compared to historical cost of land acquisition.

² Potential units are net of swaps and refer to the Gafisa's and/or its partners' stake in the project.

Table 10 - Gafisa Segment - Changes in the Landbank (4Q15 x 1Q16 - R\$ 000)

	Inicial Landbank	Land Acquisition	Launches	Dissolutions	Adjustments	Final Landbank
São Paulo	4,286,656					