Operator:

Hello. Good morning. At this time, we would like to welcome you to the PDG's conference call to release the earnings for the 3Q18. We have with us Mr. Vladimir Ranevsky, Chief Executive, Financial and Investor Relations Officer.

We would like to inform you that the presentation is being recorded and all participants will be in listen-only mode during the Company's presentation. Following this, we will go on with the question and answer session for analysts, when further instructions will be provided. Should anyone require assistance during the call, please request the assistance of an operator by pressing *0.

We would like to inform you that questions can only be asked through the telephone. If you are connected through the webcast, your question will have to be sent directly to the IR Team at PDG through the email ri@pdg.com.br.

The audio and the slides of the conference call are being simultaneously broadcast on the internet at the address www.pdg.com.br/ri. On this address, you can also find the respective presentation for download on the webcast platform.

Before proceeding, we would like to clarify that forward-looking statements made during this conference call pertaining to the business outlook for PDG, projections and operational and financial goals, are based on beliefs and assumptions of the Company's management, as well as information currently available. They involve risks, uncertainties and assumptions as they refer to future events and therefore they depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions and other operating factors could affect the future performance of PDG and lead to results that differ materially from those expressed in these forward-looking statements.

Now, we would like to give the floor to Mr. Vladimir Ranevsky, our Chief Executive Officer. Mr. Ranevsky, you may start.

Vladimir Ranevsky:

Good morning, everyone. I would like to thank everyone for participating in this conference call of the earnings results of the 3Q18 and the 9M18.

Throughout this year, we took excellent steps towards the Company's recovery. We concluded the payment of the sixth installment. This was made last Monday and was anticipated in over R$96 million, fulfilling all our commitments regarding our court-supervised reorganization plan.

We considered the payment of the sixth installment, plus the capital increase. The Company has already paid R$170 million of its debt, after paying the last installment. And the next deadline will happen in 15 years. We will see from here on an important reduction in our cash pressure – something we faced this year, allowing us concentrate more on our efforts and the continuous fulfilling of our court-supervised reorganization plan.

In addition to the implementation and the fulfilling the payment of our plan, we also paid attention to the review of the processes' control and structures of PDG in order to increase even more our efficiency and constantly reduce our costs. This review will allow us to give priority to our plan and will help us create the foundation to restart our Company's activities during the 9M.

We have observed an improvement in the number of operations and financial indicators, something that reflects the improvement of our management. As a result of these actions, we are also developing strategic planning for the short and medium terms, and we will launch new developments according to our plan.

Now, going to our today's agenda, we will start with slide four, where we have the executive summary. Here, we present the main facts of the 3Q and throughout the 9M18.

Gross sales increased 122% during the 3Q vis-à-vis the same quarter last year. In the 9M, our gross sales grew 25%.

Net sales also recorded a significant improvement of R$35 million vis-à-vis negative sales in 3Q17. During the 9M18, net sales reached R$78 million also compared to a negative sale registered during the 9M17.

During the 3Q18, the operating net revenue increased 462% vis-à-vis the 3Q17, totaling R$85.5 million. Year to date, revenues amounted R$320.9 million – this is an increase of 10% over the same period last year (9M17). There was also an increase in 31% in the quarter, the number of units transferred, when compared to 2017, in the quarter on quarter comparison of PSV, this increased 13%.

Now, during the quarter, the G&A registered a significant fall of 24% over 3Q17. During the 9M18, the reduction was of 44%, when we compare it to 2017. All the indicators that are under our direct management have allowed to create savings – a reduction of R$190 million, or 54%.

In the 3Q, going from R$299.2 million in the 3Q17 to R$108.9 million during the 3Q18. This is the net loss. When we compare the 9M18 to 9M18, the loss decreased by almost R$400 million, all representing a reduction of 36%.

Between June and September, the creditors received four out of the six installments in the amount of R$65 million. Gross sales increased 122%. When we compare it to 2017, in the 9M18, sales grew 25%.

Net sales improved significantly, totaling R$35 million during the 3Q18. When we compared it to 2017 and the 9M, net sales totaled 78%, and this was negative during 2017.

On slide five, we have the subsequent events to the 3Q, in the 2Q, in October, we paid our creditors the fifth installment of our plan in the amount of R$15.7 million. During November, as I mentioned previously, we will be paying the last installment to the creditors.

Now, when we go to slide seven, we would like to present an update about our court-supervised reorganization plan, the two important steps for our plan throughout this year are – we increased our capital at R$74.2 million of debt into equity, and the payment of the fifth installment to the creditors.

On slide eight, you can see the debt subject to the reorganization plan. You can see that the debt was reduced by R$26 million, 3% between the 2Q18 and the 3Q18. This reduction is explained by the payment of R$49 million.

Going to slide ten, we see the graph of the stock price behavior of PDG that had an important oscillation this year. After the approval of the recovery plan from November last year, our shares suffered a drop throughout the period, as you can see in this chart. We had a capital increase in June 2016 and we converted it into equity, and our shares continued dropping until August 14, 2018.

The Company received a communication, so our shares from PDG were over R$1 over 33 trading days. And we decided to split these actions in November. Not a meeting, there was a lack of quorum, here we need 2/3 of shareholders, so since the 33th, our shares were above one year. We are analyzing the price of our shares on a daily basis to decide if we call for a General Shareholders' Meeting.

On slide 11, you can see the reverse split of shares' schedule. Although we have to approve this until the 13th of this month and our shares are above R$1.00, we can now guarantee that they will remain above R$1.00 until 14th of February of 2019. This is the deadline that we have to increase the price. So, we will have a meeting until November 30th. We will give you further instructions, or information.

Going to the financial and operational results, here, we have sales' performance. During the 3Q18, our gross sales were R$82 million, R$122 million compared to the 3Q17 and 14% below the 2Q18. We had R$226 million, 25% above the first months of 2017.

The approval of the sales, when we compare it to 2017, shows how we have changed our sales policy, and we have also realigned commercial campaigns in print and digital media.

Here, we have cash sales improvement, which represents 26% of the gross sales of the quarter. In the 9M18, cash sales were R$61.9 million, equivalent to 27% of the gross sales of the period.

Now, cancellations were R$47 million during the 3Q18, 30% below the 3Q17, and 4% below the 2H18. In the 9M, R$148 million was cancellations, 55% below the same period of 2017.

We are prioritizing the cancellations so they can generate immediate cash flow. Net sales were R$35 million during the 3Q18 and year to date, net sales were R$78 million. When we consider that for the 3Q17 and 9M17, net sales were negative. The Company registered a significant improvement in net sales throughout the 9M18.

On slide 14, we present financial and operational results. At the end of the 3Q, we were 24% in G&A expenses – this was a drop. G&A expenses dropped 44% over the 9M17. Now G&A increased throughout the 3Q and the 9M because we hired commercial expenses during the 3Q and expenses with commercial campaigns (digital and print media).

As a result of its increase during the 3Q, G&A expenses together with commercial expenses, SG&A, registered an increase of 15% when compared to the 3Q17. Although with an increase in commercial expenses, our SG&A registered a significant drop of 20% during the 3Q18. The headcount reduced by 11% when compared to the 2Q18, and 41% when compared to the 3Q17.

On slide 15, we will talk about the inventory, the market values at the end of the 3Q was R$1.942 billion, 1% below the 2Q18. Regarding the 3Q17, the drop in inventory was 17%. The total units in inventory went from 5,260 to 5,057 during the 3Q18. This is a drop of 4%.

Now regarding the 3Q17, there was a drop of 40% in inventory. In terms of the units, at the end of the 3Q, the states of São Paulo and Rio de Janeiro concentrated 56% of the Company's inventory, excluding commercial products. Now, the residential products – 54% of which are concentrated in projects that have a 60% chance of sales.

Our inventory represents the following characteristics: 41% of the total inventory, including commercial, are concentrated in projects with sales' projections about 60%; 59% is concentrated in residential products excluding Minha Casa Minha Vida and commercial.

Now 35% is concluded in inventory and immediate cash generation. Considering the concluded inventory, 36% are in São Paulo and Rio de Janeiro, and 95% corresponds to projects with more than 60% of units sold.

Now the financial and operational results on slide 16, where after the approval of the plan, our debts were corrected by the TR. And considering a lower rate of conversion, there was a significant drop in interest rate, and our financial and gross expenses dropped – this was 37%, and a 49% drop when we compare it to the 9M.

We have to highlight the drop of 49% in financial expenses that totaled R$125 million during the 3Q. During the 9M18, the drop in financial expenses was 49%.

Now on slide 17, the debt is not subject to the reorganization plan; the Company brought that increase by R$42 million from the 2Q to the 3Q, reflecting the monetary correction in interest during the period.

In the 3Q18, there was a significant amortization of interest in principal in the amount of R$81 million. Additionally, in October 2018, we amortized R$63 million in debt, which is related to constructions and financing debentures. Since this effect occurred in the 1Q18, it is not reflected in the 3Q18's current results.

Between the 2Q18 and 3Q18, we went from R$226 million to R$234 million. And to conclude, on this slide, our real estate sales were positive. And throughout the 9M, our sales increased 18%. Other operational sales had a positive R$15 million because of the reversion of provision of past years. As a result, all the measures the Company took throughout the period enabled it reduce its net loss at 64%, from R$280 million in the 3Q17 to R$109 million in the 3Q18.

When we compare the 9M, net loss was R$1.1 billion during the 9M17 to R$609 million during the 9M18 – a 36% reduction. Until here, PDG has successfully fulfilled all the obligation of its recovery plan.

The financial and operational improvement shows that we are on the right path, and the Company's main target is its growth. We will now focus on our medium- and short-term plan. I bring my presentation to an end and I will now entertain the Q&A session.

Operator:

Our Q&A session has ended. I would like to hand it over to Mr. Vladimir Ranevsky for his final statements.

Vladimir Ranevsky:

I thank everyone for your participation, and if you have any questions, our Investor Relations team is at your disposal. Have a very good day.

Operator:

Thank you very much. PDG's conference for the 3Q18 earnings results has come to an end. Thank you very much.