Operator:

Hello. Good Morning. At this time, we would like to welcome you to the PDG conference call to release the earnings for the 2Q18. We have with us Mr. Vladimir Ranevsky, CEO, Financial and IR 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 help 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 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 condition, 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, I would like to give the floor to Mr. Ranevsky, CEO, who will begin the presentation. Mr. Ranevsky, you can proceed, sir.

Vladimir Ranevsky:

Hello. Good Morning. At this time, we would like to welcome you to the PDG conference call to release the earnings for the 2Q18. We have with us Mr. Vladimir Ranevsky, CEO, Financial and IR 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 help 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 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.

It is important to highlight that this first year of the Judicial Reorganization Plan is one of the most important for the Company, as it constantly relevant payments to the labor and unsecured creditors and suppliers.

One of our biggest priorities is to conclude the unfinished works. And we are in continuous and complex negotiations with the banks, as we would like to conclude the unfinished works and comply with the commitment to our customers. We believe that this will add more value to the Company's assets.

Despite all the difficulties during the month of May, we have delivered the Ville Solare project, located in Belém¸ with a PSV of R$77 million and 518 units, which means that we deploy efforts to deliver our deployments. We will continue to direct all of our efforts to conclude and deliver all of the unfinished works, so that the Company can once again launch new projects as foreseen in the Recovery Plan.

Now, I would like to go on to slide 4, where we have the executive summary and where we present the main highlights for the 2Q18 and the 1H18. During this period, we achieved very significant results.

During quarter, gross sales recorded a significant improvement, reaching R$95 million, a 93% increase over 1Q18 and 51% over 2Q17. In the 1H, gross sales amounted to R$144 million, in line with what we had 1H17.

Due to better gross sales, net sales amounted R$46 million in 2Q18, significantly higher than 1Q18 and 2Q17. During the 1H, net sales totaled R$43 million.

We continue to reduce our G&A as I have mentioned, with a decrease of 31% for the 2Q18 vis-à-vis the 2Q17, and for 1H18, the drop was 52% over 1H17.

In June, we concluded the capital increase, which is part of the plan, converting part of the Company's debt into equity.

In June, we paid the first installment that is part of the Company's Recovery Plan. Further ahead, I will return to this plan using a slide. And we had a reduction of 36% in net loss for the quarter, going from R$532.4 million in the 2Q17 to approximately R$340 million in the 2Q18. In the comparison between the 1H17 and 1H18, the net loss was 26% lower.

We go on to the next item of the agenda, on slide number six, where we present an update on our recovery plan. As all of you know, on June 15 we approved a capital increase of R$74 million; part of the debts based on the Company's shares more than 50 creditors had their credit converted into equity.

Another important point in complying with the obligations of the recovery plan was to begin paying creditors from classes I, III and IV. In June, we carried out the first installment in the amount of R$13.2 million. We have also paid the second installment in July, in the amount of R$14.6 million. And yesterday, we began the payment of the third installment. We would like to remind you that we have six installments and they will end in November of 2018.

On slide number seven, we see the structure of PDG debt. You can see that the debt of the Company was reduced by R$67 million, 8% for the 1Q18 and 2Q18. This is thanks to the conversion of debt into equity, the capital increase and the payment of the first installment to creditors, of R$13.2 million.

We now go on to the operating and financial results, on slide number nine. We refer to our sales results, beginning in the 2Q18 we changed our sales policy, resuming the sales of part of the encumbered units. The gross sales had an improvement, reaching R$95 million, 93% above 1Q18 and 51% higher when compared to 2Q17. In the first half, sales amounted to R$144 million, in line with was recorded in the 1H17.

Cash sales totaled R$23.4 million in 2Q18, representing 25% of our net sales. In the 1H18, cash sales totaled R$40.8 million, equivalent to 28% of gross sales during the period.

We reached R$49 million in 2Q18, 4% below of what was recorded on 1Q18 and 57% less than what we had seen in the 2Q17. During the semester, R$101 million were due to cancellations, 60% below the 1H17. We continue to maintain the strategy to prioritize cancellations of units with a better liquidity and that are not encumbered, which gives immediate cash-generating due to this resale.

Net sales reached R$46 million in 2Q18, a significant improvement vis-à-vis the 1Q18 and 2Q17. In the 1H18, net sales reached R$43 million.

On slide number ten, we show you our G&A. We have an important commitment as part of our plan and we continue to direct our efforts towards reducing costs, readjusting the Company’s structure and gaining efficiency in our operation.

General and administrative expenses ended the 2Q18 31% below the amount recorded in 2Q17. In 1H18, the reduction reached by 52% compared to 1H17. During the quarter, SG&A expenses, once again, were reviewed and recorded a reduction of 27% vis-à-vis 2017. In the half-year comparison, the result was 43%.

We go on to slide number 11, to speak about the Company inventory. For the end of 2Q18 the market value was R$1.964 billion, 5% below the value recorded in the 1Q18. In 2Q17 the drop in inventories was of 15%.

The number of total units in inventory went from 5,454 in 1Q18 to 5,260 in 2Q18, a reduction of 4%. *Vis-à-vis* to 2017, there was an increase of 8% in the number of units.

Still in inventory, in the states of São Paulo and Rio de Janeiro, we concentrate 56% of the Company's residential inventory at the end of the trimester. Of this inventory, 55% units with sales above 60%, which means a better liquidity.

Presently, the Company's inventory has the following characteristics: 43% of the total inventory, including commercial units, is concentrated in projects that have more than 60% of their units sold; and 59% is concentrated in residential projects, excluding sandbank and MCMV (Brazil's social housing program).

In the total concluded inventory, R$726 million, 62% is located in São Paulo and Rio de Janeiro, and 94% is concentrated in projects that have more than 60% of their units sold, with better liquidity.

Of the total unfinished inventory, approximately R$1.2 billion, 79% is located in São Paulo and Rio de Janeiro and 12% is concentrated in projects with sales between 61% and 99% of liquidity.

On slide number 12, speaking of our financial results, the increase in interest rates and monetary restatement in 2Q18 and 1H18 is due to the acceleration of IGPM that took place during 1H18.

After the Plan's approval, the debt subjected to the Reorganization Plan was corrected by TR. Considering the lower correction rate, there was an expressive decrease in the Loan Interest line. It is important to highlight a reduction of 54% in financial expenses, which totaled R$130 million in 2Q18. And the drop in financial expenses this semester was at 52%.

We are now going on to slide number 13, in which I would like to speak about our bank debt.

In 2Q18, the Company gross debt increased by R$10 million because of monetary restatement and interest rate; already considering amortization during that period. If we think of the positive variation availability, the net debt increased only R$5 million between the two first quarters of the year.

The bank debt is another point that we should pay close attention to. They are being negotiated and the goal is to pay them using the Company's within the Company's possible cash flow.

On slide number 14, we show you our Income Statements. Real estate sales increased 13% in the 2Q18 vis-à-vis the same period of last year. As I mentioned previously, the changes in the commercial policy of PDG had a positive impact on sales.

The increase in the cost of units sold was mainly due to the concession of discounts at the time of sales, to accelerate the monetization of assets, and to strengthen our cash.

Other operating expenses had a drop of 73% vis-à-vis the 2Q17. As we made impairments of relevant amounts in 2Q17 and 1H17, which were not very significant during the same period this year, we observed relevant variations in this line.

As a result of all of the measures we have adopted in the Company during this period, we were able to reduce our net loss by 36%, going from R$532 million in the 2Q17 to R$339 million for the 2Q18. We went from R$808 million to R$600 million in the 1H18, a reduction of 26%.

By analyzing all of the progress we have achieved during this 1H, we believe we are on the right path towards successfully restructuring PDG.

I would like to briefly remark some general market aspects. At the beginning of this year, we had the belief that 2018 would be a good period for the sector, but as months went by, due to the truck drivers' strike, World Cup and political insecurity in the country, we saw a negative impact on our sector. We also had a worsening in the situation of unemployment and the outlook for this year.

As a counterpart, there are efforts by the federal government to help our sector; some measures have been adopted recently, an increase in the financing limit of the housing financial system, to R$ 1.5 million. And we believe that this will help us begin some kind of movement to give an improvement or greater control to our industry.

We do believe that through the election, this scenario will change gradually and that in 2019, we can have a more active market, especially as we begin to see some changes and a better trend in terms of unemployment.

With this, I would like to conclude my formal presentation and offer you the floor to questions or doubts. Thank you.

Operator:

Thank you. The question-and-answer session ends here. We will now return the floor to Mr. Vladimir Ranevsky for his final remarks.

Vladimir Ranevsky:

Thank you. I would like to add a very important point regarding our judicial recovery plan. PDG is closely following the plan; we are quite enthusiastic with the results that we have obtained and we are quite satisfied with our ability to comply with the payment to our creditors, as I previously mentioned. This process is advancing in a satisfactory way.

We are highly motivated now, not only to end our negotiation with the banks, but also to consider a resumption of our business beginning in 2019. Once again, we would like to thank you for your participation at our conference call.

Operator:

Thank you, the earnings results' conference call for PDG for the 2Q18 ends here. You can now disconnect your phone.