Operator:

Good morning, and welcome to PDG's audioconference relative to the results of the 1Q16. Here with us today we have Mr. Márcio Trigueiro, CEO, and Mr. Maurício Teixeira, CFO and IRO, and Mr. Antônio Guedes, Vice President of Operations.

We would like to inform you that this present is being recorded and all participants are connected in listen-only mode during the Company's remarks. After that, there will be a Q&A session for analysts, when further instructions will be provided. Should anyone need assistance during the call, please request the help of an operator by pressing *0.

We would like to inform you that questions will only be made over the telephone. If you are connected by webcast, your question should be sent directly to the IR team, by the e-mail ir@pdg.com.br.

The audio and the slides of this conference call are being simultaneously transmitted by the Internet, at www.pdg.com.br/ri. In this URL you will also find the slide presentation to be downloaded.

Before moving up we would like to state that forward-looking statements made during this call concerning the Company's business outlook, operating and financial projections and targets are based on beliefs and assumptions by the Company's management, as well as on information currently available. They involve risks, uncertainties and assumptions, because they refer to future events and depend on circumstances that may or may not materialize. Investors should have in mind that general economic conditions, industry conditions and other operating factors could also affect the future performance of PDG and lead to results that might differ materially from those expressed in these forward looking statements.

I would like now to turn the conference over to Mr. Márcio Trigueiro, CEO, who will start the presentation. Please, Mr. Trigueiro, you have the floor.

Márcio Trigueiro:

Thank you. Good afternoon, everyone. We are going to do as we did before, a very brief presentation, going straight to the point. We added a part at the end which is a little more detailed, with additional information about our Company's debt restructuring and then we open for questions.

I will start very succinctly at the executive summary on page four, highlighting the main events of the 1Q16. Net debt was reduced by R$111 million. We reduced G&A. We expect G&A to keep dropping throughout the quarters.

Our gross sales stood at R$400 million, that is an okay number. It could be better, but it could be worse too. But, in any event, we consider it to be an okay number, not very exciting, but an okay figure all in all.

We had good cash sales, always in line with the country's situation, where people are trying to keep capital, and also based on the nature of our portfolio, which is based on ready units. 20% of our sales were cash sales, which is a very positive number.

We also had an extensive reduction in the number of cancellations, R$300 million in the quarter. They were in the order of R$500 million.

It is important to make clear that we consider that volume to have dropped. We believe that the 2Q will present a similar amount, which would mean lower level of cancellations. But we also consider likely that the number of cancellations will go up in 3Q and 4Q, because, as I will explain later, we will have more conditions to conduct cancellations more expeditely, to turn units over using resources that will come to us from the creditor banks.

So the reduction in cancellations in the quarter is important. It shows a trend which we believe should be happening. But it was too sharp, it does not reflect the guidance for what is going to happen going forward in the year.

We have also reduced the Company's leverage by R$125 million. The negative highlight here is the slow advance in terms of works, which has to do with the great cash restriction we experimented in the 1Q and we will still be experimenting until we implement the memorandum of understanding in its fullness, when we will then have our resources to conclude the Company's works at a more expedited way. But because we had a very severe cash restriction, and still do, works advance slowly.

And as for recent events, we renegotiated our debt and we sold REP.

In terms of net debt, on page five, we show that this is the seventh consecutive of reduction in net debt. A reduction in net debt in a Company with this amount of debt, with the kind of interest rates we see in Brazil is always good news. We are not only generating cash to pay out the interests, but we also have some leftover cash.

It is an important sequence of quarters with net debt variation. The 2Q is supposed to be even more positive, because of a series of factors which took place, the sale of REP and other factors we are working on. Since the end of 2Q14, we have reduced our debt by R$1.5 billion.

And then on page six, the last page of what we are tackling right now, and then I will give the floor over to Guedes, we have a snapshot of our NAV, which is still above R$3 billion and had a significant drop in the quarter. And our market cap is at R$177 million. More detailed information on NAV will be available at the end for the Q&A.

With this, I will turn over to Guedes who will be talking about asset management, sales, inventory and receivables.

Antônio Guedes:

Good afternoon, everyone. On page eight, we talk about sales. Sales in the 1Q totaled R$403 million. Credit restriction, as mentioned, are hindering a greater growth. Out of those R$403, R$127 million of those sales were of finished units, which generated immediate cash. That is an important item.

As Marcio said, cancellations reached R$300 million, slightly below the 4Q15. And the outlook of 2Q is to remain at the same level. Net sales, as a consequence, reached R$97 million in the 1Q.

On page nine, where we have the sales speed in the 1Q, we were at 14%. Again, the credit restriction affected that number. That is the number we expected. And it is important to highlight that PDG's sales team reached a performance of 65% of sales. That is an important number.

On the next page, we see a chart of cash sales, a comparison of 1Q15 to 1Q16, in line with what we did last year. So that shows our clients are looking for good opportunities for concluded units and also exploring the opportunity to buy cash.

In 1Q15, we had in March our campaign Ponta do Lápis. On this quarter, we had no sales campaign. During the 2Q, the expectation again is not to have any campaign launched.

On page 11, we see cancellations. The average resale cancellations in the 1Q was 32%. That is a consistent number for us. It is important to highlight that in the year we had a resale of 80%. That is a very good number, which helps us generate cash in the year coming from those cancellations.

The resold cancellations on the right show a nominal gain of 5% when compared to the original contract. An important highlight also are the final numbers. Less than 4% of reselling generated new cancellations. That is an important indicator as well.

On page 12, a chart on accounts receivables. We received R$600 million. A reduction of R$447 million in the quarter on accounts receivables. We started at R$6 billion by the end of 2015, to R$5.6 billion at the end of the 1Q16 in accounts receivables. The drop in assets throughout time, shows that we are prioritizing transfers and the sales of assets.

On page 13, there is a chart about our inventory, 70% of which is residential and 48% of concluded units. The final inventory for the 1Q reached R$2.8 billion, 48% of which is concluded. In other words, it is an immediate cash generator, 68% of which are in São Paulo or Rio.

On page 14, we have a breakdown of our inventory and the quality of that inventory by region and by VSO. 44% of our total inventory, excluding commercial products in São Paulo or Rio, and 73% of our inventory also concentrating on projects where 60% of the units have already been sold. The good news is that residential inventory out of São Paulo and Rio has been showing good liquidity and better VSO when compared to other regions, at 22%.

I will give the floor to Mauricio Teixeira, who will be talking about asset management.

Mauricio Teixeira:

Thank you, Guedes. Good afternoon everyone. On page 18, we can see the evolution of the expanded net debt. Net debt plus cost to be incurred, which dropped by R$125 million.

As Marcio said, because of the interest rate that we have, the financial cost alone is at R$250 million. That affects the Company results. So, if we manage to reduce R$125 million, that means a cash generation of above R$350 million quarter-on-quarter. So we have been able to buck the trend of interest rate and reduce our nominal debt.

The deleveraging since 2012, we are talking about R$7 billion back then and that is the path we still pursue for the coming quarters.

On page 17, we see that besides monetizing our inventory, transfers and payouts, we are reducing the cost of the Company's structure. Our G&A is at R$55 million in the 1Q16 and we are continuously pursuing a drop in that indicator, to get the Company in line with the number of projects we have.

The number of employees has also been dropping. It dropped from last year to this year by 22%. Today we have 1315 employees. 400 in works and 900 in administrative offices.

On page 18, you can see our ongoing projects and costs to be incurred. We have delivered two projects in the 1Q16. And costs to be incurred are at R$765 million. And in our schedule we have some ongoing projects and we will be talking about further financing from our partner banks. We plan on finishing another 15 projects this year.

Marcio will be talking a little more in detail about sales of assets, the restructuring of our debt for the Company for coming quarters.

Márcio Trigueiro:

Well, first an update about the sales of REP. It has not been completed yet. We expect it to happen in the next 60 days. It needs the approval of the antitrust authorities and credit committees from REP and PDG, but we are confident in that. And that will also help us to reduce our debt something close to R$300 million.

We are going to receive R$34 million in real estate units. That is a collateral for a debt, the quotes we have at REP will exchange that interest by those units. We will sell them and dedicate those resources to amortize this debt. We have consolidated R$237 million as of December 31st to reduce our debt. That is the news about REP, that is a piece of news that has been around for some months now and we finally finish it.

The memorandum of understanding of four creditors has three elements. The first one is an element of debt expansion. With the debt with those four big creditors, we will have a bullet mature only in 2020, four years after signing the definitive document. This eliminates scheduling issues that we might have in terms of debt.

Another element that has an impact on cash restriction is an interest on the part of the banks in financing all our cash needs for the SPEs. So today overall in the sector companies have access to resources to do the work, to construct. Resources to work and additional resources should any problem emerge, we request additional resources. But it also provides access for cancellations for funds. And that is also very important, that allows to execute the cancellations very fast.

So we have money and resources to pay brokerage fees and a series of other charges. And that allows the Company to speed up the construction of the works and finishing them, and also effectively issued in occupancy permits. We have advanced very slowly in terms of occupancy permits and construction because we had no cash. And it also helps to monetize the Company. So we have money to make the engines roll of course.

It was not for nothing that we did not have a sales campaign in the 1Q. We did it because we had no cash. But with this agreement, once implemented, we will have the necessary funds to invest in marketing and campaigns, go back to the market stronger.

We had a campaign last year in the 1Q, in that campaign alone we sold R$500 million. This quarter we had no campaign, so for 3Q when we have everything implemented and in line, all the restructuring process going full steam, we can recover a better sales base.

Of course it also depends on the country's situation, but I do expect a more positive scenario in the 2H. And the third element which is a breakthrough in terms of debt restructuring is that we have a total alignment with those four creditors in terms of monetizing the assets. The need to materialize and complete the project and then monetize it.

And why do we have this alignment? Because they will finance or fund the Company's G&A, as I said, with a series of credit restrictions, but those creditors will finance those expenses with the new loans, proportional to their resources, the funds monetized in the period.

For example, if we deliver R$100 million, that credit will give us back a part of those funds maturing in three years. And those resources will allow us to cover all the Company's G&A or close to it, and thus manage the Company in a more controlled and appropriate way.

In summary, the impact we are feeling from the restructuring of the debt, we also had a very important support from Vinci partners, which is one of the Company's main shareholders, who will support the Company with R$50 million in a new loan maturing in three years. This will be implemented in the next 60 days, and will make available additional resources limited to up to R$50 million in case we have issues in covering our G&A and other expenses.

In summary, this is where we are. We are moving ahead very expeditely with those four creditors to transform the MOU which we extensively negotiated so it has very little outstanding issues before it becomes a final document. We want to transform that memorandum of understanding, which so far is non-biding, into a final agreement so that we can move ahead more efficiently.

And lastly on page 22, we show what we had not shown before. It made no sense, actually, because or debt was mainly in the short run. We are showing some of how our debt looks like now with the implementation of this MOU. As I said, it is non-biding, as we speak.

In any event, it has a high concentration of debt for 2020. And the debt that is shown for 2016, R$1.255 billion, does not reflect reality actually. Because most of that debt we are renegotiating since August 2015. We have been successful in renegotiating those debts, changing maturity dates and other tools that we have.

And most of that R$1.265 billion will be paid throughout the year, because the Company generated cash, but a good part of it will be rolled out with maturity dates that are still being defined, but that will be very used throughout the coming years.

So we are quite confident that we will be able to complete that restructuring process. This is a corporate debt, not including SFH. SFH will be amortized as we monetize our assets. We are quite confident that what is left to be negotiated for 2016 will be done in the coming months at most.

That is what we have to share in terms of numbers. And with this we are available for questions or comments that you may have.

Luis Mauricio Garcia, Bradesco:

Good afternoon. Two questions. The first one, it would be interesting to know the Company's view, the strategy to follow once the MOU is finally signed. Clearly in the short run, monetization seems to be a good way, but how can this change the results, what would be the impact?

I think you also anticipate a reduction in the interest rate levels. I know those numbers have not been broken down. But I would like to know how the Company sees that. And looking forward, where do you see that going?

And my second question, you did mention a debt to cover G&A and so. But the question is, because the corporate debt includes that bullet provision, and for the project debt there is a maturity date that we will be amortized with time, will this be used by the Company to fund other projects?

How are you going to conciliate this inflow with the outflow cash? Even for the corporate debt, when you talk about the 48 months maturity, would you consider anticipating those payments as you have excess or surplus cash? Just to understand a little better the dynamics between cash generation and debt amortization going forward.

Marcio Trigueiro:

Luis, concerning your first question, something we said since our first conference call, we have reserved a series of plots of land. We had done that to create, as I said, a reserve that would allow the Company to resume launching levels which we considered more normal.

So, first, we need to go into finishing that restructuring. You cannot run a marathon if you are in UTI. But we have already made it out of it. We have a good land bank, we have a good team. We know the market. Coincidently, that is my personal view, we have a perspective of reduction in interest and an increase in the confidence level and employment levels, which are in our favor.

So I think it is a bit early to say something in terms of numbers, but I think the main battle has been won. We now need to look forward and we will be dedicating to that as soon as we finalize that debt restructuring process.

It will depend on the sector, on access to funding, but to be a little more tactical, our interest today is focused on a few cities, where we have good quality land banks, very good competitive positions, Rio, São Paulo and Salvador, to name three of them.

And we need a clearer definition in terms of market segment. Our view does not have much in common with other players' vision, but our area of operations is one of middle to low income bracket, with here and there with other efforts. but mainly low to mid income bracket.

We will not be participating in Minha Casa Minha Vida and not in the high-end sector either. So as soon as we are able to formalize and implement the debt restructuring process, we will then be positioned to go back to market next year.

Concerning the next question, I will give the floor to Mauricio.

Mauricio Teixeira:

HI, Luis. Will other debts be rolled for other maturities? Well, have maturity dates in 48 months, but we have provisions of self-liquidation, as we sell more and monetize the collaterals connected to those guarantees.

So, if a bank has receivables in terms of inventory or land, as those are monetized, that bank will be paid. So maybe in 48 months, some banks will, in all likelihood, have their debts repaid. But that is a theoretical scenario. The idea is that the cash generation of the Company will be able to repay those debts.

Luis Mauricio Garcia:

OK. Thank you.

Tomás Awad, 3R:

In terms of transfers, your total volume transfers dropped from last year. Started at R$$800 million last year, closed the year at R$600 million and some, and now you are at half of that, R$300 million and something. How much of that can be attributed to restrictions between the bank and the clients? Is there something specific about the products and to what extent the agreement with the banks might be affected going forward because of that?

We do not expect much to change I know, but you did mention some non-recurring factors. But in terms of recurring cash flow, can we go above R$110 million, R$120 million? And to improve, I know it has to be linked to the transfer. And the transfer level is low. I am not talking about whole sale products. What can you tell us about that?

Antônio Guedes:

Transfers have three basic items. One is to have the occupancy permit and deliver the work. In the 1Q, because of a lack of fund, we postponed occupancy permits issueance because we simply did not have the money to finish the work. So that is a first impact we suffered on transfers.

The second is that there is an issue of credit with the client. The 1Q interest rates were higher. Banks were more restrictive to clients and clients were afraid of losing their jobs and other things. So they were avoiding. And the third effect is that of sales of cancellations.

So there is a combination of those three elements. I could tell you that the credit restriction is around 30% to 35%. So the non-execution of transfers had more to do with that, with those three items combined.

And what we believe going forward for the 2Q, we will issue more permits. In April and May that number is already up. So we should overcome that question somewhat in the

2q. But we still remain with the issue of cancellations a bit unbalanced. So our perspectives as we resume our work and we resume our campaign, we expect to resume transfer levels of the 3Q15.

Our average ticket is around R$300 thousand. And there was a strong impact now because it had a restriction of up to R$225 thousand. So it went down from R$400 thousand to R$225 thousand, and we see the impact of that also on the 2Q. So our expectations for transfers is that it will improve somewhat now in 2Q, but a better improvement for the 3Q, where we expect to speed up sales a little more.

Tomás Awad:

Thank you.

Marcelo Motta, JPMorgan:

Good afternoon. I would like to understand if you could break down what kind of guarantee you have in terms of percentage of debt. Most of the debt, as I understand, relative to bullet is self-amortized, you sell the asset and you repay the debt. What kind of level, is it? Is it 1.2x, for it to be actually self-amortized?

Mauricio Teixeira:

Hi Marcelo, each bank has a different reality, different guarantees indicators and that is part of the information we cannot share, we are not in a position to share. I am sorry.

Marcelo Motta:

OK. Thank you.

Andrew Nightingale, IVO Capital:

I have three questions. Two of them have to with sale. I just heard the comments that the cancellations will be sped up; so, banks will give additional credit lines to close and finish the works? Am I right in understanding that? And the second is why not to have a campaign in the 2Q? Why not? A sales campaign.

Marcio Trigueiro:

Just to make it clear, in terms of cancellation. Cancellations will be accelerated. We had a situation before, and it is not a privilege that we have in relation with other players. When we make a cancellation and re-sell, the funds coming from those resales, they go fully to the bank, and I need to pay for the cancellation.

So, even though, economically, it is very good for the banks, for us to cancel and re-sell units because our reselling performance is good, we were really pressed, because we did not have to have free cash for the cancellations. And we had a series of units needs to be cancelled, but we could not make it.

This will now be unlocked with the new debt restructuring project. So this will no longer be a bottleneck on our free cash. And, as for your second question, for the campaign, we did not have a campaign because we did not have funds for it. We did not have marketing funds for a national campaign. No free cash.

As we move ahead and some obligations are met, for example, hedge, which is a tax we pay when we are selling and several others, as well as the use of free cash to cover G&A, as soon as we have this solved, we will be able to have free cash to have campaigns just as we had last year and we were very successful at it.

I am very optimistic that with time, with the necessary funding, with the necessary calm and talking about August, September, I have a good expectation for that. And we will have concluded a series of cancellation before, so this tends to help or to make the campaign even more successful, as we move ahead.

Andrew Nightingale:

I have a third question. Just to confirm, I did not really get it that trigger you mentioned for you to be able to have access to a debt in the same bank. Is it because of that trigger that we need to repay that bank? Then you tell the bank “OK, but I need to have the money come back to pay, to cover for the G&A”? I did not really understand that trigger for debt swap, if you will, with creditor banks.

Márcio Trigueiro:

What is happening today with the Company is that we are monetizing our assets and all the assets which are monetized and most of our assets are collateral, it is monetized and the money goes to the bank. And I have no free cash.

Andrew Nightingale

OK. I understand.

Márcio Trigueiro:

So, with this new restructuring process, some of the monetized money will come back to me as a new loan with a bullet maturity of three years, not of four years. And with those funds, I can, then, cover G&A, work with marketing, pay for cancellations and so on.

Andrew Nightingale:

There is no collateral for that money?

Márcio Trigueiro:

Yes. We have a provision for that. We were able to do that in the right amount, so we estimate this will happen for the coming quarters and we have a provision for that.

Andrew Nightingale:

OK. Thank you.

Tomás Awad, 3R:

It is me again. I am talking about resale price. You have a chart on slide 11. We have historical data, historical numbers, it shows a correction there. Then you show the cancellation, the resale price. The impression that you resell with some positive gross margin, but it seems to be low and, of course, cancellation, you should have a negative margin.

But when we look at that margin, it seems to be positive. I would like to understand that a little better. For the Company's P&L to resume, to approve this level with positive gross margin, if your gross sales drops as well, what kind of perspective do you see going forward, of course, apart from any political upheaval or anything, but I am trying to understand the price dynamics for you.

Are you done with discounts? Now that you have another four years in maturity dates for your debts, can we start thinking about decreasing discount levels or would you rather maintain those discounts levels to make a quicker cash position? How do you see that going forward?

Antônio Guedes

I will be talking about the resale and then Maurício will be talking about margin. In terms of margin, a few issues. We have projects which we sold through two, three years ago, so we priced it back then, and, then, when we analyze it¸ today, to deliver it, the clients are no longer paying that price. And the price that we have did not follow the INCC and, then, you give a discount to sell faster, so we lose in INCC.

Our policy up until this adjustment with the banks, we have been giving the discounts, so that we could monetize those units faster, so that we could cover that G&A and so on. Now that we have this new adjustment with the banks, we no longer this pressure, so we do not need to speed up those discounts, we can take it by stride and to be more aggressive in terms of losing less.

And we will not be losing margin, as you mentioned. So that is what we are pursuing right now. We have products which are ready, finished. That is what we are looking for. The clients do not have a risk of buying a non-finished product, so with this new agreement with the banks, we will no longer have to speed up discount levels, so we will be asking for more reasonable prices, less aggressive prices, so that we can preserve our margin.

Tomás Awad:

OK.

Mauricio Teixeira:

About the accounting power, in the industry accounting, most cancellations we do are 100% completed unit, and when we sell those, we sell them under the same perspective. That is how it is accounted for, so the effect of the cancellation, even though we have a positive net sales, oftentimes, we have negative results, but it is not a great driver in the margin.

If you have a growing positive margin, as we speed up the percentages of completed works and recognize the revenues from sold units, this will change. Outside from that, if you have a finished unit, we cannot anticipate great margin recovery.

Tomás Awad:

OK. You are selling the cancelled units with a very low margin and, then, cancellation for the final margin affects that?

Mauricio Teixeira:

Yes. We sold it back then, and it was 100% recognized and, then, we have higher market prices, corrected amounts and, oftentimes, the work is not 100% finished. That is when the difference comes in.

Tomás Awad:

Guedes, you said that from now on you do not need to be as aggressive in terms of net discounts. Do you have a metric for that? In other words, how much were you selling below the market price for those regions? For example, I was in a certain area, I had two or three competitors who grant significant discounts, and I was giving 6% below them.

Do you have a metrics in terms of percentage of how much more discounts you were given when compared to your competitors? That could, of course, you had that number, you could work on their margin in a more effective way. Do you have an idea of how much below you were relative to your competitors by region?

Antônio Guedes:

No. It is difficult for us to discover the final price of the competitors when clients sign the contracts. One thing is the chart, the table, the list, and another is when you sign the final contract. What I can tell you in terms of policy is that the market is king. Our price has to do with the area where we are operating, so that varies across Brazil.

It also depends on inventory levels. It is difficult to give definitive a one size fits all answer. What we did was the following: the 3Q we were a bit more aggressive, and in this 1Q16 we removed discounts for products where our inventory dropped, regions more normal, if you will, price levels, and we will maintain that policy for the 2Q.

As we solve that issue with the banks and have more breathing room, we will be using prices which will be more efficient, effective and favorable for us.

Tomás Awad:

OK. Thank you.

Andrew Nightingale, IVO Capital:

Hi, following-up Tomás' question, I want to understand the relation between the NAV on page six, the relations between the NAV and the resale of cancelled units. Should I consider those receivables going down by 19% or are they going up 5%? What is the market value I should be considering here?

Mauricio Teixeira:

Andrew for that NAV, the receivable has to do with the original contract and the inventory that is at the market value.

Andrew Nightingale, Ivo Capital:

I know, and INCC?

Mauricio Teixeira:

INCC, yes, and I am receiving it at contract value. The inventories that is at market value and the accounts receivable is at the original value, contract value.

Andrew Nightingale:

So, your accounts receivable should have dropped 19%?

Mauricio Teixeira:

No. Actually, it is showing the original value, then, when I have a cancellation, there is a higher value – market value.

Andrew Nightingale:

So those accounts receivable have not been corrected for the update? They are all based on the original contract values? They would have to be corrected by 5%. Is that what I understand?

Mauricio Teixeira:

Yes. That is it.

Operator:

The Q&A session is now over. I would like to give the floor back over to Mr. Márcio Trigueiro for his final comments.

Márcio Trigueiro:

This is what we had to say. Our investor relations team remains available. Thank you all for participating. Have a nice afternoon. Thank you. See you next time.

Operator:

Thank you. PDG's 1Q16 results conference call is now over. You may now disconnect your lines.