Operator:

Good morning. Welcome to the conference call of PDG's to release the results of the 4Q18. Today here with us we have with us Mr. Vladimir Ranevsky, CEO, the Financial VP and the IRO.

This presentation is recorded, and all participants will be connected in listen-only mode during the Company's presentation, and then we are going to start the questions and answer session for analysts, when further instructions will be provided. Should anyone need any assistance during this conference call, please, request the help of an operator by pressing *0.

We would like to inform that questions may be sent directly to the Investor Relations team of PDG, at the e-mail, ri@pdg.com.br. The audio and the slide deck of this conference call are being simultaneously transmitted on the Internet, at the address www.pdg.com.br/ri. At the address, you may find the slide deck for you to download at the webcast platform.

Before proceeding, we would like to state that statements made during this conference call relative to PDG's business prospects, operational and financial projections and goals are beliefs and assumptions of the Company's management, and are based on information currently available. They involve risks, uncertainties and assumptions, because they refer to future events, and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operational factors may affect the future performance of PDG and may lead to results that will be materially different from those expressed in such forward-looking statements.

Now I would like to give the floor to Mr. Vladimir Ranevsky, who is going to start the presentation. Mr. Ranevsky, please.

Vladimir Ranevsky:

Thank you. Good morning, everyone. Before anything, I would like to thank you for your attendance in PDG's conference call to release the results of 4Q18 for the whole year.

2018 was a very important year for us at PDG, where we reached important landmarks on the company's process of recovery. The most important was the full payment of the six installments to creditors, as foreseen in the plan, amounting to R$91 million. The Company has also completed another capital increase at R$74.2 million.

Additionally, as set forth in the plan, we paid R$84 million. In total, considering the installments, the capital increase and the payments, the Company has already settled R$250 million in debts subjected to the recovery plan, as specified in its recovery plan, and we have honored all the commitments assumed with all our creditors.

From now on, considering that the future maturities will take place in about 15 years, we will have a significant reduction in the cash pressure of the Company. We are still focusing our attention on improving our processes, controls, and focusing on increasing our efficiency and continuously reduce costs.

We are conducting part of the review work, together with our external auditors. In the last quarter, we revisited a relevant part of our internal controls and implemented significant improvements. These improvements will continue to be implemented along the year of 2019.

In spite of the large cash pressure that we dealt with in 2018, we were able to deliver an undertaking in Belém, with R$77 million total amount of sales.

Once we completed this important phase of the plan, our focus towards the end of 2018 was more on strategic planning for the short and long term. As part of this work, in addition to planning the return of our launches, we are trying to identify new opportunities that will make it possible for PDG to diversify its services and products with the aim of generating additional revenue.

Now, starting today's agenda, we go to slide number, where you can see the executive summary, with the main highlights of the 4Q and 2018.

As I mentioned before, between June and November, the Company paid the six installments to creditors, totaling R$91 million. Gross profit in Q4 2018 reached R$137 million, compared to a loss of R$18 million in 4Q17. During 2018, the gross profit was R$33 million, an increase of 25% over 2017. The adjusted net loss for 2018, when considering nonrecurring factors, these amounts were organized in 2017, and I guess you must remember that.

So, the adjusted net loss fell by R$1.8 billion, with 70% year-on-year. When we compare the 4Q18 to the 4Q17, the reduction in losses was R$1.4 billion, or 92%.

Now, about gross sales, there was an increase of 14% in the 4Q18 as compared to 4Q17, going from R$94 million to R$107 million. Year-on-year sales grew 21%, reaching R$333 million for the 12 months of 2018.

Net sales also improved significantly in 2018, totaling R$140 million during the year, in comparison to negative sales recorded in 12 months of 2017.

Year-to-date numbers, our G&A fell by 6%, reaching R$125 million in 2018. This reduction reflects the adaptations of the structure and higher operational efficiency of the Company.

The 33% increase in the number of units transferred in the 4Q18; that is compared to the 4Q17. If we compare the 4Q18 to the 4Q17, there was an increase of 30% in PSV.

Now, talking about recent events, in March, we delivered the project Mais Viver Campinas, with 444 units, and a PSV of R$63.3 million.

On slide 3, you can see an update on execution of our court-supervised reorganization plan. As I mentioned before, along the year of 2018, we have completed three fundamental phases of our recovery plan, paying the sixth installment, the capital increase per conversion of the debt, and also the payment amounting to R$84 million. In this manner, during 2018, we reduced our structure debt.

On slide number seven, you can see debt the structure of PDG. Between the 3Q18 and the 4Q18, the debt reduced by R$22 million, or 3%. This reduction is due to the payment of installments in the plans that were paid to creditors of rates 1, 2, 3 and 4 who chose A option of payment.

Still as part of the recovery in the 4Q18, we paid R$39 million. In the year, the debt reduced by R$94 million, or 11%. This reduction is explained by the payment I have mentioned before.

On slide number nine, you can see the schedule of everything related to the reverse split of shares. Just as a reminder, the Company received, on the 14th of October of 2018, a notification from B3 after verifying that the closing quotation of the shares was below R$1 for three consecutive trading sessions. And then, on December 18, we had a shareholders' meeting that approved the reverse stock split in the proportion of 10 to one.

On January 14, 2019, the shares started to be traded as a group at the proportion of ten to one. On January 28, 2019, the reverse split remaining shares were auctioned.

Now moving to operational and financial results on slide number 11, you can see the results of sales. In the 4Q18, growth sales reached R$107 million, 14% over the 4Q17, and 31% above the 3Q18. In year-to-date numbers, sales totaled R$333 million, or 21% above 2017.

The improvement in the pace of sales, if we compare to 2017, is a reflect, especially of changes in our sales policy, with the recovery of sales of units and commercial campaigns in the digital media. Of the total sold in the year, R$33 million was sales of units that generated free cash for the Company.

Sales totaled R$10 million in 4Q18, representing 9% of gross sales in the quarter. For the 12 months of 2018, one-installment sales totaled R$72 million, 22% of growth sales in the period.

Total cancellations were R$45 million in the 4Q18, R$221% above 4Q17. This large increase in cancellations, when comparing the 4Q17 to the 4Q18 is explained by the slowdown in cancellations that occurred in 4Q17, when the Company was finalizing the approval of its recovery plan.

If we compare the cancellations that took place along the year, R$193 million in 2018, 44% below 2017. Net sales totaled R$72 million in 4Q18, 22% above 4Q17 and 80% above 3Q18. The 12-month numbers, combining to the new volume of cancellations, were positive by R$44 million in 2018 vis-à-vis negative sales, by R$18 million in 2017.

Now going to slide 12, you can see SG&A. In the 4Q18, SG&A expenses increased due to payment to the Company's financial and legal advisors. If we consider, the whole year SG&A, it reduced by 6% when compared to 2017.

Commercial expenses increased in the 4Q and year on year due to higher expenses with commercial campaigns and recognition of commission expenses related to cancellations occurred in 2018.

In this manner, SG&A increased by 84%, if we compare 4Q18 to 4Q17 and it increased 3% if we compare the 12 months of 2018 to the 12 months of 2017. We are going to continue paying special attention and making efforts to reduce costs and to readapt the Company's structure.

On slide number 13, about the Company's inventory, comparing to the 4Q18, it totaled R$1.891 billion at market value, 3% below the value we had in the 3Q18. As to the 4Q17, the drop was 15%. The total number of units in inventory went from 5,000 to 4,853 in 4Q18, a reduction of 4%. As to the 4Q17, there was a reduction of 13% in number of units in inventory.

At the end of the year, cancellations in São Paulo and Rio de Janeiro concentrated 50% of the Company's inventory, excluding commercial products. Of the total of residential inventory, 51% is concentrated in projects with good liquidity.

The Company's inventory presents the following features: 40% of total inventory, including commercial, is concentrated in projects above 60%; 50% of the total inventory is concentrated in residential products, excluding My Home My Life, and commercial and development. As for the completed inventory, 66% of our PSV is located in São Paulo and Rio de Janeiro, and 90% is concentrated in projects with more than 60% of units sold.

On slide 14, you can see the Company's financial results. Taking out the positive effects that were nonrecurring that took place in 2017, the loss in the Company's financial reduced R$655 million, going from R$1.074 billion year-to-date in 2017 to R$419 million at the end of 2018.

The debt of the Company that we see in slide 15 reduced by R$28 million between the 4Q17 to the 4Q18.

During 2018, the amortizations totaled R$358 million. However, the gross debt increased R$105 million because of the interest incurred and monetary correction.

With the reduction of R$96 million in availabilities, because of amortizations that I have mentioned before, the net debt increased R$68 million, if we compare 4Q18 to 3Q18. This is a 3% increase. In the year, the net debt increased R$180 million, or 7%.

Lastly, on slide 16, you can see our income statement. As I have mentioned before, if we update the Company's compliance with the Special Tax Recovery Program we have joined, it generated a reduction in tax to pay, and at end of the 2018, all installments have been paid, totaling R$29 million.

In this manner, we end the presentation of our performance in 2018 and for the whole year of 2018. If you have any questions, our Investor Relations department is available at the e-mail, ri@pdg.com.br.

Thank you all very much.

Operator:

Thank you very much. The conference call of the 4Q18 of PDG has now ended. We kindly request you to disconnect your lines now. Thank you very much.