Operator:

Good morning to the earnings of the 4Q16. PDG referring to the earnings of the 4Q16. Here with us we have Mr. Vladimir Ranevsky, CEO, CFO and Investor Relations Officer and Mrs. Natalia Pires, General Counsel.

We would like to inform you that this presentation is being recorded and all participants will be in listen-only mode during the presentation of the Company. After that, we will start the question and answer sessions for analysts, when further instructions will be given. Should any of you need assistance during this call, please request the help of the operator by pressing *0.

We would like to inform you that questions can only be made through the phone. In case you are connected via webcast, your question may be sent directly to the Investor Relations team of PDG through the email ir@pdg.com.br.

The audio and slides of this conference call are being broadcast simultaneously by the web at the address www.pdg.com.br/ri in the platform Engage-X. In this address, we also find this corresponding presentation for download at the webcast platform.

Before continuing, we would like to clarify that any statements that may be made during this call, regarding the business outlook of PDG, projections, operating and financial goals are based on beliefs and assumptions of the Company's management, as well as on information currently available. They involve risks, uncertainties and assumptions, as they refer to future events and, therefore, depend on circumstances which may or may not occur.

Investors should understand that general economic conditions, industry conditions and other operating factors may affect the performance of PDG in the future and lead to results that materially differ from those expressed in such outlook.

Now, I would like to give the floor to Mr. Vladimir Ranevsky, who will start the presentation. Mr. Ranevsky, you may continue.

Vladimir Ranevsky:

Thank you. Good morning everyone. I would like us to go straight to slide number four and let us start by talking about the reorganization. In this slide, we have a summary of the main events that led the Company to file for reorganization.

Despite all the efforts we have made in the beginning of this year to continue with this reorganization plan that started in 2016, there was a worsening of the economy, especially due to financial and operating difficulties we had in the Company. All of that had a major impact on the Company.

We had factors such as the increase of inflation, increase of interest rates, unemployment, the reduction of income of consumers, less funding, restriction in credit, both to consumers as well as to production, in addition to the severe worsening in the consumer confidence index, which has a direct impact on the Company, a demand for properties and increase in cancelations.

Faced with this low demand and increase in cancelations, the Company started to see more funds coming out of the Company, having problems to pay condominium fees, suppliers and IPTU tax.

All this difficulty in cash, with a decrease in production, has damaged our production and ended up by interrupting some construction works already in progress. Despite our efforts, given this scenario and also despite de advancements we made in this period, we decided that the best solution, the most sustainable solution for this crisis was to file for a reorganization.

This will allow the Company to continue to advance in an organized fashion, with very well defined churns and procedure, with the help of everyone in the restructuring procedure and it will allow for the continuity of the Company, to preserve the value of the Company and especially, preserving the cash of the Company.

Moving on to slide number five, we have filed for reorganization on February 22, and that was authorized on March 2. We have 60 days to present a plan for reorganization to creditors. During this period, we will be able to focus more on the reorganization plan and this plan is essential for the rebalance of the Company and its continuity.

On slide number seven, let us now talk about the earnings release and the income statement. We have a loss of R$5.3 billion in the year. In the next slide, I will explain better the adjustment we made in this period.

Our gross margin was R$-725 million, especially due to monetary corrections and also the canceled units in the amount of R$252 million. Discounts were R$85 million and reviews in the cost of work in progress was R$141 million.

On slide number eight, as for the adjustment, the main impact in the loss of the period was under other operating expenses in the amount of R$3.4 billion, and the main movements of this line were: R$562 million of provisions for losses and receivables from customers due to a significant increase in default, customers over one year under default; a loss of credit of accounts receivable R$393 million; R$96 million of provisions for loans to receive from partners; R$835 million from SPEs, due to no longer existing partnerships, such as HM1, Rossi, Cyrela, among others companies; R$171 million of impairment of land banks and completed units; R$442 million of cancelation of land to pay for debt; and R$949 million increase in provisions for contingencies, especially due to delays in construction works and cancellation from customers.

Moving on to slide nine, let us talk about assets. The accounts receivable was reduced by R$3.5 billion in 2016, especially due to receivables from customers, R$2.2 billion; an increase in provision for doubtful debt and a deconsolidation of 15 SPEs with HM1 in the large amount of R$155 million.

Inventory was reduced by R$1.6 billion, especially due to the loss of land bank and completed units (R$613 million) and R$973 million of appropriation of costs.

Properties for investment was reduced by R$473 million in 2016 due to the sale and deconsolidation of Real Estate Partners investment, which happened in the 2Q16.

On slide number ten, in liabilities we had an increase of R$560 million in other provisions payable, especially due to increase in provisions for legal contingencies, civil, tax and labor losses.

Now, moving on to slide number 12, let us talk about the reorganization plan or restructuring plan. In May 2016, we sold two projects, D'Oro and Arena, in the amount of R$10 million, with a reduction of costs to be incurred by R$52 million.

Still in May, we sold our share of 58% at REP, receiving R$34 million in real estate units in São Paulo and reduced our net debt by R$214 million.

In November, we finished the partnership with HM1 and 18 SPEs and 15 remained with HM1, and three with PDG, and therefore we reduced our extended debt by R$237 million, R$7 million in costs to be incurred and SFH debt by R$32 million.

Also in November, we completed the sale of Buona Vita Atibaia project, reducing costs to be incurred by R$1.4 million, in addition to R$8.6 million in the Company's liability.

In terms of memorandum of understanding, the Company has completed, with Vinci Partners, a credit line in R$100 million. The first series, 9th and 10th issuance totaled R$50 million, fully paid up in 2016. The second series were paid up in 2017, in the amount of R$50 million.

Still regarding the memorandum of understanding, between August 2016 and January 2017, the Company has received approximately R$105 million from its main creditors, with the purpose of covering costs related to G&A of the Company.

In total, the sales of assets and ending of partnerships, the liabilities of the Company were reduced by more than R$550 million, in addition to new assets of R$44 million. Our national transactions were accountable for our income in cash in R$205 million.

On slide 14, we highlight some items of the quarter. We had a drop in R$182 million in the debt of SFH between the 3Q16 and 4Q16 and R$690 million during the year of 2016.

In the 4Q, the net debt was reduced by R$53 million and in the year of 2016, the reduction amounted to R$433 million. The total leverage of the Company, including the net financial debt and costs to be incurred year to date in 2016 was reduced by R$352 million.

General and administrative expenses continue to be strongly controlled and reduced with a drop of 25% between 4Q15 and 4Q16 and a drop of 22% in 2016 when you compare to the previous year. Year to date in 2016, sales expenses dropped by 9% when compared to year to date 2015.

Throughout 2016, 16 projects were delivered, which accounts for more than 5.500 units, which further reduced the financial and the operational risk of the Company, which was major, or also the risk of foreclosure of the Company's assets, which was very good considering what we faced during the year.

And in the beginning of 2016, we completed paying up the second series of the 9th and 50th issuance of debentures in the amount of R$50 million.

On slide 16, cancelations have caused the main impact on sales, although sales remain cold. We have reached R$172 million, 65% lower than in the 4Q15. In the year, cancelations reached R$1.1 billion, 42% below the amounts recorded in 2015.

Net sales reached R$162 million in the 4Q16 and year-to-date, gross sales accounted for R$1.5 billion, with a drop of 41% when compared to the previous year.

Net sales reached R$162 million in the 4Q16, 153% above the 4Q15 and had an improvement when compared to the previous quarter, in which they were negative. In 2016, net sales amounted to R$332 million, 40% below the previous year.

Slide 17, let us talk about cash sales. Cash sales continue to represent a strong support for our cash and has reached R$64 million in the 4Q16, which accounts for 19% of gross sales in the quarter. Year to date, cash sales added up to R$286 million, equivalent to 20% of the gross sales in the period.

On slide 18, about the resale of canceled units, we continue with a reasonable amount of that, 80% in 12 months after the cancelation. Only in the 4Q16, we were able to resell 23% of units canceled in the quarter, but 27% lower than in the 3Q16. In the year, we resold R$293 million, which accounts for 26% of canceled units.

As for G&A, on slide 19, general and administrative expenses, control and reduction has been a strong focus under this management, and we are trying to always reduce further and further with the consequent gain of productivity.

We have reduced our G&A by 25% between the 4Q15 and the 4Q16 and 22% when comparing 2015 and 2016. This is a continued process.

In the 4Q16, we have reduced this total staff by 13% and, in the year, a total reduction of 48% in our staff. In the year, SG&A plus commercial or sale expenses had a drop of 17%.

On slide number 20, inventory quality. Out of the total inventory at the end of 2016, R$2.3 billion, accounting for 5.400 units, approximately 65%, including commercial products, are concentrated in projects with a good liquidity, with above 60% sales speed, which can help to accelerate the sales of the Company when the economy improves.

Currently, 64% of the units in stock are residential units, excluding Minha Casa, Minha Vida, MCMV, commercial units and subdivisons. 45% of inventory is already performed and, out of that, 70% is located in São Paulo and Rio de Janeiro, and 88% is concentrated in projects with sales above 60%.

Slide 21, please. Variation of the net debt. Despite the cash difficulties we have been facing, the 4Q16 the net debt was reduced by R$53 million, R$11 million referred to the end of partnerships with HM1.

Year to date, the drop in the net debt amounted to R$208 million and, considering the deconsolidation of real estate partner debt and the end of the partnership with HM1, the year to date debt was R$433 million. In total, since 2014, the Company has reduced its net debt by R$1.9 billion.

Slide number 22, deleveraging. We have continued to work to reduce the leveraging of the Company, and we reduced the extended company, net debt plus costs to be incurred, R$53 million in the 4Q16 and R$352 million in 2016. Since 2012, this index has exceeded R$7 billion.

On slide 23, we talk about projects in progress and costs to be incurred. In the 4Q, we delivered one project and even despite this reduction of credit for construction, we have 16 projects finished in 2016 and R$1.6 million in PSV.

Therefore, we start this year of 2017 with only 27 projects in progress and the costs to be incurred remain at the same level, in line with the 4Q16.

This increase of 10% of costs to be incurred when compared to the 4Q15 has mainly resulted from the correction of INCC, the construction inflation. If we look at the construction works that reviewed their costs, given the reduction of the cash of the Company.

Since the end of 2012, the total costs to be incurred had a drop of 88%, with a significant reduction in the risk of foreclosure of the Company's assets or bankruptcy.

On this slide, we talk about the 27 projects in course. Six developments are in course and 17 construction works have been paralyzed. Some of them have had their first condominium meeting.

Now I end this presentation and I remain available to answer any questions you may have.

Operator:

The Q&A session has now ended. I would now like to pass the floor to Mr. Ranevsky for his final comments.

Vladimir Ranevsky:

I would like to thank you all for attending the call. And, again, the Investor Relations team remains available to answer any questions you may have. Thank you and see you next time.

Operator:

Thank you. The conference call for the earnings release of PDG for the 4Q16 has now ended. Please, disconnect your phones now and have a good day. Thank you.