Operator:

Good morning and welcome to PDG's conference call for the 2Q17. Mister Vladimir Ranevsky, CEO, CFO and Investor Relations Officer is with us today. We would like to remind you that this presentation is being recorded and all participants will be on listen-only mode during the company presentation. We will then begin the Q&A session for analysts, when more instructions will be provided.

Should you need assistance during the conference call, please request assistance from an operator by typing "star 0." We would like to inform you that questions can only be made through the telephone. If you are connected by a webcast, your question should be sent directly to the IR team of PDG on the email ir@pdg.com.br.

The audio and slides for this conference call are being transmitted simultaneously over the internet at www.pdg.com.br/ir and on the MZ IQ platform – www.mziq.com. Here you will find the respective presentation for download, in the platform of the webcast.

Before proceeding we would like to clarify that the forward-looking statements made during this conference call regarding PDG's business prospects, projections, operational and financial goals are beliefs and assumptions of the company's management, as well as on information currently available.

They involve risks, uncertainties and assumptions as they relate to future events and therefore depend on circumstances that may or may not occur. Investors should understand that general economic, industry and other operating conditions may affect PDG's future performance and lead to results that differ materially from those expressed in such forward-looking statement.

Now we would like to give the floor to Mr. Vladimir Ranevsky, CEO, who will begin the presentation. Mr. Vladimir you may proceed.

Vladimir Ranevsky:

Thank you very much. We had a technical problem; therefore I would like to apologize. Good morning, everyone. Welcome to the conference call of the earnings results of the 2Q17 and 1H17. I would like to start our agenda with the summary of the main facts of the semester and then I will update you regarding the court-supervised reorganization. At last, I will talk about the operating and financial results of PDG during this semester.

Now we will go to slide number four, where we have the main facts of this quarter. About general administrative expenses: we continue working intensely to drop our costs and optimize our processes. Thus, the general and administrative expenses dropped 46% when we compare it to the 2Q16. When we compare it half-on-half, the drop was a 31% year-on-year.

Commercial expenses dropped 90% between 2Q17 and 2Q16 and 80% between 1H17 and 1H16.

During the 2Q17, we had two occupancy permits and a PSV of R$222 million. In 2017, we delivered five projects, totaling 1,274 units and R$ 390 million in PSVs. In addition to this, we delivered and additional project together with a partner. This project has a PSV of R$118 million and we delivered 232 units.

Also on tax liability, we adhered to the Tax Regularization Program, known as PRT. With this, there was a drop of over R$196 million of taxes to be paid. With this Special program of Tax Regularization (PERT), we are studying the possibility to have new debts, in addition to the migrating new debts already included in the PRT.

Company losses dropped 28% when we compare it to the 2Q16 and when we compare it semesterly, there was a drop of 30%.

On slide 6 we have the status regarding court-supervised organization. As we announced, we file for court-supervised reorganization. This was deferred in March. Since then, PDG has geared our efforts together with advisors to provide details and to debate with the main creditors the plans for the court-supervised reorganization of the PDG Group.

The target is to encompass all the rights and obligations of PDG with the exception of the segregated properties. We believe that, with the plan we are developing, it will be possible equalize the pace of cash flow in order to maintain our operations and to maintain the continuity of constructions that have been temporarily paralyzed. Among the premises adopted for the court-supervised reorganization, we want to re-dimension the businesses of the PDG Group and to restructure our debt, which is subject to court-supervised reorganization and the funding of new resources.

On August 4 we announced a Relevant Fact and this is an alignment with our creditors. This alignment includes the strategic approach regarding the segregated properties and the Securitization Company, the allocation of the results of the assets encumbered to the Banks and not tied to the designated properties, and PDG Group's estimate of remuneration for managing the assets. We will remunerate the PDG Group for assets management. I reinforce that this alignment does not create obligations between the parties, but it is an import progress toward approving the reorganization of the company.

Slide 8 – we talked about performance of sales. In order to maintain our expenses, we have the strategy of prioritizing the sale of units that do not have burdens or that are not incumbent and the sale of units whose resources we can be used to pay the SPE´s expenses. Due to our sales strategy, gross sales were R$ 63 million during the 2Q17 – 22% below the 1Q17 and 82% below the 2Q16.

Year-on-year, we sold R$144 million – 81% below the 1H16. In the 2Q17 there was R$113 million in cancellations, 20% below the 1Q17 and 58% below the 2Q16. Cancellations during 1H17 were R$254 million, 56% below those of 1H16.

The drop in volume of the cancellations since the 4Q16 is a result, mainly, of the policy of preservation of the cash of the company, in addition to the drop in the number of requests for cancellation. Regarding the net sales, it was R$50 million negative during the 2Q17 and R$110 million negative in the 1H17.

Going to slide number 9, we have the results of our efforts to sell to generate cash. Considering R$ 63 million in gross sales registered during the quarter, R$40.6 million come from the sales of units whose resources can be used for payments within the SPE (units with fiduciary alignment – represented by the blue bars) - The white bars represent the units that generated net cash.

On the right-hand side we see cash sales during the quarter – R$21.5 million. Out of this value, R$10.7 million were sold within the fiduciary alignment dynamics and R$10.8 million in free cash. Until we approve this plan, we will continue prioritizing this sales strategy and strengthening our cash flow.

On slide 10 we talk about sales, re-sales and cancellations. During this quarter, we sold 1% of the cancellations and this is a drop of 4 percentage points regarding the 5% we registered during the 1Q17. This drop in volume of re-sales of the 2Q17 is explained by the drop of gross sales, in addition to market factors.

We have a new sales strategy in the company. As I mentioned, we focus on sales of units that will bring cash to the company. Considering the last 12 months, the speed of re-sales of cancelled units reached 65%, below the 80% we had managed in the past quarter.

On slide 11 we have the quality of the company's inventory. By the end of the quarter, inventory was at R$2,321 billion and 5,738 units, an increase of 3% regarding the inventory that was registered during the 1Q17, as a result of the cancellations during the 2Q17.

Currently, our inventory has 64% of residential groups, excluding MCMV, land plots and commercial. Performed stock, which can generate immediate cash, is 48% of total inventory. Taking into consideration the performed stock, 62% is located in São Paulo and Rio de Janeiro, of which 90% corresponds to projects with more than 60% of units sold, which represent good market liquidity.

We will talk about G&A expenses on slide number 12. We continue with an effort to reduce significantly our G&A expenses and gain productivity. We reduced G&A expenses by 46% between the 2Q16 and the 2Q17.

When we compare it half-on-half, there were a 31% drop between the 1H16 and 1H17. In 2017 we reduced our total headcount by 32% when we compare it to the 2Q16. There has been a lack of launchings and a lack of sales during this quarter.

We reduced our headcount by 32% compared to 1Q17. When we compare it to 2Q16, the drop was 65%. We will continue making an effort to cut costs and gain productivity.

On slide 13 we present the variation of the net debt of the company. During 2Q17, there was an increase of R$ 279 million in the net debt. This explained by the reduction in the amortization pace and also by the interest rate accumulated during the period. Considering a reduction of R$27 million during the 1Q17 and what accumulated during the 1H17, the net debt increased by R$252 million. Although the net debt increased during this semester, since 2014 the drop of the debt has already totaled R$1.6 billion.

On slide 14 we see the extended leverage – the incurred cost together with the net debt Even though we had a significant deleverage throughout the last quarters, the extended leverage increased by R$279 million, equivalent to 5% of the total extended leverage. Considering that the cost to be incurred of the company was stable at R$728 million, the variation was due to the increase of the net debt during the period. Since 2012, the extended leverage of the company has dropped R$7.3 billion (54%).

On slide 15 we can see ongoing projects and incurred costs. During this quarter we managed to obtain occupancy permits for 2 projects. In total, these 2 projects are equivalent to the PSV of R$222 million, distributed in 613 units, so we ended the 2Q17 with 19 ongoing projects, all of them under the management of PDG. Considering the 5 stages of the The City and the 2 stages of the Niemeyer project, the company currently has 14 projects under construction.

We managed to obtain occupancy permit for a project together with a partner, one in Manaus – PSV of R$118 million, 232 units. In the semester, there were occupancy permits for 6 projects and a PSV of R$508 million for 1,506 units.

The cost to be incurred closed the semester at R$728 million, the same as the one we registered during the 1Q17. The maintenance in the cost to be incurred is explained by the reduction in the construction pace. Since the end of 2012 total incurred costs accrued a drop of R$6.4 billion or 90%.

The Income Statement is on slide number 15. About financial and operational results, I would like to highlight the gross margin. This improvement was driven by cancellations in units that had pressured margins. In addition to this, there is the impact of cancellation, as these cancellations had already been provisioned on December 31st, 2016.

The deterioration in the financial results was due to a fine and a penalty after the court-supervised re-organization. These values are around R$ 150 million during the quarter. Another line that was impacted was income tax and social contribution, due to our participation in the taxes regularization program and this has affected our company during the quarter.

At the end of the quarter, the company had losses of R$532 million – a drop of 28%, vis-à-vis the same quarter of 2016. During this semester, there was a drop of 30% regarding the 1H16.

This is the information that we would like to convey and I bring my presentation to an end.

Marcelo Motta, JP Morgan:

Good morning. I have two questions. Could you give us more details regarding the court-supervised organization? There is an update on your release, but if you have any novelties, please share them with us. Are you working with a different timeline, in order to approve this? Could you elaborate on the technical part? You talked about the inclusion of other tax debts – how could this impact you? How long would it take to see the benefits?

PDG:

Number one, regarding the negotiation process – regarding the court-supervised re-organization – as we have announced, we continue talking to the main creditors, which are the banks. We have had periodic meetings with these banks in order to deal with details within the pre-agreement that we already published.

We made a request to the judge. I believe that our conversations are very positive. There is good will among both parties; a lot of flexibility. What we still do not have is a deadline or a date to approve the plan. Now, it is obvious that as soon we are able to align all our points, we will publish them and creditors will be able to participate in this assembly.

Regarding taxes, we have already gathered all the data and we have identified everything in PERT. As I said, there is a possibility of migrating some of these processes from PRT to PERT, but right now we do not see any increase in this line, because taxes have already been identified and we are already participating in this plan. I hope I was able to answer your question. Thank you very much.

Operator:

Q&A session has come to an end. I would like to give the floor to Mr. Vladimir Ranevsky for his final remarks.

Vladimir Ranevsky:

I would like to thank everybody for your participation and I would only like to highlight the fact that we are in a very interesting moment in the company. We have already been able to drop our cost, our expenses – they are highly compatible with the level of income that we have.

But this drop is an ongoing process and we will continue analyzing expense reduction and bearing in mind that our focus is to continue negotiating with our creditors in order to solve this problem. Thank you very much and we are at your disposal through the Investor Relations channel. Thank you very much.

Operator:

Thank you very much. The earnings result of the 2Q17 of PDG has come to an end.