

## Q2 2015 Earnings Call

### Company Participants

- Eduardo Fischer Teixeira de Souza, Chief Executive Officer Region II
- Leonardo Guimaraes Correa, Chief Financial and Investor Relations Officer
- Rafael Nazareth Menin Teixeira de Souza, Chief Executive Officer

### Other Participants

- Daniel Gasparete, Analyst
- Enrico Trotta, Analyst
- Fred Mendes, Analyst
- Guilherme Capparelli, Analyst
- Gustavo Cambauva, Analyst
- Lucas Dias, Analyst
- Luis Stacchini, Analyst
- Unidentified Participant

### Presentation

#### Operator

Good morning. Welcome everyone to MRV's Second Quarter of 2015 Results Conference Call. Today with us we have Mr. Rafael Nazareth Menin Teixeira de Souza, CEO; Mr. Eduardo Fischer, CEO; Leonardo Guimaraes, Chief Financial and IR Officer; Ricardo Paixao, Investor Relations and Financial Planning Director; and Matheus Torga, IR Executive Manager.

We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the Company's presentation. After MRV's remarks, there will be a question-and-answer session for investors and analysts only, when further instructions will be given. (Operator Instructions). Today's live webcast may be accessed through the Internet on MRV's Investor Relations website.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of MRV's management and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of MRV and could cause results

to differ materially from those expressed in such forward-looking statements.

Now, I'll turn the conference over to Mr. Rafael Menin, CEO of MRV, who will begin the presentation. Mr. Menin, you may begin your presentation.

**Rafael Nazareth Menin Teixeira de Souza** {BIO 16905756 <GO>}

Good morning, everyone. Welcome to our call to present the results of MRV in the second quarter of 2015.

The first aspect that this has to be highlighted is the net revenue of 1.3 billion that we obtained in the period, a record in the Company's history. Our net income has also increased by 50.3% when compared to the first quarter of 2015, due to the good sales volume and the larger number of units produced in this quarter.

Another important result that has been presented in the last 12 quarters has to do with our capacity to generate cash, 154 million in this second quarter, with the maintenance of the base and balance of our operations. We believe that our capacity to generate cash is strongly associated to the growth of our sales within the process of simultaneous sales.

It's also important to highlight that maintenance of our commercial and administrative expenses, after excluding the effects already detailed in our release.

I should also highlight that the strength of our brand and geographic diversification of our operation play a key role in delivering good result in sales. If on one hand, we are more conscious regarding the macroeconomic environment of our country, there is a good expectation regarding the launch of the new stage of My House My Life, MCMV.

The correction of the limits in the cities and income brackets of borrowers will have a very positive effect on our business with the real possibility of increasing sales and average prices. There will always be a strong demand in our segments since Brazil has a huge housing deficit and demographic indicators are very favorable.

Just as an example, we highlighted 1 million new families are formed every year in Brazil. We believe that in moments of greater economic and social instability, MRV would be well prepared to continue to operate with efficiency and safety since we have adopted a conservative financial policy.

Recently, we have obtained the confirmation of our rating by Fitch Ratings agency, and therefore, we continue with the best evaluation of the industry.

Now, I'll pass the floor to Eduardo, so that he may also comment on some of our results. Thank you.

**Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

FINAL

Thank you, Rafael. Good morning, everyone. As spoken by Rafael, despite the adverse scenario that we're in, we're able to keep the evolution of our operational indicators highlighting the strong and continued cash generation increasing the revenue. This increase in revenue, mainly due to the strong figures in production in the quarter, has highly contributed to dilute expenses and therefore increase their margins. In the second quarter, we continued with our strategy to reinforce launches in locations with strong demand and low competition.

We went back to launching in this quarter of volume above BRL1 billion, reaching a year-to-date launches above 2 billion in digit in PSV. This strategy has allowed us to reach a growth in our sales when compared to the first quarter at a very healthy level of sales and within our plans. Still in the sales area, despite the increase in strictness in credit granting from our partner banks, we're able to convert searches into effective sales, always within the simultaneous sales project. This project has been fully implemented.

As for cancellations, we continue with our strategy to accelerate the termination of agreements that don't qualify for transfers, and therefore for the resale. We're been able to resell these units quickly, but the volume of cancellations will probably remain at this level until the end of the year and it's part of our strategy to settle possible liabilities.

In the area of real estate financing, we've maintained the high levels of transfers we've had in the previous quarters. We've transferred almost 8,400 units in the second quarter with an year-to-date of almost 17,000 units in the first six months of the year. It's important to highlight that we've been able to transfer these units earlier, highly mitigating the risk of cancellations and improving our flows. In this moment of turbulence, our expertise in real estate financing has been one of the great differentiations of the Company, providing safety and stability to the operation. In this moment, so therefore, our expertise in real estate financing has been very important because it provides safety for the operation.

Now, speaking of the highlights in production, we've had an excellent quarter. We produced more than 10,000 units and finished more than 12,000. In addition to very strong operating figures, we continue with our project to reduce costs. And we've been able to profit from this crisis moment to review and renegotiate contracts. The result of this project has started to show already and we'll see the more strongly in the future.

Continuing with improvement of our sustainability practice, we've launched in June two new fields. They are Lar Verde Lar, Home Green Home, and Obra Viva life construction. The first is related to the end product and the second to construction sites and the production chain. These fields comply minimum criteria and requirements of sustainable practices to be met by developments in executions and condominiums to be delivered. We believe this is another step towards delivering a product that's more and more value-added, modern and fit to the demands of our customers in the market.

Finally, the result of this recurring good performance and talents, balancing all our operations areas can be seen in the evolution of our margins and cash generation and the reduction of leverage.

Right now, we see very clearly that the actions taken by us in the past were right and have caused us to get through this period of crisis in a more safe and comfortable position, allowing us to focus even more on the evolution of the operations and improvement of results.

Now, I pass the floor to Leo.

## **Leonardo Guimaraes Correa** {BIO 15387486 <GO>}

Good morning, everyone. I'll concentrate on the financial aspects of our business and remind you again that we also generate value through our subsidiaries LOG and Urbamais. About cash generation, both Rafael and Eduardo have mentioned already. So I only highlight that the cash generation in the context of normal operation and will continue at similar levels to previous quarters.

We are not decreasing our operations. This is a result of our business model and the good execution. We continue to enhance our management in order to decrease periods of transfers and receipts. We continue to decrease the need for working capital and therefore of capital per unit launched or sold.

We have been less aggressive in our buyback program this quarter. We continue to believe that at these levels of price, buyback is a very good economic proposition, given the uncertainties of the macroeconomic scenario, we prefer to build up cash in our balance sheet, decreasing our net indebtedness. We restated these funds will be allocated to shareholders. The timing and form that is whether this will be through buyback or extra dividend payment is still to be determined.

In addition to cash generation, MRV has had a conservative strategy in managing its debt. We have repaid a proportion of our fifth debenture now in July. On the other hand, we have renewed for another 2 years the credit facility of BRL200 million, which would originally matures in July. We have the best credit rating within the construction segment. This rating was recently reaffirmed, as already mentioned. We'll continue to maintain a high cash.

Our debt had an adequate term and its cost is highly comfortable. In the mix of construction financing and corporate debt, the average weighted cost is slightly below, still great.

Finally, I once again highlight that there are other sources of value creation by MRV. LOG has decreased its growth base, given the macroeconomic scenario. From the point to view of portfolio management, it continues to ramp with liquidity causing vacancies to drop significantly.

Urbamais has good news; it already started to show its strength and has launched a very successful project in (inaudible). Pre-sales have reached BRL26 million in this second quarter. It's starting to show its potential to create value.

Now, let's move on to the Q&A session.

## Questions And Answers

### Operator

Thank you. We'll now start the Q&A session for investors and analysts. (Operator Instructions) Luis Stacchini from Credit Suisse has a question.

#### Q - Luis Stacchini {BIO 18717891 <GO>}

Good morning, everyone. I have two questions actually. First is regarding pro-soluto. We see a stronger increase in pro-soluto this quarter, 10% of the receivable volume. So how do you think it will become stable? Do you think it will continue to increase in the future?

And the second question is about the equity method. If you could talk a bit at the MRL and Prime performance and other subsidiaries that had a more negative contribution to results?

Would you give us an operation also in the inventory size and maybe some operations that would be more affected by that? And what are your expectations regarding the impact of that for the future? Thank you.

#### A - Rafael Nazareth Menin Teixeira de Souza {BIO 16905756 <GO>}

Good morning, Luis. This is Rafael speaking. Regarding pro-soluto, it's part of our operations, right. As we now have the simultaneous cancellations, the transfer is very quick and the maximum LTV is 80%. So pro-soluto is part of our operations. But it's important to highlight that most of it is due -- is before the delivery of keys and the smaller amount with keys. So the collection is very important.

So, in our understanding, it's under control. Every quarter we have a provision for losses, which is very small. So this is not a threat for us. We feel very comfortable with current levels. I think pro-soluto will grow a bit, and may will become stable. That's what we expect in the next quarter.

As for the equity level, equity method level, actually Prime continues to report poor results, but this comes from a very large development in Brasilia. We reduced products three to four years ago, the portfolio was corrected by INCC. Now the construction is finished and the units that have not been transferred, we cancel them. The agreements were now selling at a lower price than sold in the past. My House My Life has improved and now we are looking much more into cash generation than financial statements or income statement.

We have three quarters to settle, to finish this development. And it's important to highlight that Prime and MRE [ph] developments are under the same type of cost. We have people, executives who have been very senior within MRV have been with these

companies for more than one year, and they have always worked with us. And we see that now the construction has -- the results are much in line with MRV standards and we expected in the short-term they will prevent better results in the equity line.

**Q - Luis Stacchini** {BIO 18717891 <GO>}

Okay. Thank you, Rafael. Have a good day.

## Operator

(Operator Instructions) Daniel Gasparete from Merrill Lynch has a question.

**Q - Daniel Gasparete** {BIO 17999254 <GO>}

Good morning, everyone. I have two questions. First, we're trying to do a reconciliation of the maintenance of cash generation and cancellations quite strong also. So this increase was mostly due to some projects out of the portfolio, will that reflect in the third quarter -- next quarter?

And also regarding this high level that you mentioned was due to the high level of units produced. Is this a sustainable 1,500 units, is this a new construction process, is this more in the short run or probably is due to a new pace of construction?

**A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

This is Fischer speaking, Daniel. How are you? Well, our level has increased, it's due to increase in sales, and a decrease in the level of cancellations and the increase in the pace of construction. This year, actually, our construction pace is much higher and with the implementation with this new system. And when you compare growth in net sales, this is a standard. As a consequence, with the decrease in the future of cancellations, the intention is for revenues to -- having increased and remain at this level, as you mentioned, an increase in revenues. And I believe that this will be the level for operations from now on. Of course, there are fluctuations. It depends on the production of the quarter. But this is the level that we believe will be from now on.

**Q - Daniel Gasparete** {BIO 17999254 <GO>}

Okay, I understood that. But this new revenue level will shortly reflect on the cash generation, because it has increased, the cash generation has been remained flat. Could you explain that a bit?

**A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

Well, cash generation has been fluctuated at this level, BRL150 million, it will continue to fluctuate. We will see in this quarter a bit higher figures. There's a series of small details such as volume of unit finished and transferred, these units are recently -- have been recently launched. There are several details that contribute to that. So that's one change substantially. There will be quarters in which the levels will be a bit higher than this. Yes.

**Q - Daniel Gasparete** {BIO 17999254 <GO>}

Okay, thank you.

## Operator

(Operator Instructions) Gustavo Cambauva from BTG Pactual has a question.

**Q - Gustavo Cambauva** {BIO 17329406 <GO>}

I have two questions too. First regarding cancellations. There is still at a quite high level, even higher than last year rates, and most of the sales are already done in this new system, even within (inaudible), do you see any cancellations because of the buyer has given up or is that due to some older units?

How do you think that cancellations will continue throughout the year? And you purchase a lot of land in this quarter and you didn't do any buyback at the same time. So what I'd like to understand whether this uses of cash will -- maybe driven to reinvesting in the business more towards the future, rather than paying dividends to shareholders, because many of these plots of land bought were not through swaps. So are you planning on reinvesting in the business when compared to paying to shareholders, or distributing income to shareholders?

**A - Rafael Nazareth Menin Teixeira de Souza** {BIO 16905756 <GO>}

This is Rafael speaking, Gustavo. Good morning. As for the first topic, cancellations; a cancellation of simultaneous sales is much lower than in the previous quarter, but we have started this new process in the first quarter last year and it was very small in the beginning, now it's improving quarter-on-quarter. And this cancellation is from old sales, sales made in the fourth quarter of 2013, first and second quarters of 2014. So we still have a backlog to be used there.

Of course, we have some tolerance with customers. It used to be higher in the past, now it's lowered, this tolerance. But in the next two or three quarters, this backlog will be used up and then the percentage of simultaneous sales in our portfolio will increase and the natural trend is where cancellations to drop as when this backlog is finished. When we see in this new processing, cancellations are very low, below one-digit. This has been implemented for more than a year now, we have a good critical mass and it has been at that level less than one-digit.

As for your second question, actually last quarter we bought lots of land. We have much less competition in this area than we had in the past. We have been able to purchase very good plots of land; this has been the differentiation of MRV. We continue to invest in well located land. We recently were able to buy even better land. When we pay cash, we have been able to pay in very good terms, a high percentage of that, with the cash now we're elongating that payment period and we're trying to balance this land bank all over the country.

FINAL

As for your last question in terms of cash generation, our cash destination, we don't want to build our land bank for the whole life of the Company. Of course, it's about 40,000 units a year. This year, we have purchased more than we sold or built. But at some point in time, this will come to a balance. So this cash surplus will not be used, let's say, to buy land bank all the time. We'll probably build by -- build our land bank also in the next quarter. But looking towards the future, when we have more safety, the darker clouds are out of our horizon, then we could provide a better destination for a cash, either buyback or dividend payment.

Of course, this is vary -- the price of the shares is very important to decide what tests we'll take. We are conservative company. Cash generation is harder. Cash allocation is the easiest part of the game.

**Q - Gustavo Cambauva** {BIO 17329406 <GO>}

Okay, thank you. Have a good day.

## Operator

(Operator Instructions) Daniel Malheiros from Votorantim Bank has a question.

**Q - Unidentified Participant**

Good morning, everyone. This is Carlos speaking. I have a question. The other questions have been answered. I have a question about remuneration. I would like to understand the opinion on MRV, the potential impact you see on the demand of the products you work with, given what's on the media.

**A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

This is Eduardo Fischer. This is Fischer speaking. The Fundo de Garantia, the employment severance fund, FGTS has a high impact on the market as a whole. This very controversial propositions being discussed that's on the media. But there are several other propositions being discussed that we believe are more reasonable.

This main proposal that's been advertised at such a high impact on the sustainability of the FGTS that we believe that the chance of being passing is minimum, because there's several industrial sectors putting pressure. So that's not to be approved or not to be passed this way. Even the government is against it. We're keeping a close eye on this development and we believe that the chance of passing this, the way it is, is close to zero or minimum.

There is the House of Representatives, the Senate, it can be detailed. So another more healthy bill of law will arrive until the discussions become more mature about it.

Right now, we are keeping track of what's being discussed and actively taking part in these discussions as well, because this has a high impact on us, as well as on the market as a whole.

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## Q - Unidentified Participant

Thank you.

## Operator

(Operator Instructions) Enrico Trotta from Itau BBA has a question.

### Q - Enrico Trotta {BIO 16742911 <GO>}

Good morning. Rafael, Leo and Fischer. Two questions. First, I would like to go back to a question that (inaudible) asked about the increase in the level of revenues of the quarter, as well as production. The backlog has dropped 11% when compared to the last quarter, but revenues have grown by 25%, so what was that impacted by the sales of inventory units because the inventory has dropped a bit, when you look at the balance sheet. So what was the dynamics that caused the impact of this increase in level in the revenue of the quarter?

And the second question, you mentioned in the release that you see a lower pressure of costs, it's better terms when negotiating to suppliers, lower cost in some -- in terms of land bank and labor. So how do you see all this impacting results from now on, and whether there was any gain coming from a reduction of costs in this quarter? Was there any cost reduction that impacted the earnings of this quarter?

### A - Eduardo Fischer Teixeira de Souza {BIO 17580321 <GO>}

This is Fischer. Okay, let me start from the last question. Well, with regards to cost, we have started for some time now an effort to reduce cost. In my opening message, I said that results show up slowly. But the importance that we've obtained good results and excellent results in many fronts. Especially the best results are coming from materials. It's easier to obtain reductions in costs there and there's also factors than in labor because labor is more complicated; and as well as in negotiations of stores, rentals and land bank. This is something we've been doing more -- placed more efforts since the beginning of the year. We're collecting all the benefits from that now and you'll see the result coming in towards the future also.

And we are out reinforcing this effort more and more. We have one area strongly dedicated to that and the results are showing now. As for revenues, Leo commented that there is a mix, it's an effort on our part to sell some units, the whole cancellation issues, added to that, we had a quarter of very strong production. And then, this mix, there are constructions that are beginning now, other that are halfway through. So all of that affects the revenue line.

As I said to Daniel, our expectation given the production level we have now, is to remain at this level. As for backlog, I will pass the floor to Leo.

### A - Leonardo Guimaraes Correa {BIO 15387486 <GO>}

FINAL

Well, talking about backlog, as well as about this other question. We have traditionally improved the Company. So once again, this capital cycle, I'm emphasizing that we're transferring customers earlier and earlier. And more and more we're prepared improving our management procedure and the construction volume when compared to the number of units sold and transferred.

So in the past, when this process was not so efficient, the production level went to inventory. Of course, the better the cycle as a whole, the better for the Company. And the more efficient will be in terms of cash generation and capital volume for the business. All these variables are variables we keep a close eye on and we're adjusting, fine tuning here and there, because everything is important for the operation.

**Q - Enrico Trotta** {BIO 16742911 <GO>}

Okay. Just a follow-up. So in terms of cost, the budget had been adjusted already, right? So it will show in the quarter, right? So there had been no adjustment or cost savings that was abnormal?

**A - Leonardo Guimaraes Correa** {BIO 15387486 <GO>}

Yeah. That's exactly that. There is nothing abnormal happened. It's just a continuation and improvement of things. As you adjust this and that development, through our time, the results start to show. When you look at working capital, for example, we have been reducing the volume of working capital of various quarters now, and this will continue.

**Q - Enrico Trotta** {BIO 16742911 <GO>}

Okay, Leo. Thank you. How much of sales has come from construction finished in the quarter?

**A - Leonardo Guimaraes Correa** {BIO 15387486 <GO>}

I don't have this figure in my mind right now, but I can send you later.

**Q - Enrico Trotta** {BIO 16742911 <GO>}

Okay. Thank you. Perfect. Thank you. Have a good day.

**Operator**

(Operator Instructions) Fred Mendes from HSBC has a question.

**Q - Fred Mendes** {BIO 17221617 <GO>}

Good morning. I have a question, going back to pro-soluto topic. I would like to understand especially when you say that after the delivery of keys, the Company is now looking at that more in detail. So when this comes -- goes out from pro-soluto and goes to BDP, bad debt provision. Had this changed in classification, when does this take place? And of course, sales are very strong. The numbers are --the figures are very clear, but are

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you doing some kind of sensitivity analysis of what the demand would be? Would it be close to two digits when inflation continues?

What do you expect the demand to be in the -- for the future assuming that the macroeconomic scenarios will remain challenging in the next quarters? Thank you.

**A - Rafael Nazareth Menin Teixeira de Souza** {BIO 16905756 <GO>}

This is Rafael speaking, Fred. Regarding pro-soluto, it's like I said before, most of it happens before delivery. The unit will only go out of pro-soluto when it's 50% paid for. And we have a criteria within the Company that we don't tell, but when the default reaches a certain level, we book it on results and that's a continuous flow that has been happening for a long time now as part of our business.

So we don't disclose the exact level. And as regards to sales in the second quarter, we are in the middle of the third quarter and we see the demand similar to previous quarters. It's important for you to understand that sales has to do with the offer of supply and demand. If the market is more challenging, we operate in 133 towns and the competition is very low in most of them. MRV is a very strong brand when in the moment of certainty the customer prefers to buy from a company with a strong brand with a proven performance. So that has made the difference for us, because customers trust MRV brand, because we will deliver the apartments. So we've been able to go through this turbulent period in a more -- in a comfortable way. But of course, we have also -- have to account for the possibility of the launch of My House My Life Stage 3 in September. There will be a correction for the limits of cities and the income brackets. And we believe that this Stage 3 will generate strong sales. We remain optimistic regarding our indicators of sales.

**Q - Fred Mendes** {BIO 17221617 <GO>}

Thank you, Rafael. If you allow me one more question. Since you mentioned My House My Life program, there probably will be an increase in the subsidies from the government regarding the changes in FGTS. If this subsidies are really approved, do you believe you could transfer that, or once the sales are completed, there is no way back?

**A - Rafael Nazareth Menin Teixeira de Souza** {BIO 16905756 <GO>}

Well, if this is not transferred to customers, customers can enter into this new rule. This intermediate level that's being created will meet a certain number of customers we have. We look at it with good eyes, I mean, we think it's favorable. But we've been discussing with the government for a long time. How this new market for My House My Life would be like. But let's wait to discuss this more in-depth with you. But we remain very confident that will be very good for the Company in the second half of the year.

**Q - Fred Mendes** {BIO 17221617 <GO>}

Okay. Thank you.

**Operator**

(Operator Instructions) Lucas Dias from Fator has a question.

**Q - Lucas Dias** {BIO 19078862 <GO>}

Good morning, everyone. If you could please comment on the average sales price of canceled units. We've seen that in the second quarter that has remained flat regarding the adjustment of INCC index. Will that remain low or do you think you will sell at levels lower than the adjusted value according to INCC?

**A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

This is Fischer speaking. How are you? Well, if you look at our results in the past, we've been able to sell always with a gain. In this quarter, as Rafael mentioned, the resales of units in Brasilia and that has had an impact on our average sales prices. But other than that, the years where we have inventories will make money on them, will continue to make money them, except for this case.

**Q - Lucas Dias** {BIO 19078862 <GO>}

Okay. Thank you.

**Operator**

(Operator Instructions) Alan Nicolo [ph] from Bradesco has a question.

**Q - Unidentified Participant**

Good morning. I have two questions. First, I would like to go back to this discussion of My House My Life. This extension of My House My Life 2 will go up to July up to 400,000 extra units. While the Stage 3 is not started, how is it working with new projects?

And the second question, the use of moldes, aluminium moldes, how much has that happened in the production of units and therefore increase in revenue?

**A - Rafael Nazareth Menin Teixeira de Souza** {BIO 16905756 <GO>}

This is Rafael speaking. With regards to My House My Life 3, that will be announced for the 10th, but this previous phase continues in operation normally. The funding from FGTS, there is a budget that was made at the beginning of the year for the full-year that takes -- that covers other transfers. So we continue to obtain loans from --the financing from corporate units as well as individuals, no changes.

With regards to moldes, this is a technology that we've been using for some time now, for than five years now. And we are keeping a close eye on that. The significance has increased a bit in our portfolio. There is no worse or better, it just depend on the region, on the type of product, on the speed of sale of each product, sales over supply of each product.

So it's important that the two processes are well under control. We are very persistent in keeping track of that and as well as the competition, we have a team that is keeping track of all the construction of the main competitors. We are state-of-the-art in terms of aluminum moldes nowadays. But we have to keep an eye on trends, what will the prices of various imports in masonry, concrete, iron structures; and let's see what will be the right percentage for each type of technology. Fischer will comment more on that.

#### **A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

Another aspect has to be continued, especially now that moldes are much quicker for construction. So we shouldn't have a mismatch between inputs and outputs, right. We have to consider the flow and think about the strategy when we think about what construction method will we use.

As mentioned, there is no worse or better technology. We have to find the best technology for our business and that varies according to the market conditions.

#### **Q - Unidentified Participant**

Okay. If you allow me Fischer, do you have any figures to give us what is mold and what is masonry?

#### **A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

Mold account for 20% of the Company's operation. It has grown a bit. The masonry labor has grown a lot the prices. In some areas we even have deflation in some services. So we are keeping a close eye on that. We have a very huge database and looking at the development of each type of cost to adapt the share and that's what we do normally.

#### **Q - Unidentified Participant**

Okay. That's very clear. Thank you for the answer.

#### **Operator**

(Operator Instructions) Guilherme Capparelli from Citibank has a question.

#### **Q - Guilherme Capparelli** {BIO 21476330 <GO>}

Good morning. Going back to My House My Life, the media has published some news that the government would be inclined to add the full impact of inflation since 2012 until now. What have you seen in terms of price adjustments announced? Had you anticipate any improvement in margins because of that?

#### **A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

Guilherme, this figure WE'RE discussing with the government. The government has a preliminary table, that's from 10% to 15% depending on the region. Some regions with a higher ceiling, we are selling below ceiling levels. Wave a lot high margin and the cities that have a ceiling of BRL115,000, we are selling most of the units according as to FGTS.

And that ceiling would probably rise to BRL135,000 or BRL140,000. We will make money, because lands are cheaper in those areas and so we believe that will be favorable. And there is a percentage of some units that will be sold according to FGTS rules and that will be a bit lower. But this will be positive for us, definitely.

**Q - Guilherme Capparelli** {BIO 21476330 <GO>}

Thank you.

**Operator**

(Operator Instructions) Thank you. The Q&A session is now closed. I'll turn over to Mr. Rafael Menin for his final considerations. You may make your final remarks now.

**A - Rafael Nazareth Menin Teixeira de Souza** {BIO 16905756 <GO>}

I would like to thank you all that attended the call. It has been a call with many questions. And we are very excited about the results of the Company. We've shown good indicators in the second quarter and we see the future with optimism. We are in a country with a huge demand for our product. The Company has positioned itself in a different manner. We have a very geographic presence, a very different geographic presence when compared to the other companies in the industry, that has cost us a lot.

A lot of investments in land bank, in our team, but now we are at very mature stage. And we're able to bear the fruit that we've planted in previous quarters. And we're collecting all those benefits and we believe we'll have a good performance in the next quarter. Eduardo will talk.

**A - Eduardo Fischer Teixeira de Souza** {BIO 17580321 <GO>}

Thank you for your participation. As I said before, in the past, we've made several moves that were important to preserve the Company's operations. And today we're getting the benefits from that. So now we're dealing with issues that are operational. And as you may have noticed in last quarters, our operations are developing and evolving more and more, and that's our role in the Company, and we'll continue in the next quarters to develop and improve our operations. Thank you very much and see you in the next conference call.

**Operator**

Thank you. This concludes today's MRV's Second Quarter of 2015 Earnings Conference Call. Have a good day.

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