

Y 2010 Earnings Call

Company Participants

- José Auriemo Neto, Chief Executive Officer

Presentation

Operator

Good afternoon, ladies and gentlemen and welcome to the Conference Call of the Results of Q4 2010 of JHSF.

Today with us are Mr. José Auriemo Neto, CEO of JHSF; Mr. Camara, Executive Vice President and IRO and Mr. Fenelon, Investor Relations Manager.

We inform you that this event is being recorded and that all participants will be connected in listen-only mode during the presentation and then we will begin the Q&A session when we will receive further instructions. [Operator Instructions]. This event is also being broadcast simultaneously over the Internet via webcast, access the address www.jhsf.com.br/ri. The event will be replayed soon after it's finished.

We remind you that webcast participants may login at the website and ask questions that will be answered during the Q&A session. The presentation slides are also available from the Internet for download from <http://www.jhsf.com.br/ri>.

Before continuing, we would like to clarify that any forward-looking statements that may be made during this teleconference relative to the business outlook of the company, projections, operating, and financial targets are based on the belief and assumptions of JHSF officers and on information currently available to the company.

Such forward-looking statements are not guarantees of future performance and involve risks, uncertainties, and premises as they refer to future events, that depends upon circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions, and other operating factors may affect the future results of the company, and may conduct to results that differ materially from those expressed in such forward-looking statements.

I would now like to pass the floor to Mr. José Auriemo Neto, CEO. Mr. Auriemo, you have the floor.

Ladies and gentlemen, please hold as we reconnect the speaker. The speakers may proceed now.

Please hold while the speaker is being reconnected. The speakers may now proceed.

José Auriemo Neto

Good afternoon. Thank you very much for attending this conference call for the results of 2010. And we are going to talk about Q4 and about the outlook for 2011.

The company is very happy with the results obtained in 2010. As regards real estate development, shopping malls, and also hotels, and in the three segment we had an increasing revenue, an increasing sale, and a better performance in terms of EBITDA.

On pages three and four of our presentation, you can see the highlights for 2010. I'm not going to delve into all of them. I just like to mention some of them.

The volume of real estate sales 1.2 billion to real-estate investment funds, which we have been seeing as an important type of partnership for the company in income generating projects and long-term projects. It is also important to highlight the acquisition of new lands. So we have reinforced our land bank.

Fazenda Boa Vista, we were able to purchase an adjacent piece of land, more than 1 million net square meters and we acquired this land for a very attractive amount. And the other land in São Paulo, 800 million and 1 billion in upscale areas, where the cost of land was also attractive.

And most importantly, we are going to continue having a pipeline for high quality real estate project with land cost that is in line with the margin increase we currently operate with. This brought us a great happiness in the quarter.

We opened the Punta Del Este Hotel. The hotel is doing very well together with the real estate venture.

In Q1 this year, you will see the performance of this venture in our balance sheet. We have inaugurated the expansion of the Cidade Jardim shopping mall, which brought us additional revenue. We also issued debentures, the second and third emissions for 420 million.

And what we have been trying to do in general lines is to grow the company with profitability relative to the net worth of the company, which can be seen in our ratio between revenue, EBITDA, and net income.

Also in the last three to four years, we have been able to increase dividend payment, which for us is extremely important. We believe it is important for the company to grow while paying dividend. And we have tried and in fact we have achieved this target. We have maintained this strategy together with a conservative level of indebtedness.

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It is our understanding that the mission of the company going forward is to pursue the same strategy to grow while ensuring profitability and yield to our shareholders relative to the net worth and maintain healthy dividend pay out.

We also want to have a conservative debt profile. Our investment ability today is very comfortable, but not always the company's strategy in terms of our preference is to work with a high leverage although we do think that in some periods things maybe different from what they are now.

On page five, then just to talk a little bit about the figures, total sales were above 1 billion on page six. It's also accumulated sales per projects was very high. All of our projects have a very good performance even though that were enlarged in Q4 like Fazenda Boa Vista and Horto Bela Vista. Sales rates were higher, but we have consolidated the total of launches and the total sales in the quarter.

Our receivables and our inventory at market level is above R\$2 billion. And our receivables considering only the units sold is in the region of 1.4 billion, which is an advancement relative to the 2009 figure, which was R\$1.92 billion. Total operating revenue was R\$967 million.

On page nine, we can see a change on how this has been taking place in the last few years. And on page 10, we show an improvement in adjusted EBITDA, which rose from 127 million to 240 million in 2008 and 2009 jumping to 280 million.

As regards net income on page 11, we see an important change from 2007 to 2010. In 2008 and 2009, it grew; and in 2010, it was 230 million. As I said before, the company has been able -- without comprising investments in new projects, we have been able to pay good dividends at the end of 2010.

The dividend yield in the year was 9.9% and from our point of view, this is due to a difference in price of the stock. The net asset value of the company is significantly higher than the market value of the company and maybe this is what is reflected in a very high yield, dividend yield as you can see on page nine -- on page 12.

As regards cash, our cash position has been growing in the last few years while maintaining the capital structure as I mentioned before. It is part of our strategy to be conservative in terms of financial leverage and our cash position by year end was R\$675 million, and in Q1 2011 was boosted with the issue of our last debenture.

Our net debt by year-end was practically zero, and the gross debt has a very long maturity profile as you can see on page 15.

So, we would like also to highlight the investment that is being made in the production of our assets. We have a shopping mall in Tucuruvi, a mall for 52,000 meters of gross leaseable area and other shopping mall in Salvador and Ponta Negra Shopping with 46,000 square meters of gross leaseable area.

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So, our objective is to continue to produce assets that maybe a source of income. This is also one of the characteristics of our business, but these malls also bring gains in term of the appreciation of assets throughout the future year that these ventures are ready. We also have an additional expansion of this Cidade Jardim shopping mall. We are planning this expansion and we will give you further details later.

And also expansions in the hotel segment. This new shopping malls are very well located. And for the future, we expect that real estate development and new launches in the luxury market together with the new project will give further momentum to the company's growth.

We expect to be able to allow profitability on net worth and value for the shareholder. And of course income and EBITDA should be in line with this strategy.

These were the general comments. I would like to now open for your questions.

Questions And Answers

Operator

Thank you very much. We will now start the Q&A session. [Operator Instructions]

We will now end the Q&A session. I would like to pass the floor back to Mr. José Auriemo Neto for his final remarks.

A - José Auriemo Neto

I would like to thank you all for attending and say that our team remains available should you need further clarification or should you have any doubts after looking into details of our release. Thank you very much.

Operator

JHSF teleconference is now ended. We would like to thank you all for attending and have nice afternoon.

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