

## Q2 2013 Earnings Call

### Company Participants

- Carlos Medeiros, Chief Executive Officer

### Presentation

#### Operator

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everybody to BR Malls' Conference Call. Today with us, we have Mr. Carlos Medeiros. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company's presentation. After that, there will be a question and answer session for analysts and shareholders followed immediately by another session for journalists. At that time, further instructions will be given. (Operator Instructions).

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of BR Malls' 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 BR Malls and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I would like to turn the conference over to Mr. Carlos Medeiros, who will begin the presentation. Mr. Medeiros, you may begin your conference.

#### Carlos Medeiros {BIO 15324538 <GO>}

Good morning. Thank you for participating in our second quarter results conference call. As we have done in the previous calls, we'll go over a brief summary of the quarter results; and then, we'll open to questions, and Leandro and myself would be available to answer them. As in previous calls, we'll refer to a presentation which is available on our website. So starting with the summary of the second quarter results, our net revenue in the quarter reached 350 million, increasing 19% from same quarter in 2012. Our net operating income reached 290 million, up 19% from the same period of last year with a margin of 91.4%, same property NOI grew 13% compared to the second quarter of last year.

Our adjusted EBITDA reached 250 million in the quarter, an increase of 15% on a year-over-year period. Adjusted EBITDA margin reached 79.4% in the quarter. Our FFO in the quarter reached R\$187 million in our adjusted FFO for non-cash items reached 125 million,

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growing 11% in the quarter. Our adjusted earning income reached 122.6 million in the quarter, up 11.3% compared to the same period of the year.

In this quarter, we recognized non-cash gain of R\$348 million in relation to the recognition of investment properties, which increased the total value of our investment properties to 16.7 billion. And we also recognized a non-cash net financial expense of 92.8 million, in relation to the exchange rate variation in the second quarter of 2013 which was also a non-cash expense. So the adjusted FFO and the adjusted EBITDA and the adjusted net income were adjusted by those two items.

In terms of our sales, our same-store rent increased 8.3% in the quarter and our same-store sales were up 6.2% in the quarter. Our occupancy costs decreased 0.2% to 10.5% of which 6.5% was related to rent and 4% was related to condominium and marketing costs, in line with our efforts to reduce condominium costs for our tenants.

Our occupancy rate for our malls reached 97.7% at the end of the quarter, with an increase of 0.1% when compared to the same period of last year. Of our 51 malls, 23% had occupancy rates above 99% at the end of the quarter. Our 30-day late payments also fell in the quarter to 3.6%, a decline of 0.4% compared to the same period of last year. Also in the quarter, we opened the first of the three expansions that we're going to be opening this year. In this case of Plaza Niteroi, which added 10,500 square meters of GLA to our portfolio increasing the area of the mall by 31%.

We estimated that this project will generate approximately R\$26 million of stabilized NOI for BR Malls with a real and unleveraged IRR of almost 19%. Also in the quarter, we refinanced more than R\$231 million of debt, reducing the average interest rate in that debt from TR plus (inaudible), 9.3% that NPV of almost R\$11 million.

With that, we increased the total amount of refinance since the second quarter of 2012 to more than R\$1.7 billion. Also in the quarter, we issued a local bond totaling R\$400 million with a duration of three years and a rate of CDI plus 0.62%. And lastly, also in the quarter, we announced a share buyback program to a purchase up to 5% of the company's free float.

With that, I end the brief summary of the quarter results. And now, we are available to any questions you may have. Thank you very much.

## Questions And Answers

### Operator

Ladies and gentlemen, we will now initiate the question-and-answer session. (Operator Instructions). This does conclude the question-and-answer session. At this time, I would like to turn the floor back to Mr. Carlos Medeiros for any closing remarks.

**A - Carlos Medeiros** {BIO 15324538 <GO>}

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Thank you for participating in our second quarter conference call. If you have any further questions, then please contact our Investor Relations team here at our headquarters, and we wish you all a good afternoon. Thank you.

## Operator

This does conclude today's presentation. You may disconnect your line at this time, and have a nice day.

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