



Operator:

Good morning. Welcome everyone to MRV's 4Q11 results conference call.

Today with us we have Mr. Rubens Menin, CEO, Mr. Leonardo Corrêa, CFO, Mrs. Mônica Simão, Chief Investor Relations Officer, and Mr. Gerson Mazer, Investor Relations Executive Manager. We would like to inform you that this event is recorded and all participants will be in listen-only mode during the Company's presentation. After MRV's remarks, there will be a question and answer session for investors and analysts, when further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Today's live webcast may be accessed through the Internet in 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 will turn the conference over to Mr. Rubens Menin, CEO, who will begin the presentation. Mr. Menin, you may begin your conference.

Rubens Menin:

Good morning, everyone. I would like to thank you for attending our call today for MRV's earnings release for the 4Q11. 2011 market the end of a cycle that began in 2006. During this cycle, even in times of market instability MRV exceeded all expectations, achieved much higher results than predicted, and reached the current position of being the largest low-income homebuilder in Brazil and one of the largest worldwide. One of MRV's key success during this period was the organic growth strategy, which allowed the Company to significantly increase the size of its operation, without suffering the growth downsize.

We have had a fast, sustainable, and balanced growth. The new cycle we are now beginning, which is even more promising than the previous one, will be based in two aspects; the market size yet to be explored, easily identified in the Brazilian demographic, income and credit supply statistics. And lastly, the maturity level of MRV production machine, which has already proved itself efficient. We will keep on working on these improvements, but the phase of efficient loss due to the growth was already overcome. We know that the low-income segment is a challenge in Brazil and that MRV places a relevant role in this industry. We are confident of our capacity to achieve our goals.

I would like to pass the word to Leonardo Corrêa.

Leonardo Corrêa:

Good morning all. We are here today reporting 4Q, therefore ending the year. Besides the specific comments on the quarter, I wish to further expand on points already mentioned by



Rubens, emphasizing on market fundamentals and secular trends that anchor our strategic view.

Slide four contains data and graphics that demonstrate the potential of our targeted market. One of them showed the distribution of the Brazilian population into income brackets. I reiterate that MRV has its focus on classes C and D, because they are the largest in population, besides offering the largest growth potential for the coming years. Our strategy to serve these customers remains the same.

Our organic growth strategy preference is very notorious. The point I want to call your attention to is that we have a vast coverage of the Brazilian secondary cities with no parallel within our industry. This coverage is already consolidated, presents a clear competitive advantage, and presents a very strong entry barrier to those willing to have a national operation. Lastly, the competition coming from the public companies is shrinking, further facilitating our life.

In conclusion, we see a strong demand and have already developed an internal structure to serve these markets.

Let us now switch our conversion to MRV's performance on the 4Q. On slides five and six, we show some data with 4Q and annual results. The figures and margins in themselves are available in this presentation as well as on the earnings release. Therefore, I will not keep on repeating them instead preferring to drill into details and link this moment or point to the near future.

A couple of messages. First our construction structure is already installed. We are operating in more than 300 construction sites. Our gross margin presents a natural small volatility quarter over quarter. These variations are justified by the volatility on the monthly INCC index, as well as on the project mix.

On slide six we bring more information on the gross margin, detailing the INCC component that affects it quarterly. Regarding the future, what I can advance you is that we expect the 2012 margin to remain in similar level to 2011. We are working within our budgets.

A second message is about the variables that will present the largest growth in 2012. They are the number of clients that signed contracts with banks and the number of units delivered to clients.

This means our sales growth rate will be lower and MRV's focus will shift to product quality delivered to client and to cost/margins. The demand is still very strong and we keep on seeing a poor trend on apartment prices. But we should not expect this, a poor dynamic indefinitely. As in any sector we will have to gain on productivity. We have our tools and processes to do it. The fight for costs and margins is within MRV's DNA.

Cash management is another extremely important aspect for us; the focus of our slide seven. On the 4Q we presented very strong cash burn in comparison to previous quarters. This is explained by the continuation of strong outlays keeping the construction pace combined with a shortage on disbursements coming from Caixa Econômica due to their employees' strike and to the fact that they closed their systems for maintenance in November.



We passed on 7,600 clients to banks in the 4Q. In 2012, we will keep our strong partnership with Caixa Econômica. But Banco do Brasil will account for an already sizable portion of our 'Minha Casa, Minha Vida' client financing. On the 1H of this year we will see a substantial increase on the client financing volume.

I re-stress that MRV will present a positive cash generation. Nevertheless, it is important to mention that, as for individual quarters, this will not happen in a straight line.

On slide eight, the graph shows the evolution of the return on equity, as well as the growth on MRV's earnings per share over time. These in my opinion are the two most important indicators as they are the synthesis of all other parameters of our operation. The maintenance and/or expansion of those parameters are the cornerstones of our strategy.

Before we jump into the Q&A session, let me bring some brief comments on our subsidiary LOG Commercial Properties. We changed its name in order to better reflect its business line and independence. LOG received the second trench of the capital infusion at the beginning of October. We are now putting the money to work. We finished the year with 9,000 m² in gross leasable area. On the 1Q we are adding another 75,000 m². The pace of deliveries in 2012 will further accelerate. The demand for industrials is strong. Here we will follow a similar strategy by having activities and operations in several different states in Brazil.

In summary, LOG is developing, growing, and creating value for its shareholders. The sell-side analysts in general do not price LOG value into MRV shares. I encourage you all to look at it in more detail, drill further down into its details and plans in order to incorporate LOG's value into MRV shares.

Thanks. And let us go now to the Q&A session.

Laura Smith, Phoenix Investments:

Good morning. Cash burning was higher than expected, could you please comment expectations for 2012?

Leonardo Corrêa:

Sorry. Can you repeat the question? We could not hear properly.

Laura Smith:

OK. Cash burn was higher than expected, could you please comment expectations for 2012?

Leonardo Corrêa:

OK. The cash burn was very high on the 4Q and the reason for that is that we have decided to advance on the construction. We know that a number of other homebuilders have been delaying projects to clients, and we think that it is very important that we deliver the product on time. We have expanded the investments on infrastructure, on the construction side, basically, the work that we have to do before we actually start constructing, and that was responsible for the advancement or an expansion on the outlays related to construction on the 4Q.



On the other hand, or combining with that, we also had less receivables coming from Caixa; that was a product of the strike that happened on Caixa. And secondly, in November they shut down the systems for two weeks for maintenance and some upgrades. And those two factors have worked in such a way that they have delayed some of the receivables or some of the measures that Caixa does in order to pay us in relation to the advancement of the construction. Those are two drivers related to the cash flow on the 4Q.

Now, looking in 2012, we expect to have a positive cash flow. Of course that is not a straight line quarter over quarter; there is certain volatility. But we are working in such a way that we will have. The number of clients that we are passing to Caixa and to Banco do Brasil has been increasing. There was an important movement from Caixa to centralize in São Paulo the relationship with the large homebuilders or the national homebuilders. And in the 1H12 we will see a very good response on that front.

Laura Smith:

OK. Thank you.

Robert Roell, Surveyor Capital:

Good morning. A couple of questions. One, I apologize; I got on the call late. Could you review 2012 guidance again? And then I have a couple of questions on the LOG business.

Leonardo Corrêa:

The guidance for 2012: we have two guidance, one of pre-sales between R\$4.5 billion and R\$5.5 billion, and EBITDA margin, 24% to 28%.

Robert Roell:

OK, thank you. And then on the LOG business, just to clarify: did you say you had 9,000 m² of finished leasable GLA currently?

Leonardo Corrêa:

In December we had 90,000 m².

Robert Roell:

90,000 m². OK.

Leonardo Corrêa:

Yes, and we just delivered another 75,000 m² in the 1Q. We are delivering this 1Q12. And those deliveries are going to be accelerated over the course of the year.



Robert Roell:

Over the course of the year, OK. Can you give an update for the properties that are leased out currently and that will be leased out this year, what do you expect the cap rate to be on your cost basis in the projects?

Leonardo Corrêa:

We are doing business at 17%. It is 16% to 18%. Those are the leases that we are getting on the properties that we are delivering.

Robert Roell:

OK. I agree with you that this business is not in your shares at all. Is there an update in terms of when a portion of the business might be floated as a standalone stock or partially floated in the market?

Leonardo Corrêa:

I think there are two aspects here. The first one is the Company in itself, and on that front we are delivering. But it is important that we have a certain history, we have a certain track record. So, on that front, I think that we need definitely to look more towards the end of the year or the beginning of next year, so that we can show the track record, we can prove what we have been promising. And the second aspect is, of course, the market, and macro conditions are of influence much more sometimes than what we say or the business that we have.

In some quarters you can sell very easily, in others you cannot know how the market functions. Currently, we are seeing very good conditions on the market today, we are coming from last year, I mean the risk aversion was pretty strong and we are now going to the other side of the equation. So, we have to balance between the two to decide when to bring the Company into the market.

Robert Roell:

Fair points. I understand the business model is not to build and sell, but to build and lease. But if you were to sell any of your properties in LOG commercial properties, what kind of yields or cap rates do you think they would trade at?

Leonardo Corrêa:

We have seen some trades around 10%, 9% to 10%, so of course there is a strong cap compression from what we are delivering and from where we are seeing those industrials trading currently.

Robert Roell:

And what is the physical vacancy and/or financial vacancy of what you have that is currently fully available to be leased?



Leonardo Corrêa:

Sorry. Can you repeat that?

Robert Roell:

For the buildings that are finished, for the 90,000 m² that is already in operation, what is the vacancy rate or the financial vacancy rate of the buildings, or are they 100% leased out?

Leonardo Corrêa:

They are 100% leased out.

Robert Roell:

OK, very good. I think that is it for me. Thanks very much.

Leonardo Corrêa:

Thank you.

Laura Smith, Phoenix Investments:

I have one more question. The client-financing process improved in 2011 due to CEF's new platform; what can we expect for 2012? Is there a bottleneck?

Rubens Menin:

We are working very hard with Caixa, and very optimistic for this scenario in the future. We are working hard and the job is appearing. I think that we will not have a bottleneck in this area, and during the year it will work very well. And also Banco do Brasil is going to play with us, Banco do Brasil is a big player and our operation with Banco do Brasil is increasing a lot. And I am very happy with this. I think at the end of the year, the numbers that we can flow to you will be increased very much, and this is going to work very well.

Leonardo wants to say a few things.

Leonardo Corrêa:

Just to basically kind of repeat that, the movement done by both Caixa and Banco do Brasil has been strong in order to increase productivity. We hold monthly meetings with the two banks and also with the Ministry and some Government officials in Brasília in order to detail or to drill down to the bureaucratic aspects that are impeding the growth on the number of clients we are sending.

But as I have said, on the 1H12 we will see a substantial growth on the number of clients sending to the banks.



Laura Smith:

OK, thank you. Just one more question: G&A increased in the last quarters; is this a new trend? Can you explain the reasons for the higher G&A?

Leonardo Corrêa:

The G&A expanded in the 4Q, as Rubens had mentioned. We are finishing the growth cycle. So, as we get to the end of the cycle, we have to deliver the units, and therefore we have to grow and install capacity in terms of call centers to talk to clients, teams to deliver the units. And so we have seen those increases. As we move into 2012, the growth on the SG&A will be in line with the growth on the revenue side.

Laura Smith:

OK. Thank you very much.

Operator:

Thank you. The Q&A session is now closed. I will turn over to Mr. Rubens Menin for final considerations. Mr. Rubens, you may give your final considerations now.

Rubens Menin:

OK. I would like to thank you very much for joining us in this MRV call. And we would like to join you again in the next quarters with the other calls. And we intend to give you good notes during this year. And I am very optimistic with 2012 and I hope we will make a good job this year. Thank you very much.

Operator:

Thank you. This concludes today's MRV 4Q11 earnings conference call. You may disconnect your lines at this time.

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