Operator:

Good morning. Welcome, everyone, to MRV's 3Q11 results conference call. Today with us, we have Mr. Rubens Menin Teixeira de Souza, CEO, Mr. Leonardo Guimarães Corrêa, CFO, Ms. Monica 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 the 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 Teixeira de Souza, CEO, who will begin the presentation. Mr. Souza, you may begin your conference, sir.

Rubens Menin Teixeira de Souza:

Good morning, everyone. I would like to thank you for attending our call today. Once more, we would like to present consistent results that demonstrate the quality of our operation. I would like to emphasize that MRV is the only Brazilian company focused solely on the low-income segment since its foundation just two years ago. And for this reason, MRV has differentiated itself in the industry.

MRV is also the only company that has decided to grow organically. We know that the organic growth strategy is challengeable to be implemented, but once done, it is unbeatable. Today, we have a strong team highly committed consisting of 30 directors and 300 executives. These professionals are the best in the market and they make the difference.

We have planned a consistent and sustainable growth for MRV. The most difficult step has been taken. The Company is consolidated with strong operational capacity. We have been working on the 2012 business plan, soon to be released to the market. We continue with our philosophy of growth, result, operational quality loss. We see a positive outlook for the low-income segment. The demand is higher than the supply. And we are not foreseeing any scenario change in the short run.

I would like to pass the word to Leonardo Corrêa.

Leonardo Guimarães Corrêa:

Good morning, all. Thanks for being with us today. I start by restating our exclusive focus on the low-income segment and the consistence of it. I run the risk of repeating myself, but reminding you that the C class is the one with the largest growth in Brazil and it is where we see the real estate demand to be the strongest. Approximately 90% of our launching and sales have been directed to the Government program. And you will find similar percentages on any other MRV metric, such as inventory or land bank, as you can see on slide four of our presentation.

The strength of this market can be seen from various angles. One, you can look at the pre-sales level of the 3Q or by the continuation of such a strong demand during October, or even by looking at our inventory and seeing that only 3% of the total units for sale are represented by finished units. These units reflect mostly cancellations. This level of percentage is very low and even compared favorably with any other homebuilder.

In connection with the demand strength, we have abundant funding for the low-income sector. The FGTS is well capitalized. It is focused on providing funding for low income and the level of interest rate is very adequate for our consumers.

Five years ago, we have identified this environment that presents a favorable demography and a strong supply of credit. MRV has chosen as a strategy, organic growth. We have extended our operations to more than 100 cities. Today, we have approximately 300 construction sites throughout the Country. The great effort and work related to implementing this infrastructure has already been executed and implemented. It is now time to collect the results from this work done with consistency.

Looking into the future, we expect our operations to maintain the same quality. In other words, we expect maintenance of our margins and positive cash generation. Being more specific on cash generation and despite our past growth, our cash burn has had a clear year declining trend; this is a result of the clients we are passing on to Caixa Econômica Federal. This trajectory will continue, and in the year 2012 we will be definitively on the territory of positive cash generation.

I finish by reminding you of the capital injection received by our subsidiary, MRV LOG, already 100% duly executed. This injection was made in two tranches. The first one accounts for 40% of the total and was liquidated within the 3Q.

Thank you, again, and let us go now for the question and answer session.

John Norris, Phoenix Investments:

I just want to know what can we expect from MRV in the next few years, low growth or cash generation? Thank you.

Leonardo Guimarães Corrêa:

Thank you for your question. First of all, we see a very strong market. We are seeing a very strong demand, not only from a demographic standpoint of view, but also we are seeing some competitors pulling out of the market. So, meaning that we have more room to work.

But also we have burned less capital on this growth trajectory. And next year, we are going to be generating cash. The level of growth that we will see next year is still dependent on our planning, on a number of exercises that we are doing. Not only that, but also we are looking at the current economic conditions and all the impacts, the level of economic activity. But if we continue to see what we are seeing today, which is a strong market, we will have to balance between the two. But we have a certainty we are going to be generating cash next year.

John Norris:

Thank you for your answer, Leonardo.

Carlos Peyrelongue, Bank of America/Merrill Lynch:

Thank you. Thank you for the call gentlemen. Leo, a follow-up on growth and cash flow and the balance between the two, if I may. Have you made any sensitivity analysis as to what is the growth in pre-sales that takes you to a flat free cash flow generation next year? So, I am just trying to get a sense of what is the growth that you can achieve on pre-sales that will take you to flat or slightly positive free cash flow generation?

Leonardo Guimarães Corrêa:

OK. First of all, it is not only pre-sales. I understand your question, but also there are a number of other factors that definitely influence; the level or the size of the land bank is one that influences as well the preparation for future growth. But I would say that, in general, the frontier of a flat cash generation would be around 20% growth. We think with that level of real growth, we can still have a positive cash generation.

Carlos Peyrelongue:

Understood. So, if you decide, as an example, to grow 15% pre-sales and, let us say, for the next two years, not only next year but also 2013, with that assumption, you believe that you can generate positive cash flow both next year and in 2013?

Leonardo Guimarães Corrêa:

That is correct.

Carlos Peyrelongue:

Great, excellent. Thank you.

Dan McGoey, Citigroup:

Thanks, gentlemen, for the call. Quick question on the selling expenses, which increased as a percentage of sales, if you could expand a bit more on where you saw the increases?

And then also around this time last year, I think you did a fairly substantial update for the construction cost budget that lowered margins in the 4Q. I am wondering if you can review when you have last done an intensive review of the cost structure and whether you are seeing any easing or increase of cost pressures on the gross margin side?

Leonardo Guimarães Corrêa:

OK. First of all, on the sales side, what we have done is we have been preparing the Company for larger launches. You have already seen some increase on launches on the 3Q that has an effect on the Company in the sense of hiring more people, more management to cope with that. But as we increase the pre-sales level, which we expect to have it on the 4Q, then we are going to have a dilution of that cost that we have already increased.

On the cost structure, what we have been doing differently is we have been revising every month the budget. So, we do not expect the same kind of event that we had of a concentration of revisions last year on the 4Q that has affected the margin of the 4Q; so we do not expect.

We have seen some easing in terms of pressure. The wages have been the main factor of, let us say, surprises on the cost side. And given that we have already seen substantial real increase on the wages for the construction workers, we are not seeing the same kind of pressure going forward.

Daniel McGoey:

Understood, very clear. Thanks, Leo.

Robert Roell, Pioneer Path Capital:

Thank you. Most of my questions have actually been answered, but I guess, following up on a couple of the previous questions, just ask generally speaking, what are your expectations for gross margin, for operating margin, and for EBITDA margin in 2012? That is my first question.

Leonardo Guimarães Corrêa:

We will shortly be relaying our guidance for 2012, but one thing that we feel pretty strong is that we see, let us say, stability on the gross margin and also on the EBITDA margin. We are not seeing any big switches or changes on those numbers, but shortly we are going to be more specific on the numbers for 2012.

Rubens Menin Teixeira de Souza:

Robert, what I am forecasting is that we are not seeing any pressure in the cost side. And about the market, the market is strong. This does not mean that the market will pressure our sales price. That means that we are seeing that 2012 would be a good year for us. Of course, we are not giving guidance; we will do it in the next month but we are very comfortable with the future of our industry. And I myself am very optimistic on how things will play in the next few weeks, in the low-income segment. I think 2012 will be, again, a good year for us.

Robert Roell:

My second question, if I may, is just to ask you to elaborate a little bit on the wages, the labor cost. It sounds like the pressure is easing; can you maybe put some numbers around that in terms of exactly what is happening?

Leonardo Guimarães Corrêa:

OK. For the last three, four years, we have seen unions getting more than 5% real increase on their annual negotiations. But what has happened is that the salaries of those working at the construction sites have already, let us say, differentiated positively in relation to the other sectors. And so, we do not see that kind of the same pressure, meaning that in the next few years we should not see the same numbers or the same pressure.

A second aspect is that given that the wages have gone up sharply, we have started substituting wages by machinery, by capital in general. We have had some gains on the productivity side and we will continue on the same path that we have seen. The calculation is pretty much automatic. As wages go up, the more machinery we will use and the higher the productivity will be.

Robert Roell:

What do you think is the single most important thing for the Company to do to increase the productivity of labor?

Rubens Menin Teixeira de Souza:

I will give you an example. Five years ago, we used to use 12 workers to build one apartment per month; today, we are reaching 7.7 workers to build an apartment in one month, and we are expecting to use only 6 workers in the next year. That means that the productivity is growing very fast. Although, we are paying more money for the labor people, that is good because we are getting better workers, and we are spending much time and money in capacitation and that is working very well.

And we are not forecasting for the next year that labor will have some pressure on our costs. Also about materials, we are also not forecasting that materials will have pressure on our costs. Then our budgets are very well done. And we are very comfortable to see that we will not have any surprise in the next year about that.

Robert Roell:

Thank you very much.

Operator:

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

Rubens Menin Teixeira de Souza:

OK. I would like to thank you very much to participating in this call. Once again, I would like to meet you in the next quarter with also good news. I would like to say that I am very pleased with the future of our Company, with the future of the low-income market in Brazil. And of course, there is big room to make a good job and we will see in the future good news again. Thank you very much.

Operator:

And we thank you, sir, for your time and to the rest of management. We thank you all for attending today's MRV's 3Q11 earnings conference call. At this time, you may disconnect your lines. Thank you and have a nice day.

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