



**Conference Call Transcript
1Q11 Results
MRV (MRVE3 BZ)
May 13th, 2011.**

Operator:

Good morning and welcome everyone to MRV's 1Q11 results conference call. Today with us we have Mr. Rubens Menin Teixeira de Souza, CEO; Mr. Leonardo Guimarães Corrêa, CFO; and Monica Simão, Chief Investor Relations Officer.

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, 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.

Rubens Menin Teixeira de Souza:

Good morning, everyone. First of all, we appreciate your presence in our call today, where we are going to present good news about MRV's performance in this 1Q. MRV is getting the benefits of the strategy outlined in the past years, based on growth without loss of operation quality.

The strategy consisted of two basic assumptions: organic growth and exclusive focus on low-income segment. This strategy has succeeded and distinguished MRV in the real estate industry.

One operation aspect that we would like to highlight is that MRV has been presenting outstanding performance in the administrative and commercial areas. Our shared-services center, the pioneer of the industry, allows us an efficient process management with low cost.

Our commercial area, which has the largest web store of Brazil, is already responsible for more than 30% of our sales, a significant number with the lowest selling expenses recorded in the segment.

In our view, the market remains strong, Minha Casa Minha Vida is going very well and the numbers that are going to be presented demonstrate our ability to reach our 2011 guidance.



I would like to, now, pass the word to Leonardo Corrêa.

Leonardo Guimarães Corrêa:

Good morning. Many companies are reporting most simultaneously. I will make my comments short in order to leave more time for our Q&A session. On our first slide, I am repeating myself by saying we are growing very consistently keeping our margins, controlling our cost adequately.

Specifically about gross margin, cost inflation and budget, I reiterate what we spoke in our last call. We adjusted our budget at the 4Q10. After that we reduced the expected margin for fluctuation or discrepancy in such way we are doing smaller but more frequent adjustments. We are comfortable with the maintenance of the current gross margin, naturally, within seeing a normal growth.

In our second slide, the message is about cash burn. It is and will continue to be well behaved in view of a combination of clients being financed by Caixa Econômica Federal and the discipline on our disbursements being them land purchase, construction or related to administrative and commercial costs.

Last, on MRV, given we keep seeing a strong demand and adequate financing conditions, we are maintaining our optimism on delivering our pre-sales growth rate and on our EBITDA margin, both within our existing guidance.

My closing comment comes on our property subsidiary MRV LOG, which already has a strong management team that is working on its development. Prospects are very positive. Regarding sources of funding shortly, I will bring very positive news to all. This study is being developed to shortly become an independent company.

Let us move on to the Q&A.

Carlos Peyrelongue, Merrill Lynch:

Good morning, gentlemen. Thank you for the call and congratulations for the results. My question is related to cash flow. Can you give us a sense of when you expect to recomplete cash flow positive? Thank you.

Leonardo Guimarães Corrêa:

If you look at on a yearly basis, definitely we need to talk about 2012. This year, we will see our cash flow again to keep on diminishing. On the 2H of the year, the pace of the cash flow will depend a lot on what we are going to be projecting for growth in 2012. Of course, if we further accelerate, if we feel good about the market conditions demand in 2012, we might accelerate land acquisition and that may postpone a little bit. But in conclusion, this year, we are still going to negative, if you add up all the different quarters and next year it should be positive.

Carlos Peyrelongue:



Understood. And should we expect an acceleration in terms of the cash burn as the year progresses and you need to deliver more of the units you have pre-sold?

Leonardo Guimarães Corrêa:

No, we should not expect an increase on the cash burn going forward.

Carlos Peyrelongue:

Great. Thank you. Congratulations on the results again.

Gordon Lee, UBS:

Hi, good morning. A related question to that on the cash burn, which is basically: is the level of cash burn that we saw at MRV LOG, should we assume that is likely to be the quarterly level going forward or would you expect that to pick up? And I guess following on Carlos' question, if you did not have MRV log, would you be free cash positive this year?

Leonardo Guimarães Corrêa:

OK, let us take MRV out of the picture for one second. Even though, we would not be cash flow positive for the entire year. Regarding the cash burn on the MRV LOG, I do not expect the cash burn related to MRV LOG to increase, as we have mentioned we are working on finding the proper ways to fund the projects and all the plans that we have there, but definitely we do not expect further increases regarding MRV LOG.

Gordon Lee:

Just one final question on that, when would you expect it to start generating meaningful revenues?

Leonardo Guimarães Corrêa:

MRV LOG is already generating revenues, of course they are economically speaking insignificant, I am talking about R\$1 million last year and I do not expect it to offer larger revenues still this year. Again, the numbers are going to be relatively insignificant in relation to MRV. Now, from 2012-2013 then the picture starts to be different.

Gordon Lee:

Perfect. Great. Thank you very much.

John Smith, Phoenix Investment:

Hi, guys. I would like to make only one question. Are there any construction delays at MRV now and how long are these delays? Thank you.



Rubens Menin Teixeira de Souza:

OK. I think that is a good question. There are a lot of people that are talking about delays that are happening in Brazil, and I am very happy with the way that the production is going on MRV.

Today, we have almost 300 sites working at the same time and I can say to you that in almost 300 sites, we had only 4 sites with very small delay. But, on the other hand, we have 32 sites over 6 months advanced in the schedule. That is very important, we have a lot of sites that are advanced in their schedule, and that is very good, it sounds very good for us. And all the others are going very adjusted in this schedule. I can assure to you that delay is not a big deal for MRV today.

I think Leonardo wants to say something.

Leonardo Guimarães Corrêa:

I just wanted to be very clear that very few, just three behind the schedule and 32 ahead of the schedule.

Rubens Menin Teixeira de Souza:

OK. Excuse me, I made a mistake, but Leonardo made the right inform for you.

John Smith:

Thank you.

Robert Roell, PioneerPath Capital:

Good morning. I have three questions, please. The first question is a follow-up question on the budgets and the margins, were there any adjustments made in the 1Q in terms of budget adjustments?

Rubens Menin Teixeira de Souza:

OK. Of course, we always make adjustments, but very small ones. Always, all the time we do that, we have a very good budget but sometimes we have to make more adjustments, but like last quarter it does not happen anymore. And we have the trust that this year you will not have any more big adjustments in our budget. Leonardo will say something.

Leonardo Guimarães Corrêa:

Just to confirm, I mean, again the every quarter there are small numbers but they are not relevant.

Robert Roell:



OK. So, the assumptions that you made in the 4Q are still valid and the actual numbers are tracking very well within those assumptions?

Leonardo Guimarães Corrêa:

That is correct.

Robert Roell:

OK. Great.

Rubens Menin Teixeira de Souza:

Last quarter, the adjustments were mainly in the future, about the perception that the labor cost would ramp up this year and we put a margin of 4% to deal with this and we are very comfortable with that.

Robert Roell:

OK. The second question is just regarding construction inflation, both materials and labor, can you comment on how your own, you know, what the evolution of your own construction inflation as versus say the INCC index?

Leonardo Guimarães Corrêa:

Sure. On the material side, our actual basket of materials is moving below the INCC, meaning that we are being more efficient than the INCC. On the wage side, it is the contrary, we have seen our wages to be higher than inflation. We have started to see the first union agreements coming out in São Paulo and that they are just confirming that we will see weight adjustments in excess of the inflation on the range of 3% to 5%.

Robert Roell:

OK. Is there anything that can be done about this? Or is it just a trend in the industry has to live with? I am just curious with the outlook, as if there is any maybe policies that might address or focus more labor on construction and infrastructure, maybe from other areas of the economy. And I am just wondering what your view is and if there is any kind of movement in the Government to reallocate resources.

Leonardo Guimarães Corrêa:

I think it is a very good question. Let me give you some numbers and then I will tell you what has been our strategy and what we are doing. First, five years ago within our own measures, it would take us, let us say 12 people to build an apartment per month. Today, that number is around 7 and that we are aiming to get there at the end of the year as six people per apartment a month. So, that is a pretty good indication of what we are doing.



**Conference Call Transcript
1Q11 Results
MRV (MRVE3 BZ)
May 13th, 2011.**

The efforts we are doing is exactly to increase productivity to look at all the different aspects of the construction on the sites, to have people more qualified and to do some training in such a way that we increase productivity. Definitely, whatever the Government can do to help us we welcome, but more important we are doing our homework ourselves in terms of training and changing the productivity by increasing further utilization of equipments, capital so on and so forth.

Rubens Menin Teixeira de Souza:

Another point, Robert, that I would like to highlight is that we are very assured that we have best technology in the market. Of course you have to always improve the technology and we are always looking for everything. But we know that our technology is very good and we are not expecting to change the technology, of course you have to improve, but it does not change.

We have been doing a lot of benchmarking and we are very confident that our time as compared to that of the market, our cycle is the shortest and I think this will work very well.

Leonardo Guimarães Corrêa:

Just to comment on benchmarking, what Rubens has mentioned is not only in relation to Brazil but also visiting some other countries as well.

Robert Roell:

OK. Very good. My last question is related to MRV LOG. You know, it is very easy to see what kind of business it is, if you are building warehouses and looks like renting them out, and that is the business. Help us understand what kind of, obviously it is consuming lot of cash now relative to the revenue it is generating, but help us understand what your expected internal rate to return on the cash investment are actually and how should we think about what this will ultimately be and how we should think about valuing it as a component of your business?

Leonardo Guimarães Corrêa:

OK. First, let me set back in the case, this is a company that we have founded in 2008 and we are incubating that company within MRV. We definitely understand that these two businesses have different cash flows. So, overtime we want to segregate, but of course we need to that as the company grows, as it becomes as far, let us say scale and that is exactly what we have been doing.

The company has already its own management and it is working in order to achieve its goals. As we have said, the cash cycle is very different. We are working on sourcing on the different funding for the company being it equity or debt, and the demand in the market is extremely strong in the sense that we have seen a very strong demand, if you see the quality of that kind of infrastructure in Brazil, you would be amazed, amazed and negatively, and of course we see that as an opportunity, something that needs to be built.



**Conference Call Transcript
1Q11 Results
MRV (MRVE3 BZ)
May 13th, 2011.**

I mean, at a certain point and the right timing, this company should be segregated from MRV, but of course we need to do that in a way that we create value for MRV.

Robert Roell:

I mean, so that the total return on equity the company has been in the low 20 percentage range. How should we think about what the return on equity or return on capital of MRV LOG actually will be when it touch scale or when the buildings are completed?

Leonardo Guimarães Corrêa:

The returns, when you look at a project, let me look at the projects level, the MRV residential projects have a higher internal rate of return than MRV LOG. But again, as I said, we know that and exactly because of that reason we want to have the two businesses segregated so that we can extract the better value from each one.

One thing that I can advance you is we are producing assets at MRV LOG with a cap rate much higher than the ones that we are seeing trading, if we look at the other competitors or the other public companies. The cap rates of MRV LOG are substantially higher. So, we definitely foresee, let us say, a value creation as people realize that if we price the company at the current cap rate of the other public companies there is a capital gain in that.

Robert Roell;

OK.

Rubens Menin Teixeira de Souza:

Robert, I am very excited with this history of MRV LOG, there is a very big room to run and to increase in Brazil. Brazil is very poor in infrastructure and I think we have a lot of synergies between MRV Engenharia and MRV LOG, and we want to capture these synergies. And I think that at the end of year we will have a big partner made and with good results for us.

Robert Roell:

All right. I look forward to learning more about it as it develops. Thank you very much.

Operator:

This concludes our question-and-answer session. I will turn the conference back to Mr. Rubens Menin for final considerations. Mr. Rubens, you may give your final considerations now.

Rubens Menin Teixeira de Souza:

OK. I would like to thank you very much to stay with us in this call, and I hope to meet you again next quarter with good news like always MRV has been trying to do. Thank you very much.



**Conference Call Transcript
1Q11 Results
MRV (MRVE3 BZ)
May 13th, 2011.**

Operator:

Thank you. This concludes today's MRV's 1Q11 earnings conference call. You may disconnect your lines at this time.

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's investor relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."