Operator:

Good morning and welcome to Mills Engenharia 2Q11 earnings conference call. Today with us we have Mr. Ramon Vazquez, CEO of Mills; Mr. Frederico Átila Silva Neves, CFO; and Mr. Alessandra Gadelha, IRO.

We would like to inform you that all participants will be in a listen-only mode during the Company's presentation. Afterwards, we will start the question and answer session, when further instructions will be given. Should you need assistance during the call, please press *0 to reach the operator.

The audio of this call is being broadcasted simultaneously on the Internet, at www.mills.com.br/ir .

Before proceeding, we would like to inform you that this call may include forward-looking statements that represent the Company's administration expectations about future events or results. Forward-looking statements are based on future expectations and not on historical facts, and, therefore, they involve risks and uncertainties and Mills cannot guarantee that such forward-looking statements will materialize. Such risks and uncertainties include facts related to the Brazilian economy, capital markets, infrastructure real estate, oil and gas sectors, among other, also governmental rules, which are subject to change without notice. In order to obtain additional information about factors that might originate different results from those estimated by the Company, please refer to the report filed with CVM.

Now, we would like to give the floor to Mr. Ramon Vazquez, who will start the presentation. Please, Mr. Vazquez, you may proceed.

Ramon Vazquez:

Good morning ladies and gentlemen, thank you very much for participating on this conference call about the 2Q11 earnings. We will be presenting the results of the 2Q of the Company, the outlook for our business, and lastly, our growth plan.

On slide number four, we present the highlights for the quarter. We had R$164 million net revenue, an increase of 24.9% growth year on year. Our cash generation measured by EBITDA amounted to R$58 million in the quarter with a 15% growth year on year.

We had net income of R$22.6 million, with a 13.4% reduction vis-à-vis the same period in 2010, because the net income of the 2Q10 was positively affected by the better financial results due to the net cash position after the IPO, which was carried out in April 2010.

Not considering the financial results effect, the operating income grew between the periods amounting to R$40.8 million on this quarter, vis-à-vis R$39.9 million in 2Q10.

Our ROIC was 12.7% vis-à-vis 23% in the 2Q10. The drop in the ROIC between the periods is explained by the high level of investments in organic growth in the last 12 months, by the acquisition of 25% of Rohr for R$90 million, without an impact on Mills results yet, and also the strong geographic expansion of the Jahu and Rental divisions, which new units opened in 2010 are still in maturation phase and by the significant reduction in the use of the construction division between the periods, due to the temporary low demands on the sector.

We have invested R$105.2 million in the quarter, R$99.7 million were in organic growth and R$5.5 million on the acquisition of GP Sul.

On slide number five we show the revenue breakdown for the quarter. The industrial services division presented the highest net revenue, representing 35% of the overall revenues, the rental division accounted for 25%, the Jahu division 21%, and the construction division 19%. In relation to the kind of service, 64% of Mills revenues in the quarter were related to the equipment rental, 26% technical services, 5% sales, 5% others.

On slide number six we can see that our EBITDA grew reaching a new quarterly record, equal to R$58 million. The EBITDA margin reached 35.4%, with a slight reduction year on year due to the higher participation of sales in the revenue breakdown and the growth in costs and expenses, which was slightly higher than revenues, impacted mainly by the collective bargaining agreement in some locations, and by a higher activity of equipment maintenance, especially in the Jahu construction division.

In the EBITDA breakdown per division, the Rental division presented the highest contribution with 38% of the EBITDA for the Company, being followed by the construction division with 24%, Jahu 23%, and industrial services 14%.

On slide number seven we present the main highlights for the quarter for the construction division, among which total revenues amounted to R$30.6 million and rental revenue amounted to R$24.3 million, both dropping slightly vis-à-vis the previous quarter, once the effect of the rented equipment price and mix more than offset the amount and the volume rented.

As you can see on the chart, we signed important rental contracts this year, however the jobs take some time until they can absorb a higher amount of our equipment. However we already have some positive news: forms, the equipment that gets into the construction jobs first, still when foundations are being constructed, presented a significant increase in the utilization rate and are already back to historical levels.

This fact indicates that in the next two months, as construction develops, there will be an increase in demand for the other kinds of equipment that get into the jobs in more advanced stages of construction, mainly shoring, which is normally the equipment with the highest participation in revenues in heavy construction.

Therefore, in spite of the fact that shoring utilization is still below normal considering all the contracts already signed, and the schedule for the delivery of equipment, this will go back to normal in the 4Q11.

EBITDA and EBITDA margins were negatively impacted in this quarter by the collective bargaining agreement in some locations, around 6% to 7%, and the increase in the maintenance activities in our warehouses due to the higher number of equipment demanded in the quarter, mainly forms, which, in general, have a higher maintenance costs than shoring, because we need to do surface treatment or change the plywood periodically.

ROIC was 12.1% to the 2Q vis-à-vis 14.4% in the 1Q, impacted by the lower operating result and investments made in the period which amounted to R$8.2 million.

On slide number eight we present the main highlight for the quarter for the Jahu division, which reached rental and total revenues record with a 19% growth vis-à-vis the previous quarter. There was an increase in the contribution by new branches, 30% in the 1Q to 36% of the division's revenues on this quarter, showing the success of our geographic expansion.

Revenues from sales continued at low levels in the 2Q because there were no new launches in the 'Minha Casa, Minha Vida' project for the lower income bracket.

In June the adjustment of the programs units ceilings were finally approved and we expect a strong rebound in our sales for the Jahu division with the return of launches in the Minha Casa, Minha Vida program, and with the increase in competitiveness of our form work, which are already made in Brazil now and therefore our clients can already finance it by means of the FINAME program by means of the BNDES.

EBITDA reached R$13.5 million, with a 9.8% hike vis-à-vis the previous quarter, and the EBITDA margin was 38.8%, with a drop vis-à-vis the 1Q due to the collective agreement, and a higher maintenance activity in our equipment and non-recurring expenditures, such as the updating of our provisions, and expenditures with the integration of GP Sul.

Excluding these non-recurring expenses, the EBITDA margin would have been 43.1%, with an increase vis-à-vis the EBITDA margin of 42% recorded in the 1Q.

ROIC was 13%, and the drop vis-à-vis the previous quarter is explained by the non-recurring expenses already mentioned, and the high level of investment during the period, amounting to R$40.8 million.

On slide number nine we present a major highlight of the quarter for the Industrial Services division. We had the record total revenue of R$57.5 million, a 14.6% increase quarter over quarter. Maintenance services contributed with 63% of total revenues, whereas services carried out in the construction of new plants contributed 37% of the total revenue.

We saw a 40% increase in revenues with the construction of new plants quarter over quarter, impacted by the new contract for the Comperj refinery in Rio de Janeiro, and the increase in services delivered to the Maranhão thermo power plant, and the Suape Pernambuco petrochemical plant. The oil and gas sector continues to be the major source of revenues for the division, representing 41% of total revenues in 1Q. In 2Q EBITDA reached R$8.1 million, the EBITDA margin and ROIC were 14.2%, all of them going up vis-à-vis the previous quarter.

On slide number ten we present the highlights for the quarter for the Rental division, which were a recorded total revenue of R$41.2 million, a 22% increase, and record rental revenues amounted to R$36.7 million and 19% growth. There was an increase in the contribution by new branches, 48% in the 1Q to 54% of the division's revenues in this quarter, showing that our geographic expansion strategy is very successful. EBITDA reached R$22.3 million, EBITDA margin was 54.2%, and ROIC 17.1%.

Now let us talk about our business outlook. On slide number 12 we present a new estimate for investments in Brazil for the next few years. According to the BNDES, investments in Brazil should reach R$3.3 trillion from 2011 to 2014, being R$1 trillion for the industry and R$401 billion for infrastructure.

On slide number 13 we present some pictures of seven stadiums of the World Cup of 2014 that have already started their foundation and pillar phase. Mills is delivering services for all these stadiums, and the five remaining stadiums are not in the construction phase yet that may require our equipment.

We are already using our new aluminum shoring, Alumills, in the Brasília stadium. Alumills can sustain more than twice the load capacity of products until then available in the Brazilian market, thereby increasing product activity in the job site, and additionally we have quite a few units of the biggest aerial platforms in the world, which can reach 48 meters of height, with focus on the construction and refurbishing of stadiums for the 2014 World Cup.

On slide number 14 we see that the residential and commercial construction market continues very active. 14 public traded companies in the real estate sector published total launches amounting to R$17 billion in the 1H11, growing 24% year on year, and the sales by these companies also totaled R$17 billion, with a 7% growth in relation to the 1H10.

The time lapse between the launch and the beginning of construction of a project varies from six to nine months, depending on the success of sales, and the 4Q10 there was record total launches amounting to R$10.9 billion, and construction should start in the next few months.

On slide number 15, the second phase of the Minha Casa, Minha Vida project was approved in June. The unit prices have been updated upwards by 31%, and also the cap of the monthly income bracket, Minha Casa, Minha Vida 2 has the target of 2 million residential units by 2014, and we believe that the launches will start in the 2H11.

On slide number 16 we present Petrobras recently approved business plan for 2011 up to 2014. According to Petrobras, total investments should amount to US$224.7 billion between 2011 and 2015, of which US$117.7 billion for the exploration and production in Brazil, with the objective of increasing by almost 50% the daily domestic production.

We expect the Industrial Services division to benefit from these investments in the oil and gas sector once the services of this division are required in the construction of probes, rigs, vessels, shipyards and ports.

In the refining transportation and commercialization area, US$70.6 billion will be invested, of which 50% for the expansion of the refining area, and the main projects are the Abreu e Lima refinery, in Pernambuco, Comperj refinery, in Rio de Janeiro, and the Premium refinery in Maranhão. The two first ones are already in construction, with both the Industrial Services and Construction divisions present there.

And lastly, we show you the progress of our growth plan, on slide 18. You see that we completed in the 2Q the acquisition of 100% of the voting capital and total capital of GP Sul for R$5.5 million, and by means of this acquisition, Mills became market leader for suspend scaffolding in Rio Grande do Sul.

As you can see on slide number 19, Mills investments in the organic growth amounted to R$99.7 million in 2Q, being R$194.4 million in the 1H, equivalent to 45% of the revised total amount budgeted for the whole year of 2011.

In the 2Q we revised our investment budget for organic growth for 2011, increasing it by 28.3%, from R$337.2 million to R$432.7 million, due to the strong demand and the success of the implementation of the new units for the Jahu and Rental divisions.

Thank you very much, and we are available to you in order to answer any questions that you might have.

Eduardo Couto, Goldman Sachs:

Good morning. My question has to do with heavy construction, which was the weakest link in 2Q earnings. Ramon, could you please talk about your view regarding the rebound that is expected for heavy construction? You have listed many projects that are starting, but we would like to have a better idea, more quantitative idea.

Do you believe that the figures for heavy construction, because if we look year on year revenues drop by almost 30%, do you think you can recover this by the end of the year, going back to the levels that we saw last year? Or do you think you may even exceed these levels of revenues and EBITDA for heavy construction that we saw in 2010? What about your backlog your visibility in the rebound of the heavy construction division?

Ramon Vazquez:

Our view about heavy construction is rather bullish. And it is bullish not only because we already have disclosed in the last quarter many contracts already signed, but this is also positive because we see clear signs of the recovery in our warehouses and operations in higher consumption of our equipment.

That is to say the contracts that have already been signed are starting to require our equipment already. And I would like to highlight, as we also mentioned in the 1Q results, that when you sign a contract for heavy construction and having the key of revenues, there is a lag time of about 12 months between one and the other, and the contracts signed in the 1Q are starting to use our equipment right now.

And the first real signal that this is already occurring has to do with our formwork. We have basically two kinds of equipments that are used in heavy construction. Formwork and shoring.

Formwork by their old nature, they are used at the beginning of the construction, when you start to build the foundations and when you start to build the pillars you already need to use formwork in order to execute these complete structures. And as construction developed, then it starts to use shoring, which is what brings us the highest revenues in the overall revenues of the heavy construction job.

What I am saying is that in formwork we have already gone back to the utilization rate that is the normal historical level for the Company. Today, we no longer have a major idleness as we had in the 1H regarding our formwork.

So, in the near future what we will have is the shoring part of our equipment being used, and then going back to the normal utilization levels of our shoring as well. And because of that, revenues from the heavy construction division and the margin for the heavy construction division will consistently go back to our historical levels that we achieved in the past.

So, the outlook is that by the end of this year and over 2012 we will see the heavy construction division giving a major contribution to Mills as a whole, be it in revenues or be it in margins, where in the past, and we believe that we will have in the future very significant margins coming from this division.

Eduardo Couto:

Thank you very much. Another point having to do with pricing. I believe that on the slide you showed that there was a slight drop in your prices. Is it because of competition or it because of your product mix, or is it due to the fact that most of the projects are still in an initial construction phase? What kind of pressure do you feel on your prices, and what about heavy construction prices for the next few quarters?

Ramon Vazquez:

In fact this is not because of the 1Q or the 1H, but it has to do with the slowdown that we saw especially in the 4Q10. Because of that we still have some impact on our prices because of the overall drop that occurred in the market as a whole last year, and that remained over the 1Q. And what we will see as of now is an improvement, a gradual improvement in prices; prices for the heavy construction division, they do not drop very suddenly, and neither do they go up very suddenly. So, over the next few months what we will see is a gradual improvement in our prices, and because of that we will be able to see that as of the last quarter and as of next year as well, our prices will be translated into the historical margins and EBITDA margins of the Company.

Eduardo Couto:

And one last question regarding investments. We see that mainly in this quarter and the previous quarters you are investing very strongly. So, because of that we can still expect mainly in rental and Jahu division, we could expect a further growth in your revenues and your overall results in the next few quarters because of the significant volume of investments that you have been making. And what are you investing in? Are you investing on new units and new products? Could you breakdown your investment? Because your investment continues to be very strong in spite of the slowdown in heavy construction. I would like to understand your investment strategy.

Ramon Vazquez:

Investments in the Jahu division are being made for the acquisition of more equipment, additional equipment. We are not talking about new kinds of equipment. The bulk of these investments go to shoring and to formwork and also scaffolding, and very resistant equipment. And the major part of these investments is being allocated to the new branches, but we are also investing and allocating more equipment to the existing branches. But the bulk of the equipment is being sent to the new branches because of the increase in demand based on branches that are maturing. And the result is very expressive. As you can see, they already represent 36% of the overall revenue for this division.

So, our expectation, answering the first part of your question, is that yes, we will continue to grow revenues from the Jahu division, and we will continue to achieve good results not only from the branches that we have opened, the new ones but also the existing ones.

Regarding investments in the rental division, practically along the same lines we are not investing in new types of equipment. We are investing in equipment that we use normally, and we are placing most of this kind of equipment on new units, and they are having a very good results. But we are also increasing the number of pieces of equipment in the existing branches, and the same as in Jahu. We intend to continue to grow our rental revenues and keeping very positive margins for the rental and for the Jahu division.

Eduardo Couto:

In Jahu, revenues are 36% coming from the new units. Do you believe this could be 50/50 between the new and the existing ones?

Ramon Vazquez:

We estimate that we will get close to 50-50 by the end of the year. We believe that it will be close to 50% of the overall revenues for the Jahu division coming from our new branches.

Thank you very much.

Operator:

As there are no more questions, I would like to give the floor back to Mr. Vazquez for his final remarks. Mr. Vazquez, you may proceed.

Ramon Vazquez:

Ladies and gentlemen, once again I would like to thank you very much for participating in our conference call about Mills' 2Q11 earnings. Our investor relations team remains at your disposal for any further clarification. Thank you very much.

Operator:

Thank you very much. The Mills conference call is closed. Please disconnect your lines now.