Operator:

Good afternoon, ladies and gentlemen. At this time, we would like to welcome everyone to EZTEC's 1Q18 results conference call. Note that this event is being recorded and that all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer session, when further instructions will be given. Should any participant need assistance during this call, please dial *0 to reach the operator.

Today's event is available through a live webcast that may be accessed through the EZTEC Investor Relations website at www.eztec.com.br/ir by clicking on the banner "Webcast." The following presentation is also available for download on the webcast's platform. The following information is stated in BRL and in "BR GAAP" and "IFRS" applicable to real estate developers in Brazil, except where stated otherwise.

Before proceeding, let me mention that any forward-looking statements made in today's call regarding the business outlook, forecasts and financial and operating targets is based on the beliefs and assumptions of EZTEC's management and the information currently available to the Company.

Forward-looking statements are no guarantee of performance. 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 Company 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. Hugo Soares, Investor Relations Analyst, who will begin the presentation. Please Mr. Hugo, you may begin the conference.

Hugo Soares:

Good morning to all and welcome to our result presentation for the 1Q18. With me, we have Emilio Fugazza, the Chief Financial and Investor Relations Officer; and Augusto Yokoyama, Controllership and Investor Relations Manager; to announce the operational and financial highlights for EZTEC.

Initially, I would like to mention that Tower A from the EZ Towers Project was recognized with the World Prix d'Excellence award in the Office category, organized by Fiabci – the world's largest real estate entity.

The event took place by the beginning of May in Dubai and awarded the projects that best incorporate excellence into its real estate faculties: architectural creation, commercialization, implementation management, strategy and marketing, impact over the local community, and environmental protection. Such renowned distinction indicates the recognition of the project's quality and success, which apart from its great profitability will leave a legacy for the City of São Paulo.

Now I ask you to move to slide number four, where I will address sales and cancellations. We have concluded the 1Q18 – a seasonally weaker one due to vacations and carnival festivities – with gross sales of R$194 million – 45% of which regard launches sales. In regard to cancellations, we have reached R$73 million in the period, through a steady downward trajectory over the past quarters.

It is worth highlighting that the volume of deliveries scheduled for the year is much smaller than that carried out in 2017, indicating a considerable reduction in cancellations for the following quarters. Thus, net sales totaled R$122 million in the 1Q18, exhibiting the consistent growth pattern shown in the graph below.

Now I would like to pass the floor to Mr. Augusto Yokoyama, our Controllership and Investor Relations Manager.

Augusto Yokoyama:

Thank you, Hugo; and good morning, everyone. In the 1Q18, EZTEC launched a single Project with an R$105.5 million PSV and 200 units in the South Zone of São Paulo, including 20 commercial units and one store. It is a project that has already been conceived under the new Master Plan, with areas ranging from 24 to 52 m² and that reached, by the end of March, 74% of its units sold.

It is worth reminding that EZTEC has committed to a guidance for its launches, which should range from R$500 million to R$1 billion for the year of 2018. It is important to say that the Company is armed with adequate options in its diverse landbank to fulfill the guidance – as is the case for the 12 acquisitions carried out in the last 18 months in the City of São Paulo, already subject to the new Master Plan.

Besides, as I will comment further later, we have alternatives through the increase in stakes for projects that are already managed by EZTEC, as well as through eventual acquisitions of approved projects. As a subsequent event, we highlight the acquisition of 5% of additional participation in the project *Jardins do Brasil*, in Osasco, reaching a final participation of 46.25% starting in April 2018.

Moreover, already in May, EZTEC sealed a purchasing agreement for the acquisition of the residential project in the *Parque da Cidade* Compound – South Zone of São Paulo – for the amount of R$90 million to be paid in installments. The transaction is subject to a due diligence cancellation clause.

Please, I now ask you to observe slide number six, where I will talk about future launches. Since 2015, the mid-high and high-income projects in the City of São Paulo have been the main focus for EZTEC launches. For 2018, we will continue to develop products within that profile, but additionally, we will launch two projects in the *Minha Casa Minha Vida* segment.

The first one is *Visconde de Parnaíba*, which is located in downtown São Paulo, near a subway station and will count with 979 units, totaling a PSV of about R$124 million, already considering EZTEC's participation of 70%. The second project, *Rio Bonito*, has 560 units of an approximate PSV of R$132 million – wholly owned by EZTEC.

These are plots that were originally conceived for the mid-income segment, but that also have a vocation for the *Minha Casa Minha Vida* model, monetizing and rewarding the invested capital more properly.

Now, the projects to the right – Celso Garcia and Fernandes Moreira – are under the previous legislation and, therefore, wait for a decision around the injunction, but both of them already had its sales stand ready and was on its way to be launched. Besides these, we have worked intensely with diverse projects that are already under the new Master Plan.

They are recently-acquired plots that are located in noble regions in the City of São Paulo, directed towards a client profile that has demonstrated resilience and the interest to live in coveted neighborhoods. Now, I would like to give the floor to Emilio Fugazza, so he can address the financial results.

Emilio Fugazza:

Augusto, thank you very much. Welcome, everyone. It is always a pleasure to be here talking about the financial performance of this Company. Starting in the 1Q18 and talking about net revenues, on the top left of slide number seven: I would like to point out the R$90 million of net revenues we reached in 1Q18. I would say it is the same compared to the 1Q17, 2Q17 and 4Q17 – apart from the 3Q, which was when we recognized the sales of EZ Tower, tower B.

Obviously, when you see the 1Q18, we can understand that, due to the fact that we have had, over the last three years, revenues impacted by higher cancellations, it is important to think that in the 1Q we started launching products with a high performance of sales again. Let us talk about them. As Augusto mentioned before, gross sales were R$194 million, but from these almost R$200 million of sales, almost R$88 million were sales from the Z Cotovia, mainly, the project we launched in the neighborhood of Moema.

Obviously, talking about launches, launches in 2016 and 2017, mainly, were launches with gross margins that are a little bit lower than the average of this Company. This is why, when you see the chart on the top right of page number seven; you can see a gross margin of 35%, which represents a little bit less than 5 p.p. below the standards of this Company. Let me explain it a little bit deeper.

When you see, historically, the gross margin of our Company from 2009, 2010, up to 2017, you can see something better than 40% of gross margin – something above 40%, reaching one of the best moments of our sector here in Brazil; something around 50%. Due to the fact that we had a lower volume of launches in the last three years, now we have fewer sites under construction trying to recognize revenues to our Company.

This is why, when you see other launches without any kind of new sales, offsetting the cancellations, the impact of cancellations on fewer revenues would be a little bit more aggressive than in the past. This is why the 4Q17 was a quarter in which the gross margin was 29%. Now we have, I would say, a slightly better quarter in 2018, with the launch of Cotovia, specifically because with this first launch in which we can find a gross margin around 40% can bring the margins back to the historical standards.

Given the margins to be recognized or the backlog of around 36%, I would say a number between 35% and 40% could be a very good forecast for gross margin this year – 2018. Talking about G&A and selling expenses on the same chart, I would say holding around R$20-22 million of G&A expenses is a kind of victory, specifically because we have been holding G&A at these levels since 2015/2016 – nominally R$20 million quarterly.

But let me remind you that Brazil is the kind of country suffering with inflation and even is adjusting the salaries of people at this Company above inflation in the last three years. We can make adjustments in other areas. Apart from the lower-than-expected operations we had, we owned something around 50-60 pieces of land. We hold almost 2,000 units providing mortgages to our clients. We have a little bit more than 1,000 units of profit to transfer the contracts to the bank.

We are a Company whose size, given the legacy of our operations in the past, requires a lot of people to manage, to handle it. This is why the level of G&A expenses is almost the same. In terms of selling expenses I would point out two kinds of things. If you see the bottom right of this slide, selling expenses came in at R$17 million. Half of those selling expenses are due to publicity and stand-up of sales.

Stand-up sales we have lead to two of those stands waiting for licenses from the municipalities to be launched. Apart from that, all expenses we have are in the inventory – the ready inventory we have in our Company to be sold in the next 2-3 quarters. The remaining half of these selling expenses is due to expenses of ready inventory – maintenance costs and municipalities taxes we have to pay to handle this ready inventory.

Apart from that, in some of our projects, like the projects in the city of Guarulhos – which are at least seven projects; a little bit more than 1,000 units to be sold – we try to push those sales offering taxes and expenses to reduce notary fees for our clients.

Only to give you an idea – and it is obviously different in each city –, in Brazil, if someone buys an apartment, they have to pay something around 3.5% of the whole price in taxes. They pay that to notaries and to the municipality, in order to make the register under their names. The cost of this is about 3.5%.

In many cases in which clients cannot afford those expenses, we pay in advance to our clients and we have to book those expenses as selling expenses. This accounts for half of all the selling expenses for this Company. Keeping on the financial performance, on slide number eight I would like to highlight our financial results. And ¾ of these financial results – 75% of these financial results – are due to the process of giving mortgages to your clients.

In my personal opinion, the Company made this decision to provide financing to our clients in order to surpass the shrinking in credit provided by financial institutions in Brazil, specifically in the difficult moments of our economy between 2015 and 2016. By then, we decided to provide mortgages with an interest rate of 10% + IGPM, which inflation in Brazil, of around 3-4%.

We provided this kind of financing of around 20 years, which is 240 months, and we have been providing that to almost 70% of the ready-inventory units sold of the Company. A good decision like that can provide a kind of compensation for our ROE, specifically because, due to the shrinking in launches and the lower-than-expected operations we have now, this is the kind of business we can use to provide at least some compensation for the equity of this Company.

R$20 million was the result for the 1Q and R$20 million was the decrement from the 4Q17, due to the fact that paid R$400 million in dividends last quarter. On the equity income side, on the top right of the slide, you can see three million of results, coming from the projects we are controlling in partnerships.

On the good side of it, there is the situation in which we can see a 41% gross margin from those sales. In the bad side of it, obviously, we have been buying all the stakes from our partners and decreasing the volume of equity income results you can see since the 3Q17 or 4Q17.

I put a forecast for this number pointing to another slight shrink in the next couple of quarters. Net revenue is about R$5 million, for a 6% net margin. R$5 million means that, due to the fact that revenues are coming down because of the lack of launches, we think it is a great victory.

Apart from being a small number, it is a great victory, specifically when you compare it to our peers.

When we see our peers on the middle-income market in Brazil, the majority of them have been suffering with the lack of launches and, obviously, the push is to sell their apartments in order to generate cash to pay their debts.

Due to the strong cash position of this Company, we have a special situation to deal with the clients, in order to provide financing, offsetting the possibility of providing discounts to give the liquidity of our inventory. That is why you can see margins remaining in a healthy position, even with this lack of launches, lack of great revenues we are facing.

Finally, under Results to Be Recognized you can see R$65 million – I would say it is a very wealthy increment compared to the 2Q, 3Q and 4Q of 2017, specifically because of the received launches. But because the launches of 2017 were done in a very specific economic scenario of downturn in Brazil, the margin is a little bit lower than the margin we would like to present – below 40%, reaching something around 36%.

The only way to increase or see something better in the next quarter would be with the new launches we are providing. To see the new launches, we need to wait a little bit more. I have no doubt about having a 2H18 much better than the 1H18. Obviously, Mr. Augusto mentioned something, but let me remind you that we have projects will all the licenses and all the possibilities to be launched in the 2H18.

We have a lot of projects without any kind of problems regarding the prosecutors or protocol right, mentioned earlier, to get the approvals, to get all licenses in the 2H. We are only waiting for the regular process to start selling those launches and I would say we are likely to do it in the low-end segment first, like *Minha Casa Minha Vida* projects.

Moving on to the slide on page number nine: dividends. This slide is only to remind you of two things: first of all, in 2017 the total amount of net income we provided was R$358 million, but during the last general shareholders meeting in the last week of April, R$85 million were approved, which means the legal dividends from the net income regarding 2017.

When you add to these R$5 million additional dividends we paid in December 2017 or R$440 million, we are going to reach something around R$ 3.19 of dividends per share. It is one of the biggest businesses among all publicly-traded companies in the real-estate sector. Let me remind you that since 2014 we have been paying more than the legal historical 25% of dividends. In 2014 we paid 35%, in 2015 we paid 35%, in 2016 we paid 78% and in 2017 we paid 145%.

This legal dividend of 85%, which we will pay up to November 2018, means something around R$0.52 per share. Moving to the slide on page number 10, I would like to mention the potential cash generation. As we have been doing in the last two years, this slide has the focus on trying to explain the amount of money we are going to deal with in the short-to-medium period of time.

First of all, it is important to remind you that the Company closed the 1Q with a net cash position of R$387 million to R$548 million in cash and only R$161 million in debt. The whole debt of this Company is a project that is a kind of debt we used to support the construction of our project.

The Company has no corporate debt, has no debentures, and has no working capitals from the banks – only project debts. And these project debts we have to pay only using the contract of our clients we have been selling and transferring the credit of our client to the Bank in order to pay the debt. The cash generation in the 1Q was R$61 million, even paying the pieces of land we have been buying since the 1Q17.

Let me remind you that in the beginning of the 2Q we had already paid 45%, as mentioned by Augusto, of additional 5% in the project *Jardins do Brasil*. The *Parque da Cidade* project, mentioned earlier, of R$9 million, we have to pay by installments and we are going to start paying it in May 2018.

Apart from the cash, we have performed receivables, unperformed receivables. We have to pay the dividends of R$85 million – R$200 million of construction obligation and R$100 million of equity CAPEX to be released in the next quarters. All in all, the bottom line is going to be something R$1 billion – half of this in cash, half of this in performed receivables, yielding something around IGPM + 10%, which is something 13-14%.

And let me remind you, from these receivables we have to pay only 4% of income tax. It is only 4%. Apart from that, when we sell the entire ready inventory we have, we can get almost R$1.3 billion – in a gross margin of much more than 40%. This slide can show you the strong potential of cash generation that this Company has in order to take advantage of opportunities we are going to face in the next quarters.

Apart from it let me say a few more words about our balance sheet. Moving to slide on page 11, trying to understand the potential value for EZTec. We are one of the few companies in the Real Estate Sector in Brazil that is willing to show you assets of R$3.4 billion and liabilities of only R$800 million. When you pay deeper attention to our balance sheet, you are going to see how easy it is to understand the figures we can provide to you.

First of all, in terms of assets, we are talking about almost R$600 million in cash and almost R$600 million in proposed receivables. From these proposed receivables, I would say something R$150 million are receivables we have from agreements with our clients, providing mortgage. This is a true sale. The client has no cancellation option and the remaining R$150 million are receivables to be transferred to the banks or to become an agreement in which the client is financed by EZTec.

Apart from it, the greater number, I would say something around R$800 million in inventory of land. The Company has a landbank of more than R$6 billion, meaning something around 50-60 pieces of land – much more than 90% of this whole landbank is located in the city of São Paulo or in the metropolitan region of São Paulo.

From these pieces of land in the city of São Paulo, the majority is located in the South Zone, the fanciest and more important zone of São Paulo for the Real Estate market. That is very important to say. The landbank in which we can find the gross margin to be a little bit above 40%. This is why this is a priceless landbank. Apart from it, obviously, we have the cost of the ready inventory.

We are talking about something around R$500 million of inventory costs. R$500 million means that the majority, the R$1.2 billion in ready inventory to be sold costs less than half of the market value. This is why it is so important. This is why it is so profitable. This is why in the last two years, even in the worst of our economy, we could show you profitable gross margins and net margins.

It is because the apartments we have in our inventory, the cost of the land plus the cost of construction can provide an adequate margin to compensate the investment we have been doing. Finally, the book value of our Company nowadays is about R$2.5 billion – R$2.5 billion means something around R$15 to R$ 16 per share. In the next couple of quarters, you are going to see some potential inventory sold and you can see almost R$3 to R$4 per share to be added in terms of shareholders' equity.

Finally, the moment we allocate the landbank, launching the projects we are preparing to launch. We can see, finally, almost R$15 per share to be added to our shareholders' equity the moment we launch, sell and do the construction of our projects.

All in all, it is a Company in which you can find a strong balance sheet – one that can provide you results from short periods of time regarding the receivables we have been carrying as soon as we can launch the projects to provide new results, new revenues from those units we are preparing to launch.

Now I would like to open to questions you may have. Thank you very much.

Operator:

This concludes our question-and-answer session. I would like to turn the floor back to Mr. Hugo for any closing remarks.

Hugo Soares:

Now I would like to deliver the management's message, as it was just delivered by Silvio Ernesto Zarzur, the Company's CEO. We have begun 2018 with the goal of escalating the Company's operations, after three years in which economic crisis forced us to launch scarcely. Such climate is fundamental for the Company to present, once more, results that are compatible with its capital and administrative structure.

Regardless of setbacks faced in the approval processes with the São Paulo city hall; we remain confident and completely committed to the launching guidance, with launches that should concentrate in the 2H18. The Company's robust and diversified landbank for the current conjuncture. This landbank includes more than 15 projects, representing R$2 billion in PSV, are already part of the new legislation and therefore outside the reach of the injunction made by the State's Public Prosecutor's Office.

These are spectacular projects, with sophisticated architectural design and lean cost structures, which will help restore the historical margins intended. It is worth reminding that the corporate projects EZ and Esther towers are not subject to such injunction. They do not depend on the resolution of this matter to be able to push on and fulfill the guidance.

We have recently acquired, as a subsequent event, the residential project of *Parque da Cidade*. To seal the deal, you just need to overcome the cancellation clause, which is a very present prospect. We are not acquiring a mere plot of land, but rather an already registered real estate development, which already counts with construction expansion titles, environmental licensing and the City Hall's approval. It is a product that is ready to be launched, with a PSV of R$550 million.

The acquisition is a privilege that is only accessible with the financial structure that EZ Tec possess and shall help bring the Company back to operation and financial standards that are appropriate for its size. If further opportunities, like *Parque da Cidade* project eventually arise, we will be looking out. We are not idle. We are pushing on, confident that we will fulfill the guidance. Additionally, our strong cash position has allowed EZ Tec to finance its own clients.

It is a very strong selling tool, as it allows the Company to finance them over a 240-month period, as a contrast to the bureaucracy inherent to banks. We have noticed that many of our clients do not even attempt financing with the bank and come directly to EZ Tec. It is not the case that we are taking on clients rejected by banks. It is a matter of bureaucratic ease that brings clients to negotiate with us. It does assist with the ready inventory sales as well as the preservation of heathy margins, preventing the need to burn inventory, not to mention the expressive financial results derived from it.

From the microeconomic perspective, we have the positive news of the diminishing inventory in the city of São Paulo, as well as the drop in the rates practiced by banking institutions. Moreover, prices in São Paulo's capital have reacted positively. Therefore, the Company remains positive, in a position to escalate its operations, constantly keeping the delivery of the best possible returns for EZ Tec's shareholders. Thank you all.

Operator:

And this concludes our conference. You may now disconnect your lines at this time. Have a nice day.