

**Operator:**

Good Afternoon, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to PDG Realty's 1Q08 earnings conference call.

We would like to inform you that this call and the slides are being broadcast in the Internet at the Company's website [www.pdgrealty.com.br](http://www.pdgrealty.com.br), and that a presentation is available to download at the investor information section.

Also, this event is being recorded and 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. At that time further instructions will be given. Should any participant need assistance during this call, please press \*0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of PDG Realty 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 PDG Realty and could cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. José Antonio Grabowsky, CEO. Mr. Grabowsky, you may begin your conference.

**José Antonio Grabowsky:**

Thanks, hello, everybody, good morning. Thanks for your presence. I have here with me Michel and also João Mallet will help me during this call.

The idea today is to talk to you about our 1Q08 results. We are very pleased to be here today. The year started very well, as you probably have noticed. Our 1Q activity was very strong and totally in line with our expectation for the year. So it gives us a great comfort that we will be able to execute our business plans for 2008 or even if possible, more than expected as usual.

In terms of the highlight of the 1Q, I think it is very important to go page three of the presentation. It is very important to mention our sales speed. We have sold 56% of the units launched in the 1Q. We launched 4,000 units and we sold from those 4,000 units, we already sold 2,200 units in the quarter. In total, in the 1Q, we sold 3,800 units. So the speed of sales was something very important for us so far in the year. The markets in general are very good, especially to the units towards the mid-low income which is our main focus in the residential development.

In terms of sales, we had R\$467 million of contracted sales in the 1Q, again a very strong number, probably, let us say, among the first or second in the industry. And from the total units launched in 2007, we have so far sold 81% of units, totaling more than 10,000 units, which again provide us with a lot comfort in our strategy of growing very fast and not losing time, attention and money in handling high levels of inventory of projects launched.

Financial highlights, our net revenues for the quarter reached R\$220 million, representing more than a 200% increase compared to last year. In terms of EBITDA we reached close to R\$64 million, 28.9% margin, a very strong margin and again more than a 200% increase compared to last year. And in terms of adjusted net income, we reached R\$51.3 million, 23.2% margin with a 169% increase compared to last year.

In terms of keeping our focus in the low-income, let us say, we keep a very strong attention to that. We will talk about that in terms of land bank and we were able to see in this quarter a very strong presence already in the results of PDG coming from the low-income segment. 70% of our 1Q EBITDA comes from that segment. You have to remember that most of our activity in the low-income segment is done through Goldfarb, and co-development with Goldfarb, that is basically 90% of our activity in the low-income. And there is another 10% coming from co-developments with other companies that we do in that income segment as well.

Low-income units accounted for 64% of total sales in 1Q08 and nowadays we have 64,000 units in low-income land bank. So, totally in line with our strategy of having between two and three years of land bank in general for PDG.

Land bank growth is another very important fact to highlight. Our current land bank reached R\$ 7.7 billion of sales pro rata PDG, a strong increase over the end of last year. For sure, this year it has been easier to acquire sites, especially, again, doing some acquisitions with swap deals or cash payments in a longer term period. So we are seeing less competition for site and we have been able to plan and acquire sites according to our launching strategy going forward.

Some of this growth, of course, came from the more recent JV, some companies that we did JV last year and one company that we did a JV in the 1Q08. Of course, these JVs have increased this land bank. We keep our strategy of having a very diversified land bank in terms of geography and in terms of number of projects. We have our land bank now in 309 different projects, spread over 12 states and 45 cities. And 69% of the land bank is focused in the low-income segment units.

In terms of Investor Relations, there are two things worth mentioning. We now have nine different houses and analysts covering PDG, which is something very important to the performance of the shares and to help us being more known and better perceived by the market. That number will probably increase a little bit this year as well. We have some other analysts talking to us and probably will be starting covering the shares soon.

And we had the honor of receiving a prize for our IR team. We were the winner of the IR Global Ranking in 2008 in the mid/small CAP Category very recently. So this is something very worth mentioning and according to our strategy of giving a lot of importance to the relationship, to the disclosure with the investors. So I think Michel and João are doing a great job in that area. So the prize has made us very happy.

I will let Michel continue with the recent events on page four.

**Michel Wurman:**

Hi, everybody. On page four, the first one is the PDG Realty joint venture with Habiarte Barc. The strategy for this joint venture was to gather some housing growth of the agrobusiness in the Sao Paulo state, in the north region of São Paulo, in Ribeirão Preto region, we believe that mid-class development will have a big growth in the future. We are starting to access that region, by Goldfarb for the mid-low and we also believe we can grow into the mid segments.

Habiarte is a very nice company, we have been talking with them for the last nine months. Our first development will be happening in the 2Q. And not only it is important for us for this joint venture but we also believe that we will be able to create more joint ventures or participate in other private equity deals. That is the strategy of PDG, to do the non-organic growth on our business plan.

And second item was, as José said, the award from the IR team. Still IR with respect to the business plan, we have been having more coverages. We are trying to do as much as we can, more disclosures, more corporate disclosure for the investors and being very inside with them, we have been participating in all conferences that we have been invited over the last month and that will be the strategy for 2008.

And the last important event that we had was the credit line negotiation that we did with Bradesco to finance our developments during construction. This is very important to match our cashflow need for the mid term of PDG and keep us in a very comfortable position to continue our growth.

In the next page, on page five, the main highlights here from the operation that we will start to cover within the next stages. Here we have the breakdown of each one of our segment. And the most important part, we wanted to highlight is the mid-low income operation that 70% of our EBITDA during the 1Q08 came from this segment. So, we had around R\$44 million. That is because in this segment that is the leading company in the mid-low income operation within this quarter. And this is the 1Q that the operation in the mid-low is starting to gain voice.

We believe that in the mid term our target is to have between 70% to 80% of the operation from the segment, straight coming from Goldfarb, because the developments that we have in Goldfarb and also several co-developments that we have with other Companies. This is our key business in the development business and will represent between 70% to 80% of our operation.

The next page I will pass to João and then I will come later in the presentation.

**João Mallet:**

Hi, everybody. The main point of slide six, is that PDG was able in the 1Q08, to launch projects in new cities such as Curitiba in Paraná state, continue to launch a project in Espírito Santo, another state in Brazil, and continued to launch projects in several different income segments, such as commercial segment, low-income but also mid-high and what we see and we are going to see further in this next slide is that in all the segments we were able to post a very interesting sales speed, throughout all the income segments.

On page seven, we have some highlights to show in more details the points that I had mentioned. We launched a project with CHL in Rio de Janeiro, a commercial one called O2 in Barra da Tijuca. And after two weeks of launches, 100% of the project was sold. We launched another with CHL and the JV that they have Pinto de Almeida, in Niteroi, a city close to Rio de Janeiro, and also a very interesting sales speed, 83%. We launched a new project in Curitiba with LN, a JV that we have to target Paraná and Santa Catarina market, we have so far 25% of the project sold. We have another one, a Goldfarb one in Jundiai, as it is close to São Paulo, 30 minutes to one hour of distance by car, and holds also a very interesting sales speed, 98%.

On the next page, some of the methods that we have been trying to explain in this quarter, from previous one. The idea is to show that in all the segments that we are launching, we had an interesting sales speed. We are launching a project in low-income and mid, mid-high and in the commercial. Right here, we look at the sales speed and inventory levels in exercise in 2008. This can show us if the project is doing better or worse than what we projected and how much this is. This gave us more control in inventory and sales speed.

On page nine, this is another method that we are starting to use more in daily basis with the investors. And the idea is to show for each quarter launches, the amount of sales per unit that we were able to achieve. The most important points here are: the sales speed that we reached in the launches of 2007, so far 81% of everything that we launched in 2007 is sold. This is the same metric for the whole history of PDG. For all the projects that PDG launches, just 19% is inventory right now. From most of our launches in 2008, so far, 66% is sold.

On next page, page 10, Michel will continue and then we talk again in the Q&A.

**Michel Wurman:**

On page 10, I think the main message here, continuing with operation is that the business model of having a very strong management team with a lot of capilarity, and several managements teams working separately regarding each one of the region, and each of the segment, that gives us the ability to grow without major bottlenecks.

So we have been able to launch a lot, each quarter we have been launching more than the previous one. We ended the 1Q of the year with R\$573 million, roughly 300% growth compared to the 1Q07. Units we did a little more than 4,000 units. And in terms of number of developments, we got 19 recent developments compared to 14 in 1Q07.

The most important part regarding this diversification and the geographic distribution, is that we did only 17% of our launches in São Paulo municipality during the 1Q08. This is important, that is the first movement that is very easy to show right now, how we have been able to plan our mid term developments. We knew that in the 4Q07, we had a lot of different launches within the São Paulo region. So we decided to launch less in the last quarter, in 4Q07, and also in the 1Q08 because we thought that we have a lot of inventories from the other developing in that region.

Now in the 2Q08, we have started to launch a little more in São Paulo, because we believe we have more demand. That is why we anticipate the trend of each one of the regions, we have been able to have a better land bank, a better quality of new launches and more than that a better sales speed. We are trying always to avoid big bottlenecks in regions that we have a lot of developments being launched at the same

time. We will only be able to have that, if we have capilarity in our business model to do this type of movement.

On page 11, regarding the operation, that was the most important part, we have been able to grow our land bank a lot and that comes in a position that we continue to believe that land bank mainly in the mid-low is like a commodity. If you have cash, or if you have a management team with the ability to negotiate that over time, it is very good to increase that.

We have been adding from R\$5.7 billion and launched R\$600 million, so with a net land bank of R\$5.1 billion. That grew to R\$7.7 billion. We believe that in the 2Q we will continue to have this trend, or being able to increase that. As you can see here, for 2008 we are fully covered, we already launched R\$600 million and we have around R\$2.1 billion or a little bit more to still launch during 2008.

For 2009, we are closely coming to this level of launches that we want to have. So the question of having in between 12 months or 15 months the ability to have the max portion for the next quarters is very important.

The policy continues to be same, 2.5 years to 3 years of land bank. Another important thing was that we were able to increase that a lot because we did the follow one last October, so this is the proceeds being used over time. And we continue to have a very fragmented land bank. We believe that a fragmented land bank with a strong management team and capilarity in the business model, we can have a better company when compared to the other companies in the market.

On page 12, it is just show our diversification regarding the Brazilian economy, the Brazilian map. In geographical terms we are right now in 12 different states, covering 25 different cities. What is important to highlight is that if we still have 80% of our operation coming from the Southeast region.

Regarding the planning in the long term, we have three major places that we want to be. For sure, southeast where we have the majority of the Brazilian GDP for the segments that we want to sell, then, we want to think that (inaudible) of the Brazilian growth in the sector comes in this year. So, CHL is going strong to the north region of Rio de Janeiro and our operation in Espirito Santo continues to grow and we are expanding that more and more.

And the third and important area for the Company, we believe that it will be the Brazilian agrobusiness boom. We are trying to create like a belt coming from Sao Paulo north region passing through Minas Gerais and up to the mideast of the Brazilian region. So these are the three major points for the long term development of our business plans and for sure, the execution of the PDG growth.

On the next page 13, we have some important points. We have been able to continue to grow the Company and that will be the trend for the next years for sure. But right now we have a very healthy position in the portfolio, like the (inaudible) are growing a little better than expected according to our original business plan.

We have been able to continuous having very strong margins, better than we planned in our business for this year. Mainly because of the movement in the mid-low where last year we started with margins around 18% to 30% on EBITDA margin and right now we see something around 27% of the EBITDA margin.



Why is that happening? We have three reasons for that. The first one is that we have been able to increase prices in this segment. The second one is we have been having the movement in Goldfarb been able to start launching much more outside of the São Paulo municipality, which the site proportions under VGV is around 8%, even from the São Paulo municipality that is around 12%. So we have more gross margins on that.

And as we have been able to increase a lot the level of new development, the operations are starting to be built, so we are starting to take advantage of the critical mass. So these three things together are giving us better margins than expected and we believe that we will be able to keep that over time.

So regarding net revenues we ended around with R\$220 million, gross profit R\$86.9 million, and EBITDA R\$63.8 million with a growth of more than 200% and we believe that is still with a very strong margin. We were planning to have during 2008 something around 25% of the EBITDA margin, right now we believe that we will be able to have an even higher than that. It could be the beginning of the year that has been stronger than expected. And the same movement we have for the adjusted net income in our operations. The 1Q we did R\$51.3 million compared to R\$19.1 million in the 1Q07.

**José Antonio Grabowsky:**

Coming back to the final comments, before we go to Q&A. Our view today of the market, we keep very optimistic, very positive, we see that Brazil will really go through a very strong growth pattern in the next three to five years. In our view, basically to catch up with a normal level of activity in the real estate according to Brazilian demographic and economic situation, it will be basically a recovery from close to 20 years of very low activity that we had in the '80s and the '90s. So we see that the next three years will keep seeing a very, very strong growth rate and we are preparing ourselves for that. And after that for sure, we will keep growing on a more normal basis.

The other important thing that happened recently, that of course all of you are aware, is the Investment Grade of Brazil. We do not see any, let us say, very important short-term changes. But we see a very important confirmation of the long-term perspective for the Country, for our economy and for sure, all of it reflects in the real estate because everything in real estate for sure, relates and depends of long-term stability, availability of long term financing.

So we see bigger volumes of mortgage financing in better condition going forward for the Country. We see a much bigger chances of a very strong and active mortgage-backed security market to start to appear in Brazil going forward. And that is for sure, vital for the growth of the real estate activity.

And another minor point that already started to happen, it is happening since our follow on but increased more recently, is the liquidity of our shares. Our average daily trading volume is much bigger now and in average is around and above US\$10 million per day which is something important.

We are in a very comfortable cash position to execute our 2008, 2009 business plan. So we are very comfortable with that. And even though we have been increasing our activity levels and we have a very strong guidance going forward, we are totally covered and comfortable for keep growing organically our business.

Last but not least, just to reconfirm to you that we are paying attention in the opportunity in other market segments rather than residential developments. We keep very focused on developing new opportunities in the income producing property segments, that again, we see this segment benefit from the investment grade and the long-term perspective of the Country.

So we keep attention in our two strategies: in the retail side, with REP, and in the office building side, directly with PDG, and some co-developments, etc. So, in general, I think, the results of the 1Q were very positive and give us a great comfort that our 2008 guidance will totally achieve or surpass if possible.

Now, I will handle to you to go for the Q&A session. Thanks.

**Jason Mollin, Goldman Sachs:**

Hello, everyone. My question is related to the pricing environment for Goldfarb specifically. Can you give us some details on the evolution of average pricing by region in the 1Q08, maybe comparing it with the same quarter of last year?

**José Antonio Grabowsky:**

In general, Goldfarb prices have gone up along last year and kept going up in the 1Q08. I would say to compare the same product in the same location, we would be talking about 15% increase in the unit prices.

In terms of average unit price, Goldfarb nowadays is probably talking about a R\$130,000 per unit price in average. Although we are more and more paying attention to create new lines of products catering to the lower end of the unit prices around R\$80,000 per unit, but in average our average prices today would be R\$130,000 and I think 50% growth in unit prices would probably be the average number for the Company.

**Jason Mollin:**

Thank you very much.

**Cecilia Del Castillo, CITI:**

Hello, good morning and congratulation for the results. A couple of questions; one is regarding your guidance. Do you consider your guidance to be conservative, realistic or optimistic and what can we expect going forward related to the very strong 1Q? That would be the first question.

And then a couple of more, if possible. One is related to cost. I do not know if you can comment on what trends are you seeing on materials and all this inflation that you are seeing and what effect do you expect that to happen in costs?

And also my third question will be if you can comment a little bit on the SG&A, we saw an increase, especially in the general administrative expenses quarter-on-quarter. So we wanted to see if you can give a little bit of color on that.

**José Antonio Grabowsky:**

Hi, Cecilia. I will answer the first question about guidance and I will let Michel talk in more detail the other ones. Regarding guidance, our official guidance today is still R\$2.4 billion to R\$2.6 billion of launches for the year. I would say we see that today a conservative, for sure, we would be at least looking for the R\$2.6 billion as our guidance today.

As we did last year, we will wait a little bit more for the 2Q activity to show and decide whether we will be revising our guidance or not. But as we see some room for doing that and we probably will be talking about that in our 2Q call.

Our plan is to finish the 2Q with somewhere around 40% to 45% of the full year launches, if that is correct and it is probably going to be we will probably be able to revise upward on our launching guidance for the year.

But more important, we keep track of our sales and we will only be revising and launching more if the sales speed continues very strong going forward. So we see the need to supply more for the areas that we are catering. We have the land bank available for that. We do not have a problem of approvals, etc. if we need to increase our launching activity this year for example to R\$3 billion, it is not a problem. But we will only be doing that if we see the sales speed on the good track.

Talking a little bit, using your question to talk a little bit about sales speed, we have now a very comfortable situation, we are probably the first in the segment in terms of sales speed. But, of course, we do not see that staying in these very high levels forever. More and more there is more things in the market, we are entering new cities, new areas, with a different dynamic and in some of those smaller cities for sure, our brand name is not so well known as they are in São Paulo and in Rio.

So we see that that number of sales speed might reduce a little bit going forward, but for sure, we see them still exceeding our pro forma feasibility study numbers which keeps being 40% to 50% of the units sold in the initial six months after launched. That is going to be our most important measure whether we launch more than the guidance or not. If the market is responding well to the products we put out on the streets.

Now, I will leave to Michel to talk about the cost and the G&A.

**Michel Wurman:**

Regarding the cost, what we see on inflation is that, for sure, we are not talking about hyper inflation, we are talking if the inflation is going to be 1% or 2% higher than what we expect or 1% or 2% lower than what we expect. So having that, our internal policy to advance as much as we can the planning of the constructions that we have.

Nowadays when we are launching the mid-low, we have roughly 100% pre-contracted of what we can in the beginning phase. In the past, I mean, in the recent past, six months ago, one year ago, we were expecting to do that along the construction cycle. So we have been trying to book in contract nowadays to take advantage of the timing and the volume that we have. So in one side volume, it gives us some better conditions of acquisitions, in regards to some inflation increase. So it is a question of planning. We should pay attention a lot on that and we are paying attention. But we are not worried about inflation right now.



Regarding G&A, this quarter, we expect to have during 2008 between R\$75 million to R\$80 million of G&A. If the level of launches that we did in the 1Q08, that is something around 20% to 25% of what we expect to launch during the whole year. It is 100% according to that. The question is that in our case, our pace of operation today is much more than compared to other companies doing the same quarters. But we do not see this G&A growing more than that.

There is a second point and an important one that right now we are starting to do the greenfield of the operations for the PDG income, for offices, AAA, AA office using that we want to handle for income. In the next month we will be trying to get some co-investors with us.

And we are also having more G&A coming from the REP side, our strip mall operations. Those are the two operations that we have, they are the greenfields that so far we have been funding that and we have been funding the employees. And I believe within the next two or three quarters, we will have other people's money co-investing with us diluting our G&A. So these are the two main reasons for having that G&A that in our view is according to our business plan.

**Cecilia Del Castillo:**

That is very clear. Thank you.

**Operator:**

This concludes the Q&A session. At this time, I would like to turn the floor back to Mr. Grabowsky for any closing remarks.

**José Antonio Grabowsky:**

OK, thank you very much everybody for your attention. I think going forward, more and more, through those quarterly reports we will be able to show you our ideas, that way we do our understanding of the market. We believe a lot that what will make the difference of PDG is the consistency of the results along the quarters, along the years.

We are here, for sure, for the long term, so we believe a lot that quarter-after-quarter showing to you the consistency of the results will be the best thing that you can do to conform ourselves as a very good Company, as a very good Company for you to pay attention.

Regarding that, this year, 2008, has been very active in talking with investors, participating in conferences of the major banks. So this is something important; we understand a lot the importance of getting in touch in a more consistent way with the investors, to discuss our ideas and to understand their concerns. So Michel and João have been doing that very successfully this year. And I participated in some of the conferences as well. And I think this, more and more will become something part of our routine.

Differently from last year, where we were kind of one of the new companies, difficult to understand, we are now very clear to everybody, all the houses, all the banks, among one of the five big companies of the sector and we plan to finish the year, if possible, within the three biggest, in any given criteria. And we are working hard for that.

Because of that, for sure, this year we have been invited to basically all conferences that have been held so far. And we have been making sure that we participate, that we go there and talk to investors, do all the one-on-ones possible. We understand that that is very important for the Company to be better understood by the investors in a very growing sector in Brazil. So for sure, there is news every time we go and talk to the investors.

So thanks a lot, please feel free to keep in touch with us to ask any questions, any doubts, make any comments. We give a lot of importance to your comments, to your questions. So let us keep in touch, thanks again. I am looking forward to talk to you in the future. Bye-bye.

**Operator:**

Thank you, this thus concludes today's presentation. You may disconnect your lines at this time and have a nice day.

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