Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everybody to PDG's 2Q13 results conference call. Today we have with us Mr. Carlos Piani, CEO; Mr. Marco Kheirallah, CFO; Mr. Guido Lemos, IR Officer; and Mr. Renato Barboza, IR Manager.

We would like to inform you that this event is recorded and all participants will be in listen-only mode during the company's presentation. After PDG's remarks, there will be a questions-and-answers session for analysts. At that time, further instructions will be given. Should any participant need assistance during the call, please press *0 to reach the operator.

We would like to inform that questions can be asked by telephone, so if you're connected to the webcast, you should e-mail your questions directly to the IR team, to ri@pdg.com.br. Today's live webcast, including both audio and slideshow, may be accessed through PDG's website at www.pdg.com.br/ir. And the presentation is available for downloading at the website.

Before proceeding, let me mention that forward-looking statements will be made under the safe harbor of the Securities Litigations Reform Act of 1996. The forward-looking statements are based on the beliefs and assumptions of PDG 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 and could cause results to differ materially from those expressed on such forward-looking statements.

Now, I will turn the conference over to Mr. Carlos Piani, who will begin the presentation. Mr. Carlos Piani, you may begin your conference.

Carlos Piani:

Thank you. Good morning, everyone. Thank you for being with us on our 2Q13 conference call. Given the number of non-recurring events in the quarter, our agenda will be divided differently this time.

In the first part, I will give a quick brief on the management of the Company over the last three quarters and the impact of the restructuring process in our results. Then, Marco Kheirallah, our CFO, will comment on the results of the quarter and, finally, we will open for Q&A.

Before we start, I would like to highlight that, as of the 1Q13, our financial statements were following the rules related to IFRS issued in 2011 and applicable starting 2013. However, we are still presenting our operating unaudited information according to the proportional consolidation criteria, excluding the stakes from our subsidiary in Argentina, PGLT.

Starting with comments on the management over the last three quarters, after three quarters working at PDG, I would like to briefly describe our initiatives in the period and where we are in the restructuring process. We are currently reviving PDG's five pillars: strategy, structure, people, rewards and processes. We have started by redefining our strategy, mission statements, vision, values and where we want to be in the future. Today we have a clear goal of where we want to be and how we will get there. We have chosen priority segments in regions and also defined the size and possibilities of the operation we want to run in the medium term.

Based on these new directions, we have defined a new structure, fully integrated with regional and strong teams, abandoning the structures of previously acquired companies. We were able to fulfill all key positions in this new structure. We have practically changed all the companies' leaderships. We currently have an experienced team, with proven execution capabilities that are compatible with the size of our challenge.

Concerning rewards, we have concluded and implemented a single compensation scheme in terms of fixed and variable compensations, linked to the Company's goals. In addition, we have developed an intensive plan to the construction workers, aiming at incentivizing cost reduction in the works, respecting at the same time quality and safety criteria. A percentage of this cost reduction will be directly allocated to the involved employees.

We believe that with clear goals and rewards in place, we will be better aligned with our employees and we will also be more efficient in our execution. The new compensation policy will be included in a long-term incentive proposal, based on stock-option program that will be put on vote for our board of directors before the 3Q of this year.

With the new team in place, we have started to face the Company's key processes, aiming at increasing efficiency and possibility, and decreasing financial and execution risk. Today, I will focus in three of them, the more operational ones, which have impacted our quarterly results.

The first process we started to work on was construction execution, which is where most of the Company's proceeds are used. We divided it in two groups: developments with ongoing construction and developments whose works have not been yet initiated.

In the first group, we revised all 280 ongoing works at the end of 2012 and made adjustments in 84% of them. In the 4Q12, we carried out a budget adjustment in part of them, which increased the outstanding costs of work to R$6.6 billion at the end of 2012. During the 1S, we were able to include almost 50 construction sites with our cost overwrites.

We also started to analyze our launches whose construction works have not started yet. We defined a new investment policy with new operational and financial guidelines, as well as profitability and risk criteria for new projects. We used this same policy to evaluate launched and not yet initiated projects, and decided to cancel R$475 million in the 4Q12.

Given the exit of some officers, we only resumed the revision of the balance of launched projects in the 2Q13, after the arrival of Antonio Guedes, our new COO. In this quarter, as Kheirallah will explain further, we decided to negotiate the sale or recall more than 24 projects. This operation will have a low impact on cash generation in the short-term, and will be a greater benefit in the medium-term, due to the reduction on the outstanding cost of works and reducing the inventory of the liquid units. Additionally, there are still 19 projects under analysis, and we should reach conclusion about that during the 3Q13.

With the conclusion of this analysis, we will finish the revision of projects under construction and projects to be initiated. We do not foresee any atypical adjustments in our budget or further abandoning of projects. Our focus will be on the execution of the remaining projects, and it is important to highlight that our construction works went down by R$1.5 billion in the last six months, going down from R$6.6 billion at the end of 2012 to R$5.1 billion at the end of the 2Q13. And with this focus on execution, we expect that this trend keeps strong until the end of 2014.

The second process that we revised was the mortgage transfer and registration, because of its importance in cash generation. We are redesigning inventory processes, and have already seen improvements in productivity and execution. From its inception, we decided to concentrate on the biggest issue in the process, which is the credit profile of our clients.

As a consequence of these measures, we reached higher volume of cancellations, with most of them occurring at the end of the quarter, so we did not have time to resell units. We have been efficient with the resale of these dissolutions, with have been around 70%, with a good proportion being located at well-sold projects, which lead us to believe that we will be successful with both the resale and the improvement of credit profile.

The improvement process of the credit profile is still in progress, and we expect the results of our actions to have some impact also in the coming quarters.

The third process we directed our efforts to was sales. In this quarter, we changed key items of our commercial policy, such as credit approval criteria, the distribution standards of brokers' remuneration policy, and conditions of our price list, including the price increase of some developments.

As a result, gross sales did not keep up with the same growth as last quarter, but we believe that in the 3Q13, with the new and already consolidated commercial policy in place, we will be able to resume growth in gross sales.

Finally, I would like to highlight that all these initiatives were carried out always prioritizing value generation and reduction in execution risk for the company, regardless of the counter impacts. This is our commitment. This is how we believe we will rebuild a winner PDG. This is the end of the first part of the presentation, and I will turn the call now to Kheirallah, who will describe the operating and financial information of the quarter.

Marco Kheirallah:

Good morning, everyone. Just turning to page two on the presentation, on launches. In the 2Q13 we get growth recovery of our launches. We launched seven projects, totaling R$489 million, 26% higher than the 1Q13; consolidated about 855 units were launched, representing 87% more than in the previous quarter, excluding land units from this math.

We are still concentrated in the southeast area, which has accounted for more than 80% of the launches this semester. Highlights were three launches in Rio de Janeiro: Marino in Niterói, Sloper in downtown, a retrofit, and the second phase of Nova Penha, anticipated due to the success of the first phase of sales, 100% concluded in the 1Q13.

In terms of segments, more than 2/3 of the launches were concentrated in the middle or high income segments. I would like to highlight, though, that the launches from 2013 have backlog margins of approximately 37%, much more in line with what we expect moving forward.

Turning to the next page, Piani has already spoken about the process behind the recalls. I am going to talk a bit about the impacts. The ones that we have already proceeded in the 2Q13 were a reversal of R$83 million in the income statement, a reduction of R$58 million in the backlog results, reduction of R$770 million in inventory at market value, an estimated cash disembursement of R$60 million from the recalls, and the reduction of R$641 million in construction costs to be incurred.

We still have 18 projects under analysis that can be either sold or canceled, related to the PSV launch amount of R$825 million. In a conservative scenario, if it were all to be recalled, the estimated impact would be R$36 million of estimated cash dissolution disembursement and R$420 million of reduction in construction costs to be incurred.

It is worth noting that these cancelations reinforce the operational and financial discipline guidelines as a pillar to what we believe to be a successful homebuilder. Decisions undertaken are 100% based on economic value creation of the Company, despite of the accounting negative impact.

In addition, these decisions speed up the process of reducing construction works and the respective execution and controlling risks. Finally, these are projects reviewed hard-to-sell inventory volume.

Turning to the next page, the improvement in project and reduced cycle transfer and registration continue to show very representative improvements and hitting all targets in advance. These improvements are already being felt objectively inside that line and increasing productivity of the team involved. During the redesign of the macro process of the real estate credit area, we decided to integrate it to the policy in credit approval process up on sale.

The purpose of this change is to align the credit ruler and selling to criteria in policies of the banks in the time of the transfer, thereby reducing the incidents of future cancelations. Despite this at first being a more restrictive policy that impacted 2Q13 sales, we believe that it is an important achievement that will better align clients' credit cycle with PDG and reduce future cancelations.

With that, in this quarter we have gross sales of R$853 million, out of which 74% was out of inventories. Also, this new credit policy made us to take preventive measures with customers, and not only to intense the process, in order to increase success rates at the end of the construction timing.

The policy was changed in the 2H of June, when we canceled a high volume, 85% of the total cancelations of the 2Q13 comprehended in R$373 million. And, therefore, there was no time for the resale of the units within the quarter. Accordingly, our net sales were impacted this quarter.

Now, two very important observations about the cancelations made this year. The canceled units profile on the resales' peak. Turning to the next page, there is a new disclosure we are giving. The presentation basically shows that out of the R$510 million that has been canceled, R$409 million were canceled units in projects with more than 70% of units sold.

On the other hand, only R$1 million was in concluded units with less than 20% of sales. It is an indication that the cancelations were not taking place in hard-to-sell projects. This hypothesis is also corroborated by the big sales and price gains recomposing the market. In summary, cancelations: we were exchanging a low-quality receivable for a high-quality inventory and quickly reselling within the new credit policy.

Turning to the next page, we are giving a little extra disclosure about our inventory. The key message of this line is to demystified the PDG's inventory quality in terms of delivery, regions and percentage of projects sold point-of-view. We see that more than 50% of the Company's inventory relies in projects over 60% sold. At the same time, less than 10% of the inventory is in completed projects or to be delivered in 2013 with less than 50% sold.

Note that the R$167 million completed was less than 20% sold, as represented by soldprojects, double corporate or corporate buildings, where we have a purchasing agreement already signed with Caixa Econômica Federal. At the same time, when we take a look regionally, approximately 12% only of the inventory is located in the north, northeast and midwest regions, with less than 40% of sales.

Turning to the next slide, let us talk a little bit about the risk, completion of works, registration and transfer. We continued to focus on delivering the works within time and cost rebudgeted at the end of last year. We have completed works in 8,404 units in the 2Q13, without any cost overruns.

Altogether, we have completed works in 20,640 units this year, closing 36 active construction sites, also without cost overruns. At the same time, we have registered 10,328 units in this semester, increasing by 50% the rate of the 1Q13, result of a greater volume of the works delivered and the focus of the new engineering board.

It is worth noting the significant reduction of construction sites and the risk plans for the next 12 months, with significant impact on cash flow and control complexity. When we arrived, we had more than 300 active construction sites. One year from now, PDG will have approximately 60 ongoing construction sites, taking into account the projects launched by June 30th.

We have an important task and a major focus in the Company in concluding these works within the next 12 months, an essential step in reducing the Company's risk and the deleveraging process.

Finally, as already mentioned, our transfer area continues with high efficiency with reducing that line. We transferred 3,707 units in the quarter, in line with our target for the year.

Changing to page ten, in the quarter we had an increase in the net financial data of R$498 million, out of which R$270 million came from the operations, R$160 from financial expense and R$70 million from the repurchase of a third-party credit guaranteed by the Company.

The increased construction financing debt by R$385 million in the quarter, as a result of the focus of additional construction funding and a higher efficiency in the release process. At the same time, we reduced costs to be incurred by R 945 million, increasing the net receivables in R$365 million in the quarter.

In the year, at the same time the net financial data increased by R$796 million, the net receivables increased by a similar amount of R$710 million and costs to be incurred reduced by R$1.5 billion.

Turning to page 13 and 14, adjusted gross margins in the 2Q13 were in the line with reported backlog margins, both around 27% again, again reinforcing no overrun costs. 14% quarter-on-quarter gross in the G&A, to R$108 million, reflecting the Company's efforts on adjusting the size of the operation and establishing long-term subsidiary PDG's guidelines.

We had a 25% increase in commercial expense in the quarter, related to period launches and sale stands' amortization of canceled projects. We have adjusted net loss of R$ 87 million in the 2Q13 and R$81 million in the year. Non-recurring adjustments report to mark-to-market of the debentures issued and accompanied adjustments of the recall projects.

With that I would like to turn to the Q&A.

Javier Cayure, GBN:

Good morning and thanks for the call. I have a question regarding the leverage of the Company. I just want to get a bit of a follow-on into what is the strategy here going forward for the company, because if you look at it you have a lot of projects to be delivered and to be built by 2014. So, is this the level of debt and leverage you will be comfortable with in PDG?

Marco Kheirallah:

I think that we are close to the top, not at the top of the indebtedness of the Company, and I think that is what we are trying to present with that risk graph on the press release.

Essentially, the balance sheet of the company reflects R$9 billion in launches and construction sites ongoing from that period. A year from now, we will be running with like 1/3 of that size, so the leveraging is almost a given.

Just to give you one example, on a quarterly basis, we have about R$1 billion of cash construction costs. A year from now, that is going to drop to R$300 million. And it is just a function of the new size of the Company. R$1 billion is in line with about R$ 9 billion of launches and R$300 million is in line with R$3 billion in launches, so the leveraging will almost be automatic and start a year from now.

So the strategy is just to reinforce. We are 100% focused in the leverage, and as soon as we reach that point, the focus will be to develop the balance sheet of the Company 2014-2015 for sure.

Javier Cayure:

Thank you. So we could expect the cash positive the company to 2014?

Marco Kheirallah:

Yes, absolutely.

Just to reinforce, I am always asked: how comfortable are you that 2014 is going to be a positive cash-flow year? There are basically two major lines that inverse from what we are accounting. So there is an inversion of about R$800 million on a quarterly basis just in terms of costs to be incurred.

That in itself is a major shift. And then we have the additional revenues that come from the completion of these works and the transfer of the credit to the banks. So, yes, absolutely 2014 is a positive cash-flow year.

Javier Cayure:

OK, just a follow-up to get the strategy. Are you guys expecting to cosign sales or some kind of asset in sales to refocus and regroup besides these regions?

Marco Kheirallah:

Are you talking in terms of the projects?

Javier Cayure:

Yes, in terms of the projects.

Marco Kheirallah:

Yes. Essentially what we are doing is that we are underwriting every single project before breaking ground, before construction starts. When we decided to have a non-economic approach, the first option we valued was always to try to sell the project to someone else. And in some cases, in some regions – we actually had two of these cases in this 2Q13 – there is a local player that has a better capability and efficiency to develop that project than we have.

Therefore, he is a better buyer and is in a better position to develop the project than anyone would be. So the first option is always to try to sell the project to someone else, typically a local developer, and if that is not the case, then we move forward with the recall.

Carlos Piani:

Just two add a different comment. The most important criteria for us is to watch the new expectation and profitability of this project given the new guidelines, so this condition will take the decision, go or no-go.

The second decision that we wait on is if this aligns with our strategy, but I would say this is the second Tier criteria. The first one is making a good project. We are not engaged on this, we are making the decision to recall or not these projects.

Operator:

We are showing no further questions. At this time, I would like to turn the floor back over to Mr. Carlos Piani for any closing remarks.

Carlos Piani:

We know we are just in the early business of our restructuring process, but we are excited with the prospective of building a great success for our stores. Since our arrived, we have had the privilege to finally recruit people that really make a difference, think as a team of owners committed to results and in search of our clients' satisfaction, always acting in a simple manner and working with ethics above all.

I am sure that with this group we will reach our targets and we will be once again the sales leader in the regions we operate, in a profitable manner and admired, but all stakeholders, generating value to our shareholders.

Thank you once again for attending our conference call of the 2Q13. Have a nice day.

Operator:

Thank you. This concludes today's PDG's 2Q13 results conference call. You may disconnect your lines at this time.