

Operator:

Good afternoon, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone PDG Realty 4Q06 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, 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 section. 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'll turn the conference over to Mr. José Antonio Grabowsky, CEO. Mr. Grabowsky, you may begin your conference.

José Antonio Grabowsky:

Thank you. Good morning everybody. Thanks a lot for joining us in our first results conference of PDG Realty after the IPO. It is a pleasure for us to be here. I am here with Michel Wurman, our CFO and IRO, and also with João Mallet, our IR Manager, that works with Michel.

The results we will be talking about today of the 4Q were, in our opinion, very positive. The numbers were very good in our understanding, already showing the effect of our strategy of the invested Companies, so the results of the 4Q were already much more coming from the Companies than from the previous numbers of the Company prior to September 30, which, in our opinion, clearly shows that our strategy of invested Companies is very successful and will continue to be so in the future.

First of all, I would like to mention that we understand that for some of you it might be a little bit complicated to understand PDG Realty numbers, because of the business model of the Company that is totally different from the traditional construction and development Companies in Brazil. In that sense, we tried as much as possible to give you as much detailed information as possible for all the launches, all the numbers of the Company, choose an [MDNA\(3:17\)](#) that is

available on the Internet of the Company since yesterday night. And, for sure, we will be able to answer any of your questions during this conference call as well, to try to cover all the doubts you may have.

To start with, talking about the recent events of the Company following the IPO. We concluded the IPO on January 26th, raising approximately R\$440 million, which made the Company's total **network** (3:59) after that go closer to R\$700 million.

Another important fact that happened since then was the acquisition of 40% of CHL, according to the auction that we had, and we exercise it, and also invested more money in capital increases in the Company, to keep acquiring land bank for CHL, that will be producing very good results for us in the future.

Another important fact that happened so far, Goldfarb entered the CVM to do the filing for being a public Company. Goldfarb, as you know, is one of the largest homebuilders in Brazil. The Company is in a very strong growth pattern since 2006, and we will continue with that going forward in the coming years.

Regarding land bank, since the IPO, or since the numbers that were available in the IPO, the September numbers, we were able to increase our stake in R\$800 million, going up to R\$2 billion, a little bit over R\$2 billion, in potential sales volume in our land bank, spread out to 125 different projects which we will be talking about in more detail soon. And that is, for sure, part of our strategy to keep our emphasis in paying a lot of attention to diversification in the Company through segments, through number of projects, through different partners; so diversification is always something that we pay a lot of attention, and we believe a lot in that.

Regarding the shareholders' structure after the conclusion of the IPO, including the green shoe, we now have 58% of the Company with FIP PDG and 42% of the Company in the free float of the market.

Regarding the highlights for the full year 2006, the net revenues amounted almost R\$200 million, a really big jump compared to 2005, a 140% increase. The EBITDA for the year reached R\$51.3 million – again, more than doubling the number of 2005 – and net income, the same pattern, reaching R\$42.8 million. All those three number were better than the numbers we were expecting when we did our road show, as you may remember.

The total launched volume for the year was R\$761 million, with the PDG stake accounting for R\$300 million, approximately. Of the launched volume, 70% is related to middle and mid-low income segments, which has been our strategy in the past, and will continue to be in the future, in the residential development segment.

We are paying more and more attention to give strong emphasis to what we consider to be the best segment, not only for the **(7:45)** demand and the recurring demand for every year, but also because it is where we see the

biggest effect being produced by the availability of long-term financing in better conditions, which is happening strongly in Brazil now.

Another important point to mention is that we ended up participating in 28 projects in São Paulo, Rio and Bahia, and that big number of projects is again another important fact, in terms of diversification. And the number of projects for the last quarter only, which was 16, as you can see in the next page, is a big sign that our strategy of having different Companies working together, at the same time, creates a very strong capability for the Company to be able to manage consistently our growth strategy.

Going for the 4Q numbers only, net revenues totaled R\$102.4 million, a big jump from the previous year. The EBITDA for the quarter was R\$22.9 million, and the net earnings for the quarter, R\$22.9 million as well. The launched volume for the quarter was R\$365 million, with PDG's stake around R\$160 million.

So, we see the numbers for the 4Q being in line with the numbers for 2007, and we see our growth for 2007 to continue. We will be talking more about that and about the guidance for the year during this conference call.

It is important to highlight that from the launches of the last quarter of 2006, 85% were related to middle and middle-low income segment units, showing our big presence in those segments.

Now, I pass the floor to Michel Wurman, who will continue with the operating numbers. I will be around for any additional comments and for the questions and answers, at the end.

Michel Wurman:

Good morning, everybody. In the next page, we can see the number of launches and the VGV launches over the last years, and a comparison between the 4Q05 and the 4Q06. It is important to highlight from (10:32), as Zeca said before, we increased the total number of launches in 2006, having a total number of 28, compared to a total number of nine projects in 2005. And quarter over quarter, we were able to grow by four times that. In the last 4Q05, we launched four projects, and in the 4Q06 we were able to launch 16 different projects.

On top of that, we were able to launch more than 70% in what we call mid and mid-low income segments, and in the last quarter, more than 80% in the mid-low income. This is just to show that our strategy of having a focus in the mid-low segment is starting to pick up.

On top of that, it is important that we were only able to do that, and our growth will only continue to be able to happen as it happened in the last quarter, because of our strategy of having private equity investments in our (11:44). With that, we are able to launch several projects at the same time, and we are also

able to diversify our (11:53) and, on top of that, we are able to, instead of competing to buy big-size in São Paulo and in Rio, mainly in São Paulo, where you have a big competition for big-size, we are able to buy mid-size sites, so we could launch new projects at that level.

In the next page, just to show a breakdown of our launches – again, coming back to the 70% of the mid-low income segment launches in 2006. And then, of course, as we grew a lot last year, we launched more usable area, but with a larger amount of units. Our average unit is getting lower over time.

In the next page, we have a breakdown of the 28 different launches that we had in 2006, and it is important to highlight that we had five projects in the mid, 14 projects in the mid-low and one project in the land (13:09) strategy, that actually was a mid-low project. So, out of the 28 projects, these 20 different projects are in the mid to mid-low income segments, and spread around in São Paulo, Rio and Bahia.

In the next page, it is important to show the total number of units. Actually, by 2006 we launched something around 4,000 units. Our guidance for 2007 will be around 14,000 units and, 2006 compared to 2005, we almost doubled the number of units and by this year we will be able to have 14,000 units, while the private equity platform starting to pick up.

Having that, we are able to launch several projects at the same time, and having the strategy with a focus on the mid to mid-low income, we have to launch more units, because each unit will have a lower price, because we have fewer square meters to sell.

On the next page is our sales performance. One important point is that in the launches of the 4Q06 – and these numbers are only up to December 31, – we were able to sell 48% of the new launches in around the same quarter. Actually, let us consider that in the quarter we had October, November and December; on average, we launched the majority of the projects during November and beginning of December. So, in a 45-day period, we have been able to sell, roughly, 50% of the units launched.

Another important point in that segment is that, on average, we try to have an internal metric with the percentage of units that we were able to sell over up to six months after launching a project. This internal statistics for our portfolio is currently 65%. We believe that this is probably 10% to 15% higher than the average metric of the industry.

On the next page, in the breakdown of our land bank, an important thing to mention is that since the IPO, and actually we started to have this negotiation in November and December and we have been able to close that by January and February, we have been able to add R\$800 million of net VGV for PDG's sites.

And the majority of the projects that we added to our land bank were mid-size projects that we did not have a lot of competition and actually were easier to

buy than expected. That is the main reason why we are changing our guidance in the last page, and I will cover that, but the ability to buy new sites with the strategy of avoiding large sights and going to mid-size sites, this is giving a very important (16:51) to buy new sites and actually compete in a better position with the other Companies in the market.

Another important thing regarding our land bank is that our strategy is to have from two to three years of net land bank of new potential sales volume for PDG, or on the PDG level, I mean. So, (17:15) we have something around 2.5 years of new launches, and we are having some negotiations. So, we believe that, on average, we will be holding(17:27) between 2.5 to 3 times the potential sales volume of PDG. This is enough for us to cover the next years, and to not spend money buying new sites, as you have a visibility over for many years from now. This is something that we will try to avoid, and we are avoiding right now, in our portfolio.

Internally, we treat our land bank as a project land bank. For each project, we have a name, we have the units, we know when we sell, when we will launch. It is not something that we will buy and will be doing the project over the next ten years.

On the next page, we have the financial highlights, so, of course, as we have been growing a lot, the bottom lines have been very good – actually, also better than expected. So, in the net revenues, we closed last year with R\$198 million in net revenues, having something around 300% of CAGR in 2004.

In the EBITDA, we have R\$51.3 million, and in the net income, we had R\$52.8 million. In the EBITDA, it is important to mention that besides increasing a lot, we are still having very high margins, mainly considering that we have (18:57 big concentration) in the mid to mid-low income segment. Our EBITDA margin of 2006 was 26%, as we can see in the next page, and we believe that in the future this number, because of the concentration in the mid to mid-low income, will decrease probably from 2 to 4 points.

On page 15, which is the next page, we have our internal guidance for 2007. Actually, we have changed that since the IPO because, as I said before, we were able to buy more sites than we expected, and the private equity platform is working better than expected. Also, the Companies are already established to launch more than we expected.

This is the reason why we spent a lot of time in each of these Companies, having them (19:58) the best back office structure to let them grow. So, for 2007, our internal guidance during the IPO was something around R\$750 million of new launches. And actually, right now, our guidance will be from R\$800 million to R\$1 billion.

Our mid points(20:15) will be R\$900 million in new launches. Having that, our net revenues will vary from R\$360 million to R\$380 million, our EBITDA will go from R\$80 million to R\$90 million – during the IPO, this number was from R\$70

million to R\$80 million – and our net income will be from R\$100 million to R\$110 million.

Since the IPO, we have been able to invest 25% of the capital raised in the IPO, and we believe that we still have the guidance to invest 60% to 70% of that capital raised up to end of the year.

José Antonio Grabowsky:

Generally speaking, some more comments about our strategy and about what we see during the near future, we are paying a lot of attention in helping our invested Companies to grow; in some cases, we had very good opportunities for us of doing co-investments with them on a project-by-project basis, which is something, in our opinion, very good to us and that was also one of the reasons that made us confident to increase our guidance for 2007.

Another important point that we are paying attention to is probably to invest in one or two new cities throughout the year, potentially, one more city in the northeast and another city in the middle of the country.

We are looking for opportunities in those two places and we are looking for, let us say, the adequate partners in each of them, and according to our strategy and we will start, probably, with a co-development project to experience the market.

And another important piece of our strategy is, as we have been doing so far, to keep working as an investment Company in the real estate segment, paying attention to all the available opportunities in the different segments of the market, including for example the service segment that we see we might be doing some views in the future, because it is a sector that will for sure benefit a lot from the general growth of the real estate activity in Brazil.

Another segment where we are already present and that we see a lot of growth in the future is the income producing properties segment, because we understand that as long as we have more efficiency and more available leverage in the country, that segment will speed up its growth. And in general, let us say, we see a lot of growth going on in the residential segment, sealed by the availability of adequate long term financing, with better condition in terms of interest rate and in terms of long term (23:47) payments from the bias perspective.

I think, in general, that was what we had to comment with you and I would like to pass for the Q&A, I think we can cover more subjects that you might be interested in talking about. Thank you.

Omer Salmat, Old Lane:

My question is: what is the level of your backlog right now and the backlog margins? And secondly, of your (24:40 R\$100 to R\$110) of net income guidance for 2007, how much of that is coming from financial income?

José Antonio Grabowsky:

First question, the total backlog is R\$440 million, and the margins are about 38%. And regarding the financial income on the guidance, I think it is around 20%.

Michel Wurman:

The difference between the increase from the EBITDA to the net income will be the financial result from our investments.

Omer Salmat:

OK, thank you.

Tom Hedges, Gartmore:

Hi, good morning everyone. My question is related to how quickly and to the uses of the funds that you raised in the IPO. So, you mentioned... I think you said 60% to 70% will be spent this year. Would you expect that to be more short term, front-end (26:13 loaded) rather than towards the back-end of the year. Just a little perspective on that.

And also, you are using those funds between, I guess, acquiring into new projects, maybe into new businesses, as opposed to financing the working capital requirements of existing businesses?

Michel Wurman:

Since the IPO, up to now, we have invested 25% of the IPO proceeds. We have to invest probably more 20% to 25% to fund the co-development that we have today. So, we have a 20% to 25% room for new acquisitions and... By new acquisitions, I mean getting into new geographies, doing more equity increases in the companies that we have today, and buying new companies, and maybe in new segments, out of the residential development market. In that strategy, we will be spending from 20% to 30%. So that is how we come to the 70% range.

Tom Hedges:

OK; and just a follow-up on that: would you expect the (27:31) transactions to enter new projects, would that be more in the short term, or this is sort of towards any point of the rest of the year?

Michel Wurman:

That will be spreading into three types, into three scenes. The 25% that we have spent up to now, the other 25% that will go to the developments that we have today, which will be spread throughout the year, and the acquisitions probably we will be (27:59) one in the near term, and then another one in the 2H of the year.

Tom Hedges:

Great. OK, 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. Thanks everybody for the attention. We understand that the Company is doing quite well, according to its strategy, and has grown faster than we had anticipated. We are very comfortable that we will be able to keep executing our business plan, and keep being able to keep our growth in a sustainable way, through the different companies and through the different co-developments.

We understand that there is a lot of questioning from the investors suspecting about the level of competition in the market. We see that, basically related to some specific niches of the market, and mainly middle-high high income in São Paulo city, for example, this is true, but we do not see this as a big problem for PDG, because of our total diversification in terms of number of projects, in terms of concentration of projects in the middle and middle-low income, especially in the São Paulo capital.

Another important point that we hear some comments about is the fact that mainly the land prices, in general, are going up, and that is true. Of course, more related to the middle-high and high income locations, but we see that, on the other hand, the demand and the final unit price will be able to pick up with that increase on the land prices in the mid term easily, basically through the help that the availability of long term financing creates, where the buyer pays more attention on the monthly payment that he is able to pay than in the total price of the unit.

And another important fact that is already happening in most of the cities – São Paulo, Rio and other cities – is that (31:19) kind of creating new demands for some of the areas, through the development of all the features common only in the high-end areas, with spreading it out through the cities, in different locations. So there used to be industrial areas of the city, and now the new (31:44) projects, modern projects, with security with all the leisure infrastructure on it,

we are able to increase the (31:53 asking) price for the units, and keep up with demand price increases very easily.

Another important point to mention, regarding our Company and the view that we have of the market, we see a lot of consolidation happening in the near future, because, of course, all the growth will come to the market, but we do not see the market operating in the same way it did in the past. In reality, we see a lot of changes in the market, because of the availability of funding, of leverage, of adequate financing to the real estate projects in the various segments.

So, we are paying a lot of attention to that, and we understand that with our financial background and expertise we will be able to be one of the leading companies in this consolidation process that we see coming in the future to the Brazilian market.

So, I would like to thank everybody for being present in this conference call. And please feel free to call me, to call Michel, to call João, to get in touch with us to discuss any questions, any ideas, any doubts you might have about the market, the Company... We understand that sometimes it is not very easy for you to follow all the different companies and understand the differences between them. For sure, we want to be one of the leading companies in terms of communication with the investors. We understand the value of that for us, and we want to keep that channel open, to provide you as much feedback and as much information as possible, about our activities going forward. Thanks a lot, and I hope to talk to you soon in the future.

Operator:

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