Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time, we would like to welcome everyone to PDG's 2Q11 earnings conference call. We would like to inform you that this call and the slides are being broadcasted at the Internet at the Company's website, www.pdg.com.br, and that a presentation is available for 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's 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 in such forward-looking statements.

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

José Antonio Grabowsky:

Thanks. Good morning, everybody. Thanks for your attention. I am here with Michel, the IR, and the finance team of PDG to discuss with you the results of the 2Q and the semester finished in June 2011.

As shown by the operating numbers already released, we had an excellent 2Q with launches in excess of R$2 billion and speed of sales of 29%, the same index of the 1Q and above our expectations.

We achieved in the semester 40% of our full year guidance for launches, totally in line with our usual pattern for the years. This reflects the very healthy market for residential real estate in Brazil, with a very strong demand in all segments, but mainly in the mid-income bracket, with units price ranging between R$250 thousand to R$500 thousand.

With that in mind, it is important to highlight some points in our strategy for the year so far. Product mix change; according to the demand and looking for better margins, we decided to change the product mix to focus more in mid-income project and less in Minha Casa, Minha Vida low-income projects.

With that decision, we are not only launching and selling very well projects with better margins, but also achieving the strong growth in VGV volumes, with a very small growth in the number of units launched. We will show that in more detail during the presentation, and this will be very important to diminish our execution challenges in the coming years.

The market environment continues very solid and consistent in the 3Q, as we see so far, and we believe that even without the worst macroeconomic scenario for the world economy, we will be able to deliver our full guidance for the year. We expect the speed of sales to reduce a little in the next two quarters, to somewhere between 25% and 29%, still very health levels. Of course, we will continue to track the sales week by week to make sure that the market is keeping a good absorption to our launches.

Regarding execution, for sure finalizing construction and delivering units continues to be the greatest challenge for 2011. We are strongly investing in that front to be able to deliver more than 35 thousand units this year.

About that, some points to highlight. We already concluded up to July the completion of 44% of that number of units, and we are on track to complete the 35-thousand number until December. It is not easy for sure, but we are very focused on that.

To finish those constructions we have been investing a lot, what is reflected in the increase of our SFH debt in the balance sheet, which is the best available construction financing in Brazil.

On the other hand, completion is a necessary and important step in the process, but transferring the clients to the banks, what we call 'repasse', is not an automatic process. It usually takes three to six months after completion and that is exactly why our accounts receivable from clients increased a lot in our balance sheet on the other hand.

We are today exactly in that period, between the completion of construction and transfer of the buyers for the banks for many projects, what explains the cash burn of the 2Q. This was the only negative point in the very good results we are releasing today.

We are very conscious of that and working hard to improve the situation in the next two quarters of 2011, in order to achieve cash flow positive in the beginning of 2012. That continues to be our main focus for the entire Company, this I can assure you.

I will now pass on to Michel to continue with the presentation, and be back for Q&A later.

Michel Wurman:

Hi, everybody. Going straight to page three, just on the operational highlights, I will mention very few points that Julia and Pedro will discuss during the presentation. But the important trend here is that really on the launch and sales over supply, we have been having very healthy trends on the quarter-over-quarter and also year-over-year trends.

Also another important thing, as Zeca mentioned before, a very good level of delivery, and that is the main challenge of the year. As you understand, the main thing for us to get cash flow positive is exactly the pace of building the constructions, mainly coming from the bad delays from Agre. So once you build, you are having between three to six months to get the cash back from the clients and from the banks, and that will become cash flow positive.

So for the year we already reached 44% of the delivering guidance, and we are working hard to get it. That is an important point, as Zeca mentioned before, in the short-term we will get SFH exposure, a lot of construction financing exposure exactly to deliver that. And then the next term is exactly the cash flow positive out of that.

The next page is a little bit more of that on the financial highlights. You see that all of the numbers are still coming very healthy. We are digesting. The most important thing is that margins continued on a very strong pace, and for sure we have expectation that this margins will have a big room to improve in the near future. Why? When we have this capacity coming to our cash flow, for sure the only thing that is really missing is a higher net income margin that we expect to get that.

Coming to the next page, on the recent highlights; first one was the acquisition of the control of REP, the strip mall and mid shopping center development operator that we had before a 25% stake, now we have more than 50%. The idea behind this project is exactly the strategy that we want to maximize our portfolio in land bank. So in some of our projects it makes a lot of sense to have, and sometimes we have to invite individually several developers of strip malls and homebuilders. The idea is that we are putting that knowledge in-house exactly to gain this upside. And on top of that, the strategic investments that we have, we are really trying to concentrate majority stakes in the long term.

The next point, regarding dividends, although they were paid on July 1st, the cash effects happened on June 30th. We have to pay one day before to the bank, for the bank to do the payment. So, we have to discount that from the cash burn. And on top of that, for sure this number will increase a lot, but we are already on the pace of a 2% something dividend yield. And for sure, in the near future, this number will improve a lot.

The third, and I believe that the most important point of the recent highlights is really a question that we have been having a lot on our day-by-day, and for sure it makes sense, regarding Rogério Chor, the original founder from CHL; Milton Goldfarb and Paulo Petrin from Goldfarb. In the case of Rogério Chor, we already renewed his contract up to 2015 and a non-compete from 2015 to 2020. We are getting to the same kind of agreements with Milton and Paulo Petrin from Goldfarb. We expect to have this signed within the next weeks. And for sure, for the next releases we will have that; the two original operational companies from PDG, their management aligned up to 2015.

On top of that, in the case of Agre, the management team has still more four years of operating on the day-by-day, working on the day-by-day, and for sure will not compete.

So, besides the holding level, the Senior Management team on the operational platform is locked now from three to four years at least. And for sure, we have this challenge in the past, and we continue to have to create the second and third generations of management within the Company. But I believe that we are in a very comfortable pace to create that and the Senior Management team from PDG continues very strongly at least for the next three years.

The other important teams still talking about people, we hired Largman from Cyrela, he will join PDG tomorrow, August 16th. He will be the CEO of the Securitizadora business. And our idea is to run the securitization business as a stand-alone business within PDG, delivering services for the operational companies from PDG.

So, that is the best way to track and to get returns on the securitization business and also on how much the cost of each securitization for each one of the PDG units. On top of that, for sure we will be able to do that for third parties, but the idea is not to increase any kind of risk or generate any kind of risk for PDG's balance sheet. If we go to that direction, for sure we will do that with third party money and we are analyzing several ways of capitalizing this Company as an operational business.

Another point, like last week, we won the prize from Isto É Dinheiro as the largest company in the sector. For sure it is obvious by the market cap that we have, but it is another price, our prices are always in line with different criterion.

And the last thing was the progress in the alliance with Marriott. I think this point is related to the first point of REP. So, again, it is important to gain synergy from the land bank that we have and to create opportunities that within the land bank we have a retail and we have a hotel operator for PDG overall. We got the final internal approval from Marriott for their first project. We are talking about 800 units, the final term sheet for the project will be delivered within the next week.

The next page, I will pass to Julia, then I will come back on the Q&A.

Julia Martins:

Good morning, everyone. I will run through the operational data briefly, as these figures hold nothing new for you and we have already discussed the main points since the previous meeting.

During the 2Q, we launched R$2.1 billion, 17% higher than the 1Q11, reaching R$3.8 billion in launches over six months, up 34% over the 1H10. The second graph shows a steady stream of launches throughout the year, attaining 40% of the guidance during the semester.

The number of units launched yearly is an interesting figure. Compared to the previous year, we launched 17,900 residential units, excluding land parceling and commercial units during the 1H11, compared to 16,500 units in the same period last year. The 7% growth was well below the 34% increase in PSV. Therefore, we are quite comfortable with our current level of construction.

Moving to the next slide, we will now talk about sales. We sold R$1.8 billion, reaching R$3.5 billion for the 1H of the year, reflecting a 21.2% annual growth. It must be stressed that we are still posting excellent sales levels, indicated by a 29% of VSO, sales over supply, again. During the next few quarters, we will continue to see an SOS of 25% to 30%, as estimated quarterly SOS.

Analyzing the lower table, we are still selling off the inventory very well, with 59% of the sales consisting of only inventory. The launch sales also remained very healthy and the launches continue with very high SOS, sales over supply. 36% of our launches during the quarter were sold during the same period.

The next slide illustrates the segmentation of sales and launches on a quarterly basis by income brackets and geographic area. I would like to highlight some important facts: 87% of our launches and 81% of our sales consisted of unit prices below R$500 thousand, funding that we use, funding from SFH and also "My House, My Life". Second point, all the cities and towns with launches throughout the year are responding at the same usual level, including São Paulo, with 27.2% of the total launches for the year, for the 1H, and 28.5% of the total sales for the same period.

Going to slide nine, we show that PDG units are (16:01) with occupants per (16:04), and the estimated delivered schedule. According to the final figures, through the month of July we delivered 15,640 units, reaching 44% of our annual goal of 35,000 units. Once again, I stress that this figure is very important for PDG, mainly because it is essential for bringing cash back.

The next slide shows that the final land bank position reached R$29.3 billion in the quarter. Please notice that we have made no type of adjustment to market value, just revising the price during the prelaunch period, which is when we review the feasibility. An important aspect shows that the old land bank consumption is dropping each quarter. The total value was 56% last quarter falling straight to 52% already this quarter. So, we are using old land bank in the new launches from Agre that is providing us a better margin.

It is worthwhile stressing that our current policy does not include the expansion of our land bank. For example, we bought less than we launched during this quarter. Today, our land bank position is comfortable allowing us to only analyze high opportunity lands and assigning higher priorities to swap deals.

Now, I will pass the floor to Pedro Thompson, who will talk about the financial data.

Pedro Thompson:

Good morning. In this a slide we see the key financial indicators. The most relevant issue in our financial figures was the net revenue in R$1.7 billion. This increase is in line with the cost completion of our projects, mainly in Agre. Our adjusted gross margin is 36%, with significant consistency around the last quarter. The EBITDA for this semester is R$802 million, with a margin of 25%, one of the best in the industry.

In the next slide we see our SG&A costs. We can observe a relevant efficiency of our G&A and sales expenses, combined with our operational and financial figures increase. In our indebtedness, in the next slide, you can observe that 7% of our debt refers to SFH in compliance with our financial planning.

Now, let us start the Q&A session.

Dan McGoey, Citigroup:

Good morning. Thanks for the call. Just a quick question on cash flow for the 2H of the year, and sorry if you have mentioned it and I missed it. But could you give an update of what you expect in terms of operational cash flow and then how that may change with securitization in the 2H of the year? And if you could talk a little bit about the rationale behind increasing to a majority stake in the shopping center operations and exiting from the Lindencorp ownership? Thanks.

Michel Wurman:

Hi, Dan. I will answer the tough one, Zeca answers the easy one. Regarding cash flow, what is our expectation on cash flow? We have to get these 'repasses' from the units that we are starting to deliver right now. So how is the pace? These units that we mentioned, these 15,600 are ready, they are 100% completed, and they are in the three to six months period of getting the money back from the banks. And for sure, we have an additional roughly 19,000 units for the 2H of the year.

So what we expect is that part of this excess of cash flow that we had in the 1H, most of it, the vast majority and mainly the 2Q was concentrated into SFH financing, so it is clear that is coming to the project level, and we have very little and we have more than that from holding level debt to pay land bank.

Which kind of payment of land bank? In the 2H10, we continued to do land bank acquisition and we stopped by October, November last year of acquiring with a high intensity after the Agre deal. So, we still have some payments of that land bank within the 1H of this year that will not have the same intensity within the 2H. So for the 2H, we have the cash coming back from the project and less land bank.

On top of that, we continue to see securitization as a good source of financing on a project level for units on top of R$500 thousand or commercial buildings that we sell individual units like that, the small offices. So, the three things combined that generate a much less exposure of CAPEX and for sure putting us on a cash flow positive during 1H of next year. Our intention continues to be cash neutral by the last quarter of this year, by the end of this year.

José Antonio Grabowsky:

Hi, Dan. Let us go for the easy one, as Michel said. Regarding Lindencorp and REP, in reality, let us say, Lindencorp somehow used to do more or less the same that we do through Agre or through what we call PDG São Paulo, mid and mid-high income segments for residential in São Paulo.

And we understood that sometimes it could be a conflict of interest, and for sure we did not want and the other shareholders also did not want to sell the entire company for PDG, so that was not a possibility.

On the other hand, we already had 25% direct stake on REP, it is a very good business by itself, retail, focused in the strip mall operations and the mid-sized shopping malls in secondary cities of the Country. And we have the opportunity more or less through a swap of shares to get control of REP, at the same time having to go out of Lindencorp.

So we analyzed the possibility and decided it was a good deal for PDG because of the synergy that REP's projects could have with our land bank throughout the Country. And also because after having control of the company, we are able to speed up its growth according to only one decision. So our experience so far is that, when we had control of the companies or the JVs, we were really able to perform better than having minority stakes. So, that was the main reason strategically speaking to do this exchange of shares and concentrate our interest in the REP business.

Daniel McGoey:

Got it. And you touched on, I guess to follow-up, which is do you have an investment schedule or an accelerated investment schedule for REP as a result of taking majority control now?

José Antonio Grabowsky:

We already have an equity increased schedule, R$200 million in total, more or less 40% of that done in 2011 and 60% of that will be done in 2012. That is already enough for the pipeline that we have today in place for the Company. But we are in discussions of possible other capitalizations or equity increases with some private placements, some strategic partners or private equity companies that we are talking about. If that is good to speed up the growth of the Company and makes sense for us, we will probably go after that.

Just to make it clear, from the R$200 million of equity increase that is already scheduled, half of that is from PDG, half of that is from Lindencorp.

Daniel McGoey:

Right. And final question, can you remind me, is there a international or a strategic partner in REP today?

José Antonio Grabowsky:

No. REP used to have project-by-project agreement with Kimco Realty. But in reality, since the 2008/2009 crisis that relationship kind of diminished. We still are in talks with them on a project-by-project basis, but we do not have any special agreement today.

Daniel McGoey:

Great, thanks.

Operator:

At this time, I am showing no further questions. This concludes the question and answer session. At this time, I would like to turn the conference back to Mr. Grabowsky for any closing remarks.

José Antonio Grabowsky:

OK. Thanks for your attention. I hope we were able to be clear on the messages regarding our results so far and our strategy for the year. We continue to be very positive about the real estate sector in Brazil.

I think all the turmoil that we are seeing throughout the world will not affect our demand and the funding for the sector. All the conversations we had recently with the major banks, private banks and also state-owned banks like Caixa Econômica Federal and Banco do Brasil, they continue to be very positive for mortgage financing business in Brazil. The Government already signalized that it is paying a lot of attention in the sector, so Minha Casa, Minha Vida will continue to be in place and all the other major funding pieces that comes from FGTS, etc.

So we are very positive. And one of the things that could happen that will even improve for us for next year is probably inflation coming back to the center of the target faster with this crisis, and together with it maybe the interest rate reduction starts earlier than expected. So, I think the scenario for 2012 might be even better than before as a consequence of this crisis.

But for sure, we will be paying attention on a daily basis on what might impact Brazil and what might impact our sector. But so far, we are not seeing any potential problem for the sector related to demand and funding for the sector, which are the vital things for us.

So as usual, please keep in touch. We are at your disposal through the IR to talk about any issues, any questions. So let us know. Thanks again. Good-bye.

Operator:

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