Operator:

Good morning, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to PDG Realty's 3Q10 earnings conference call.

We would like to inform you that this call and the slides are being broadcast over 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 session. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to signal 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. Zeca Grabowsky, CEO. Mr. Grabowsky, you may begin your conference.

José Antonio Grabowsky:

Thank you. Hi, everybody. Good morning. Thanks for your presence today. It is always a pleasure to be here with you to release the results of another quarter. As usual, let us say very strong and consistent numbers with some positive surprises when compared to the market expectations.

In the operational side the strong numbers reflect the capacity and flexibility of our platform and business model, showing that the integration of Agre is working already very well and the benefits of its acquisition are already appearing on our numbers.

For the second consecutive quarter, we were able to launch around R$2 billion, keeping a very strong speed of sales, with a sales volume close to the launchings volume, and a very diversified base of launches within different cities in the Country.

For the 9M09, we are already 70% of our full year launchings guidance accomplished, and in a very comfortable position for the 4Q. We need just a normal quarter, around R$2 billion in launches to fulfill our guidance of R$7 billion in launches for the full year.

That is our expectation, for sure, to fulfill the guidance. The market continues to be very good in the 4Q. But for sure, December will be a very strong for Christmas shopping, and so we are very happy not to be in a position that we have to do a 4Q with launches much bigger than the other quarters in the year, as other companies in this sector will have to do.

For 2011, we expect a very positive scenario again, with a strong economic growth, around 5% for the entire Country, and plenty of available financing for our sector and our buyers. The results of the election as well were according to expectations and very positive for the real estate sector because the new President was the sponsor of Minha Casa, Minha Vida housing plan and for sure will pay a lot of attention and put a lot of pressure to make it continue to happen with the second phase of the plan with 2 million new homes in the next four years being one of the her top priorities during campaign.

With this, we are confident to release today the guidance of launches for 2011, with a very strong growth on top of 2010 numbers, but with the same usual strategy that has worked well so far in PDG. If you annualize the last two quarters of launches, we are already operating at an R$8 billion pace per year. On top of that, if you require fully operating units an extra 15% to 20% growth effort, which is not easy but possible when you have a very efficient and diversified platform as we have, then you get to our guidance between R$9 billion and R$10 billion of launchings for 2011 already accounting only for PDG's stake.

So, I will pass now to Michel to talk about the other recent events and results and I will be here for the Q&A at the end of the call. Thanks.

Michel Wurman:

Hi, everybody. So going to page three of the presentation, I am talking about still some recent highlights. The first one is regarding the securitization, I just want to highlight actually in the 3rd issue of the 3rd series that this securitization was done with the leading by Itaú and several other banks in the consortium. It is interesting that the idea, it was the first time that we are able to do an operation targeting the high end of the retail market.

Originally, the operation was supposed to be R$300 million. We have a demand for R$700 million and we did the greenshoe and everything and we closed with R$405 million. The important thing here is that that is extremely important for PDG, which is the way that we believe that we will get cash flow positive in the mid-term.

But more important for the industry, we believe that is clear an opportunity for the whole industry and a financing view, a financing way for the mid and long term in the industry. So not only the SFH, not only the Minha Casa, Minha Vida, but securitizations started to happen and we also expect the other companies to start issuing more securitizations that are really important for the market.

Other important point was the share split. Why doing that? A lot of investors asked us about that. Actually, we have several points for that. First of all, we are really targeting to have more retail base, individual investors in our investors base. We are doing a lot special meetings targeting the individual investors outside the main centers like Rio de Janeiro and São Paolo. We did some in the South region of the Country, we did another meeting in the Brasília region, and probably do another one in the Northeast region.

So in this effort, having a lower average ticker or a lower unit price per share, you get more buyers. So it is important to have a lower ticket, but not decreasing the share price, for sure not the share price depreciation.

And the other thing, when you do all of the metrics, in terms of the Ibovespa and other indexes in the market, the number of negotiations or the number of the shares negotiated, it is another important thing. So it is volume times the number of the shares traded. So having the split, you also gain some important points in terms of the negotiation index that is exactly what makes you have the position within the Ibovespa.

Going to next page, page four, we want to highlight the TGLT listing. It was an operation that we had 41% and after the operation, it was 100% primary, we ended with 27% of the company. It's a first IPO in the Merval since mid-2008. We are very proud of these actions. The money that we raised, even not being a very large operation, it is extremely important to put TGLT in a position to be the leading company in the real estate residential market in Argentina.

The company has money to develop at least the next 12 to 18 months with a very huge growth potential. So, we are really putting the company in a position together with the management team to get the benefit of the growth that Argentina is having this year, and we believe and we expect to have in the coming years.

One important point of that, recently, we invested in TGLT in mid of 2007, so far all of the invested money so far, we doubled our returns so far, none of the results passed in the 3Q results. They will start to pass in the 4Q results. But the important thing is that, a lot of the investors were asking us about doing this meanwhile. How is Argentina doing? And like, was it a write-off in your operation? And it is important to prove that every single operation that we have in PDG, we really try to achieve the best return possible.

So even in a tough like it was in 2007, 2008 and 2009 in Argentina, we were able to succeed in the company day by day, and this year the company is really doing well and we expect to have a great future for that.

Another important JV that we are announcing today that is a JV with Marriott International. The idea is to, actually we will be developing turnkey projects for Marriott. The idea of Marriott, they already did a JV like that in China, with 30-something hotels developed so far. They did one of that in India with 30-something hotels so far developed, and they are doing that with PDG.

The idea is to develop up to 50 Fairfield hotels that together, we create the group that we have people from management team from Marriott, people from management team from PDG, lead by Ricardo Setton, he will be the head of the project. So the idea is to identify within our portfolio of land bank and other portfolios in other new land banks to find potential developments for Fairfield Hotels. Projects for R$40 million to R$80 million, and the idea is that in our sense is like selling in a big amounts of units for the same buyer.

So instead of developing a hotel, and selling on an individual basis room by room, we get Marriott as the whole client. On the Marriott side, they get the turnkey projects that we develop, we build and we deliver everything done. For us, there is a perception that we believe that we can develop probably from two to eight hotels per year, and we believe that we can do a very good profit and also Marriott on that regard.

It is important that on an individual basis, we will see what return by return and we will only do the projects if they come to our feasibility study at the kind of returns that we are used to have.

On the Marriott side, for sure they will get a lower price, because we will not have expenses in the marketing, sales expenses. So that makes the total price being cheaper, although in our market, we expect to have the same ones with this operation.

Going to next page, it is just page five regarding the institutional investors. Actually, this chart is just a page to say thank you for your votes, thank you for the buy side, for the sell side from the votes. In our side, we know that every time that we get an achievement like that, we are raising the bar, so you can expect us to continue to deliver, to continue to perform, please continue to require things that you believe are on our day by day, mainly in the IR side.

Next page, page six, just some important points about the operational and financial highlights, in the operational highlights Julia will comment and then the financial highlights Janer will comment, but like few comments before they comment.

So far, we have reached 70% of the guidance, like we are on a very comfortable position to reach our guidance for this year. Actually we are already working for 2011. That is why we set this target from R$9 billion to R$10 billion. We are already working on that. So December for us would be like an easy month to plan and to deliver the 2011 numbers as so far we have delivered the 2010 numbers.

Other important thing regarding the financial side, we got, as you can see, R$1.55 billion in net revenues, so we this number was for sure like all of the analyst that we talked, it was much higher than we projected, and there is a clear explanation for that.

We can separate PDG into two parts, let us separates PDG ex-Agre, and PDG with Agre operation. So PDG ex-Agre, we are exactly at the same pace that we have been before, the same kind of margins and the same kind of profitability.

In the case of Agre, we have an interesting challenge, we know that we bought an operation that has a very low margin and has a lot of problems in the financial side. Although, which were the clear channels that we identified together with the management team from Agre, as we are attacking, and that is one of the reasons that we are getting these very good results.

So first thing for sure was to attack the financial side. So the financial renegotiation of the debt, everything done by the end of June and of to the end of August, an important thing is that the financial benefit of having lower interest rates only starts to appear in the 4Q of the year in the balance sheet, because during the 3Q when we prepaid the debt, we had a lot of excess cash in the balance sheet, exactly to have the ability to prepay debt.

So the offset of that was a higher volume of interest rates, and that will not happen in the 4Q. So, as we mentioned before, we expect to have low interest rates, about R$10 million to R$12 million per quarter in that oscillation in the Agre side.

Then, the second thing was really having a lower G&A. You see in the operation that this quarter we had R$65 million of G&A. We came down from R$80 million. We are doing really a big effort in trying to reduce G&A and I believe that we did that very well so far. What we see for the future is that probably the R$65 million will go again to something around R$75 million to R$80 million exactly with having the ability of launching this R$9 billion to R$10 billion. So it is exactly that extra hires that we have to do to deliver this 35% growth for next year.

Another important thing was higher level of launches. So Agre will do alone this year around R$2.5 billion to R$ 2.7 billion. The important thing is that all of that launches will only start to show very good results in our balance sheet once we start to build these developments. So it is going to take between six months of period of the launching, so in our case will affect only in the 1Q11.

So the benefit of the very good margins in the launchings side on the projects that we are doing today that we clearly see in between 35% and 40% in the margin, we start to see only in the 1Q of next year.

And the last thing that we did and it was obvious that we had to do that was really put all of the constructions that we were late, that were due in order. So we raised a lot of money in the SFH side, we put a lot of money from PDG to put all or the maximum that we could of the construction on time. For sure it will take some time to get there. We believe from one to two quarters, we will be able to put all of the operation from Agre under the PDG standards.

So we got this margin around 28.5% of gross margin, we expect to have one or two quarters around 28% to 30%, then come back to the 30% to 33% level. On that side, even with that lower margin, we are able to get very good net income margins and very good level of profit and a very good return on equity. For sure, was the benefit of having the scale in the operation, being very efficient on the side of PDG, starting to be more efficient in the side of Agre, and for sure the G&A dilution of the operations.

Having that, internally we expected to have Agre integrated under PDG between six and eight quarters, we expect to have the whole integration and having Agre running under PDG numbers and standards in between four to five quarters, so probably one to two quarters more from what we are having today.

So with that we were able to get net income margins of 17%, return on equity of 19%, and we are really on the track to get these net income margins higher than 20%, and for sure return on equity also higher than this 20% that we see for the operation 2011.

For sure, Janer will highlight more the numbers, but I believe like we were able to really do a big sacrifice to continue to have very good return on equity and very good net income margins. And very soon this numbers will have, will probably explode when we get 100% efficient on the Agre side.

Now, I will pass to Julia to talk about operational numbers of the Company.

Júlia Martins:

Hi, everyone. Due to the prior disclosure of the operational results, I will focus only on the highlights of the quarter. During the 3Q, launches reached R$2.04 billion, bringing accumulated launches figure up to around R$4.9 billion for the past 9M, equivalent to 70% of the midrange of guidance and 17% higher than the two-year launches by PDG and Agre together in 2009.

If we annualize this quarter's launches, at 15% to 20% growth, which we should reach by the 4Q this year, we demonstrate the Company's confidence in ensuring the guidance announced for 2011.

Another aspect increasing our confidence that we will continue on these launches at this rate is the geographical distribution. As we launched projects in 25 cities in 9 states during the quarter, moving away from Brazil major cities that may be starting to show signs of operating bottlenecks.

We increased our share of the low and middle-income segments during this quarter. We moved from 63% in the 2Q to 89% of this quarter, reaffirming our corporate focus on economy through Minha Casa, Minha Vida and also the Housing Financing System, SFH.

Moving on the next slide, slide eight, sales reached R$1.85 billion this quarter, reaching an annual accumulated R$4.8 billion, up 59% over the accumulated 9M figures for 2009. And the sales of supply, VSO, for the quarter reached 33% reflecting a stable rhythm in sales and reaffirming this figure at around 50% to 60% for this year.

Continuing on the sales analysis, on slide nine, it is clear that even an upsurge in our launch level and despite the 65% of the launches in this quarter occurred in September, we managed to sell 47% of these projects during the same quarter. This shows that the market is absorbing the projects growth quite comfortably, which reinforces ahead the sales at the same pace, our inventory would represent about six months.

The next slide shows that the Company still continues with its strategy, not increasing the land bank and with operations ranging between 2.5 to 3 years of operation. Along this line, we acquired around R$2 billion in PSV during this quarter, keeping pace with launches, in other orders with zero net variations.

Another important aspect is that 76% of our units are eligible for financing under the Minha Casa, Minha Vida and the SFH government home-loan system, confirming our focus on operations in the segment.

Slide 11 shows the geographic distribution again, the size of the land bank, and thus following our concern with regional diversification and above all stepping up our operations in second and third-tier cities all over Brazil.

Now, I will pass the word to Gustavo Janer to talk a little bit more about the financial results.

Gustavo Janer:

Good morning, everyone. About slide 12, basically an overlook of our financial results of the 3Q. Going straight to net revenue, the first slide the chart on the left side, one of the main highlights of this quarter for sure, like Michel mentioned earlier, was the net revenue recognition, R$1.5 billion, way above, actually 20% above what we reported in the 2Q this year, probably one of the biggest increase, already at a very level of net revenue recognition. This was 61% bigger than the 3Q09.

Gross margin amounted to 28.5%. That already includes the debt interest in my COGS, so if I exclude the R$109 million of debt interest, we get an amount of somewhat 36%

gross margin. For the 9M, already for the full year of PDG in the 9M, trailing 9M, you get a gross margin of 31%. It is very important to highlight that we did not have any net revenue recognition of a one-off event of a sales of a commercial development, or high impact of INCC inflation on our net margins, basically a lot of revenue recognition on POC accountings, a lot of construction finance in place and making this happening this quarter.

Coming to the EBITDA and net profit, we have to highlight that we had on the 3Q09, capital gain inside Agre somewhere around R$100 million. That was basically because of the integration, the merger really between the three companies, Klabin Segall, Agra and Abyara. So we have not excluded that from the numbers we are seeing here, so that is why you are probably not going to see such a huge increase when we compare net profit of the 3Q09 and 3Q10.

On the debt side, like Michel mentioned earlier, we have been very, very affected of cost dilution on the business. On the next slide, I will show you a bit better where we are coming from on the metrics on the SG&A side. But still on slide 12, we have an EBITDA margin of 26.7%, on full year, 9M already, we have an EBITDA amounting to over R$1 billion already or 27% EBITDA margin, trailing 9M.

We had on the net profit side, R$262 million already, this has been adjusted, this number is adjusted by the stock option program of somewhat R$10 million on this number, a 6% increase from R$247 million of net profit in the 3Q09. Just remember we have to adjust to the R$100 million of the gains to scale, against the capital on the Agre operation.

Our ROE amounted to 18.9%, I would say that was probably a better number that the market was expecting already in terms of turnaround of ROE and ramp-up of ROE, after we acquired Agre just a couple of quarters ago, when the ROE of the corporation was more to the 14%, 15%. So we have been very efficient on ramping-up our yield business, really.

And another small impact that we have to display in this quarter that we had financial expenses of somewhat around R$8 million, basically for the fact that we prepaid on the debt we negotiate from Agre, we prepaid two Klabin Segall debentures. So we had penalty fees on that which amounted to R$8 million, these were basically financial expenses going through. So, some (26:24) and bigger financial expenses in this quarter which could amount to a better EBITDA net margin for us.

On slide 13, this is basically what Michel mentioned earlier. We have been very efficient on the SG&A dilution side, and we do think that while the Agre operation and some of the parts of the operation of this business, today our hurdles like we really have tried to squeeze every chance we can in terms of synergies between those companies. So when we look at the next year's full-year guidance and how much revenue recognition we are going to have, we clearly see that G&A can grow, but at a much smaller pace than what we revenue recognition figures.

So having said this, we still see a lot of cost dilutions and gains of scale of operation, by far one of the best metrics within the industry, we will continue and try to implement these synergies between the companies below the PDG structure.

On the last slide, slide 14, this is basically the breakdown of our debt prepayment schedule. It is very important to point out that we have been very efficient on putting construction financing, SFH financing into the platform. The whole debt negotiation we have done with Agre, we were very aggressive on talking to banks, on dealing with the whole inefficiency on Agre side, on the past quarters of putting SFH funding.

So having said that, in this quarter we were able to have a delta of something around R$510 million of new construction financing in place in the Company, this was very important to us. We did a new debenture with Caixa Econômica, it is already in my balance sheet, somewhat R$600 million, the cost of TR + 8.16% which in comparable terms in Brazil is very good.

On the chart, you see a grey spot here that is basically a promissory note that we are prepaying today, this quarter. This is prepaid in October, it will be matured on December, but we are prepaying this in October. So having said, you are going to see even on a short-term cash flow sorts of prepayment of debt for us.

Another point that we need to highlight here is again, with this new construction financing in place, more SFH funding, we have less debt linked to the CDI, the interest rates benchmark in Brazil, and more debt linked to construction finance or SFH fund linked to the TR. Last quarter, we had something around 40% to 45% at the most of construction finance in the balance sheet in terms of debt. They already amount to 60% today.

Our net debt to equity has been very stable quarter to quarter, even with this new construction finance in place, a little bit over 50%, 49% today, and a lot of cash in the business, in the platform, R$1.9 billion of cash, which gives us a lot of comfort to implement this new guidance, the guidance that we have on the street today of R$9 billion to R$10 billion.

So we will finish the presentation, thank you, and we are going to go straight to Q&A now. Thank you.

Operator:

This concludes the question and answer session. At this time, I would like to turn the floor back to Mr. Grabowsky for any closing remarks.

José Antonio Grabowsky:

OK. Thanks for your attention. For sure, let us say, we have big challenges here on the day to day and I think that is what really creates in us the objectives for the Company in the mid and long term. For sure the scenario for Brazil in the coming years in the real estate sector are very promising, and I think the business model that we have allows us to not only continue operating very efficiently on the day-to-day office operations, for sure there are efficiencies and gains of scale to be obtained and we are looking for that as well.

But also we are able to pay attention in let us say mid and long-term strategies to the Company like this venture with Marriott Hotels for example, the securitization business, so I think more and more we are always trying to pay attention to other potential sources of income and profit for PDG.

I think that is what is very good about getting the scale that we are today. We can have many options at the same time to keep improving our margin and our results, and we see that happening in the next years ahead of us.

Thanks for your attention, and as usual, let us say, we are at your disposal through the IR team for questions, ideas, or whatever opinions you might have to share with us. Thank you very much. Bye-bye.

Operator:

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