

Operator:

Good afternoon, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to PDG Realty 1Q07 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 at www.pdgrealty.com.br, and that the presentation is available for download at the Investor Relations section.

Also, this event is being recorded and all participants will be in a listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of PDG Realty management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of PDG Realty and could cause results to differ materially from those expressed in such forward-looking statements.

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

José Antonio Grabowsky:

Thank you. Hello, this is Zeca. Hi, everybody and thank you for your presence in our call. It is our 1Q result after the IPO, and it is a pleasure to be here, especially because we are very proud of the results and very optimistic about our day-to-day running in the Company.

So far, let us say, we have seen a lot of opportunities in the market and we have been able to accomplish some of them, and we would like to share that with you today, this afternoon, and, of course, in the end, exchange some ideas and answer your questions about the market in Brazil and the market going forward for PDG.

Starting on page three of the presentation, going through the highlights. Net revenue for the quarter totaled R\$68 million, a 220% increase compared to last year. EBITDA amounted to R\$21 million, again above 200% increase compared to 1Q06. Launched volume for the quarter totaled R\$366 million for the total of the projects we were involved in. Our share, R\$144 million, an increase of 103% compared to last year.

We participated in the launching of 13 residential projects, totaling 1,600 units, and we also launched our first property on the income-position segment, a small shopping center with a supermarket as an anchor.

84% of the units launched were originated from projects in the mid and mid-low segments, all of them below R\$200 thousand price of unit price. As you know, we are more and more paying greater attention to that segment of the market, which is, in our opinion, for sure, the best opportunity now in the residential sector in Brazil.

We concluded very successfully the hiring of new people for PDG. We have now 21 people working for PDG, a lot of them hired in the 1Q, very good quality people. Most of them coming from financial background with, in some cases, previous real-estate experience, either as an investor or as a developer or construction company.

So, we are very happy with the staff we have in place and, of course, we will keep hiring good quality people, as we keep growing our activity. The idea is to, let us say, really be able to capture the best possible grains to come to PDG, especially young people that are very interested in our system, the way we operate, which is very similar to what we were able to do at Pactual, as an investment bank.

Recent events that you might have followed: we were able to accomplish three very important deals recently. The first of it – and most important, in our opinion – being the increase in our stake in Goldfarb, from 49% to 70%, really getting the control of the company, and investing another R\$80 million in the company to make it possible to fulfill its growth project for at least the next 12 to 15 months, and at the same time we did another part of the deal paid through PDG's shares to the other shareholders of Goldfarb, which, in our understanding, is important to align more and more the interest of PDG and its main partner executives.

We increased the interest in CHL in Rio, from 40% to 50%, using our shares again as terms of payment, and we acquired 20% from Patrimóvel and Ruben Vasconcelos, two brokerage companies. Patrimóvel operating in Rio and being the largest company by far in the Rio de Janeiro market, and Ruben Vasconcelos (RVI), operating in Niterói – a recently-opened company, but with a very potential future.

Talking about our land bank, we increased our land bank for year-end in approximately R\$600 million, reaching R\$2.6 billion our stake, spread among 141 projects, keeping our strategy of having a very strong diversification among the projects.

Another important fact in our opinion, we increased our coverage area. We started our acquisition of sites in Vitória, capital of the Espírito Santo state, a very interesting city, very easily reachable from São Paulo and Rio de Janeiro

by a short flight, and with a real-estate market with a lot of potential, especially, again, in the segments that we decided to start with, which are the middle and middle-low segments, differently from the companies that already invested in Vitória, that are today operating in the middle-high income.

Finally, just talking about our investments since the IPO, we were able to invest so far R\$250 million, basically 60% of the proceeds from the IPO, most of which, R\$180 million, invested in the portfolio company. And we imagine that we will be investing probably another R\$100 million before year-end.

Now, I will pass to Michel Wurman, our CFO, who will follow you in the operating numbers of the Company. I will talk to you soon in the Q&A.

Michel Wurman:

Hi, everybody. Regarding our operating performance, in the 1Q we participated, as Zeca said before, in 14 different projects. In the residential side we did 13; in the neighborhood shopping center that we got into the strategy in the 1Q07 we launched one.

So, over the residential side, we participated in R\$367 million, and PDG's share was R\$144 million, a more than 100% growth compared to 1Q06. So, in numbers of units launched, we came around 1,600 units from 1,000 units. Number of projects, we came from four projects in the same period last year, to 14 different projects this year. And in terms of launching, we have been able to increase 103% from that.

It is important to highlight that our guidance, which we will be discussing later in the presentation, our internal business plan is to do something around 40% of the total potential sales volume over the 1H07, and we are on track to do that very, very comfortably.

On the next page, page six, it is just important to highlight that 84% of the units that we launched over this period were units below R\$200 thousand, so, a strong concentration in the mid-low income segment, probably and actually with the trade of companies in the BOVESPA market, we are, by far, the largest mid-low income housing operator.

And regarding diversification, we participated in five different cities – São Paulo, Campinas, Santos, Valinhos and Rio de Janeiro.

On the next page, page seven, coming back to the number again of 14 different projects launched, another very important fact is that the Company spread in the market, so far, with the results we have been able to track, we believe that we are the Company that participated, by far, with the highest number of new launches over the 1Q07.

This is showing that our platform of having several partners in private equity and also in the core developments is working. For the year-end, we will be participating in something around 60 to 65 different projects, and in the remaining part of the year we will be participating in something around 50 different projects.

On the next page, numbers that we talked about before; we were able to grow 60% in the units launched and, by year-end, we will be participating in 13,000 to 14,000 units launches in 2007.

Page nine, as a consequence of that, as we have been able to launch more, for sure it is increasing the number of square meters, although units are being smaller, because we have a very strong concentration of units below R\$200 thousand reais in the 1Q, and it will be the trend for the year.

José Antonio Grabowsky:

In that chart on page nine, that table, it is important of course to pay attention at the square meters of lots launched, which distorts a lot the number. But, even excluding the lots numbers, we were able basically to double the square meters that we launched in apartments.

Michel Wurman:

On the next page, page ten, the total contracted sales came to R\$217 million. Our share of that was R\$67 million.

On the next page, number of units sold. In 1Q we did 859 units, compared to 616 over the same period of last year.

On page 12, just talking about our land bank again, at the last results reported, we had a land bank of R\$2.1 billion. Out of that, we launched so far R\$115 million and we were able to increase that, the total, to R\$2.6 million. So, over this quarter we have been able to increase our land bank by something around 30% and, again, with a strong concentration in the mid-low income segment, which is the most important part of the portfolio.

Next page, page 13. Again, the number of launches. So far we did 14, and our business plan is to do, in the remaining of the year, more 52 different launches.

On page 14, the financial highlights. Our gross income increased roughly 200%, with gross income margin of something around 38%, Net revenues increased, again, 221%, coming to R\$68 million. And the EBITDA came to R\$21 million, with an EBITDA margin of around 30%.

On the next page, we have our guidance for the year of VGV launched. In the IPO we were planning something around R\$750 million in VGV, and as we have been able to increase our land bank faster than we imagined, we changed the

guidance in the last results to R\$800 million – R\$900 million, and over the last months, due to the increases that we did in the portfolio – in the Goldfarb case, coming from 49% to 70%; in the CHL case, coming from 40% to 50% – we are changing our guidance for a range of, from R\$900 million to R\$1.1 billion reais.

And the most important part is that the Goldfarb and the CHL platform will allow us to grow faster in 2008 and 2009 guidance.

So, since the IPO we have been able to increase our guidance in 33% in the original launches guidance.

Another important fact is that we continue to have the guidance of net revenues of R\$250 million to R\$280 million, EBITDA number from R\$80 million to 90 million, and the adjusted net income from R\$100 million to R\$110 million. What came over with the last acquisitions is that we are focusing more in the high-end of the guidance right now than the low-end, for 2007.

José Antonio Grabowsky:

We are revising those numbers after those recent acquisitions, and if that is the case, we will be announcing new guidance as soon as we have more confidence about the exact numbers; but, for sure, they are more to the top of the range right now.

Michel Wurman:

One important thing to mention is that in the MD&A report we did a mistake, so on page 16 of the MD&A release, in the non-recurring expenses, where we had the IPO expenses, the number reported was R\$17.7 million. We are changing that to R\$20.373 million reais. The new MD&A with the right number is in the website, probably right now.

Having that, our adjusted net income came from R\$16.4 million to R\$19.056 million, having a net income margin of 28%.

But, coming back to the presentation, on page 15 we have the share performance. It is important to mention that, since March, we have been able to increase the level of talk to new shareholders. We intensified a lot the IR work. We hired a market maker for the stock, and also we have able to do several important announcements for the Company. So far, the share performance, the price of the shares has been able to increase at a decent level over this time, and coming in a very important pace with that, the volume growth that changed very strongly.

We came from a R\$4 million range per day to something around R\$7 million per day right now.

On page 17, we have our portfolio investments. This is just to highlight the way we think about the PDG platform and our investment model. Again, our business plan is to take advantage of the real estate growth in Brazil.

So far, we are very big residential developers, through co-development and through private equity. We got into new segments, and a very important one was the service side of the real estate segment. We have been able to add to the portfolio Patrimóvel, which is a broker for the real estate segment in Rio de Janeiro. This is probably the third largest company in Brazil and we also have Avance, which is a company with 100% focus in the Goldfarb sales, which in São Paulo is considered the 5th or 6th largest brokerage house in São Paulo.

And in the final considerations before the Q&A, again, the model, talking flexibility, diversification, having the ability to hire the best management team in the fifty level, and increase that with the share exchange that we have been able to do with Milton Goldfarb, in the case of Goldfarb, and with Rogério Chor, in the case of CHL.

In the portfolio, we will probably be able to do some additional gains potential through the private equity portfolio, and on top of that, our management team expertise with very important financial skills, which we believe will be key within the next year.

So, we are open for the Q&A session.

Guilherme Vilazante, UBS:

Hi, Michel. Hi, José. My question is on the shopping center business. As you mentioned, you have made a launch this quarter. I would like to know how fast do you expect this to go to the results, and how do you intend to capitalize that. Do you expect to sell stakes from the shopping centers to third parties? Or do you expect to receive the gains from rent?

And my second question is related to co-development. I would like to understand how this line of business is going, given that most of the small companies are suffering from the competition of large ones. Can you expect a growth on this line of business, or a reduction as time goes by?

José Antonio Grabowsky:

OK. First of all, the idea in the shopping center, or in general, in the income position properties is really to stay with the properties for rent. In that sense, to add to our numbers, to our results, slowly through the monthly rent that we will be receiving.

Of course the numbers, especially in the beginning, are not so meaningful. But our plan in that segment is to invest very heavily in this market, as interest rates

keep going down as they are. And in reality, today, it looks like the Central Bank will really speed up the reduction pattern of interest rates in Brazil.

So, this was our first project to start operating. In reality, to start operating with the supermarket, which is kind of a built to suit adjacent to the shopping center, and the first phase of the shopping will be opened in July, and then the second phase will be opened to the public in the beginning of next year.

It is a not-so-big shopping center, 5,000 m² GLA in the first phase, but our plan is to increase activity in that segment, adding more properties to our pipeline. Also, in that regard, we are talking potentially to do a JV with a company from the United States, a very big company, a leading company in street centers in the United States that also has operations already in Mexico and is interested in entering in Brazil.

So, the idea is through our JV with REP Participações to do a deal with that company to, let us say, increase our investments in that segment.

Michel Wurman:

Guilherme, this is Michel. One important fact in this strategy is that instead of competing for big shopping centers, which we believe there are very good companies operating in that segment in Brazil, we are preferring to have street malls and small and midsize shopping centers to midsize cities.

This is the place in the retail that where believe there is very little competition and very little expertise in the other companies. This is the way we will be operating in the segment.

José Antonio Grabowsky:

Regarding your second question, co-development. Co-development in general, as I think we have mentioned before in other conferences, we expect it to reduce its importance in our Company to around 30%, compared to 70% coming from the portfolio companies, within the development business of the Company.

Although, having said that, we still see a lot of activity in that regard, not only through our various partners, but also doing co-developments with our portfolio companies. Especially in the case of Goldfarb, which is growing very fast; even after our increase of capital there, the idea is to keep doing some projects in co-development with Goldfarb, which usually we stay 50/50 with the company, ending up with an 85% stake of the revenues, of the results, of the projects for PDG in those cases.

Michel Wurman:

And there is another fact that, for 2007, our primary guidance was to have 70% coming from private equity and 30% coming from co-development. Actually, the number we have right now would be 50/50. And for next year, it will not be only 30%, it will be something around 40%.

Guilherme Vilazante:

OK, thank you.

Verena Wachnitz, T. Rowe Price:

Good afternoon. I have a few questions. One of them is if you could clarify the adjusted net income, is that because of the IPO expenses?

José Antonio Grabowsky:

Yes, exactly. The IPO expenses numbers were wrong in our initial MD&A. They made a mistake, they confused the financial expenses with the IPO expenses. Total IPO expenses went up to R\$20.373 million.

Michel Wurman:

Net income increased from R\$16.384 million to R\$19.056 million, the adjusted net income.

Verena Wachnitz:

What would also be helpful maybe is earnings per share. Because, not as set deal, but you will be sincere to acquire some of these stakes, and maybe that would be (inaudible) per metric to include.

Michel Wurman:

OK, I will start to include that in the MD&A. Thanks.

Verena Wachnitz:

OK, thank you. And my other two questions, one is regarding this geographical mix. It seems to me it was fairly concentrated in São Paulo city, specifically in this quarter. What do you expect for the next few quarters?

And then my third question is regarding the managing restructuring of April in this press release. I was wondering what sort of impact we should expect on your G&A expenses over the next few quarters. Thank you.

Michel Wurman:

Let me start with the last question. For 2007, our total G&A, with the *pro rata* stake in the companies that we have, plus operating expenses, were from R\$20 million to R\$23 million. That was our G&A, exactly with the original business plan. So, it will have no difference.

José Antonio Grabowsky:

But on PDG directly, the numbers will probably increase to an average of R\$600 thousand to R\$700 thousand per month, from now on. OK?

Michel Wurman:

And the first question directed about concentration in São Paulo, we will continue to have a lot of launches in São Paulo, although in the lower segments there are very few new launches in the whole state. In the São Paulo city, you have very few launches.

First, over the next quarter, we will have a big diversification in the São Paulo state. So, Goldfarb will have launches in other seven cities in São Paulo, and also they will go to Rio de Janeiro.

José Antonio Grabowsky:

And (inaudible) the launches in Rio, some of them already occurred in 2Q, so I think that the importance of São Paulo will decrease, although it will still be big, but, as Michel mentioned, let us say, trying to avoid the most competitive markets, which are the middle-high and high income.

Michel Wurman:

In the middle-high in São Paulo city, we did only one launch in this quarter.

Verena Wachnitz

So, it is mainly the Goldfarb launches?

José Antonio Grabowsky:

Mainly the Goldfarb.

Michel Wurman:

In the MD&A, we have a breakdown of the launches, and also on the webcast, probably you will have also a breakdown of that.

Verena Wachnitz:

Perfect. If I may, just one more question on office buildings. Are you planning to launch anything in that regards this year?

José Antonio Grabowsky:

I do not think so. We looked for some opportunities, but we have not closed anything for office buildings developments for rent. We will have some office building developments for sale. In reality, we already did one this month in Rio. But units for sale, small office buildings type of units, we did through CHL. But office buildings for rent, we do not have any project yet.

Verena Wachnitz:

Thank you.

José Antonio Grabowsky:

You are welcome.

Verena Wachnitz:

Hi, sorry, just one more question. You mentioned that you are planning to, or you think you will be able to invest another R\$100 million before the end of the year. I am wondering, in terms of investments, do you think they will be more likely investments in your current assets or do you think we might see further acquisitions of stakes in new companies that are not currently...

José Antonio Grabowsky:

I would say most of it will be running investments in the existing companies, acquisition of sites and investments to develop the land bank inside of each company, but we might have some different investments.

The minority of the R\$100 million, but there are some negotiations that might reflect a new line of business. But we cannot talk about that yet.

Verena Wachnitz:

Thank you very much.

Operator:

There appear to be no further questions at this time. I would now like to turn the floor back to management, for any closing remarks.

José Antonio Grabowsky:

First of all, thank you again for your support, your presence in the call. I would like to emphasize one more time the importance we give to the follow-up and to the feedback from your side. We are trying to do our best, Michel is trying to do and, in my opinion, doing a great job in following up with you. But, please, feel free and really be active in calling us and talking to us.

We understand that it is very important for you to keep track of the Company, keep track of what we are doing, exchanging ideas. In that regard, we will be doing in the end of the month, a non-deal Road Show in the United States. We will be in New York, we will be in Denver, we will probably be in Boston, talking to already shareholders, to potential new shareholders. We are preparing our agenda with the help of UBS and Deutsche Bank.

And in June we will be in London. There is an event sponsored by UBS on June 11 and 12, and we will both be there. Michel will be staying one more day, again, to try to cover as much as possible the investors who do not have a good contact with us yet. So, we understand that it is very important for the Company to be able to expose itself to high-quality investors like yourselves.

Thank you very much and I am looking forward to talking to you soon.

Operator:

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