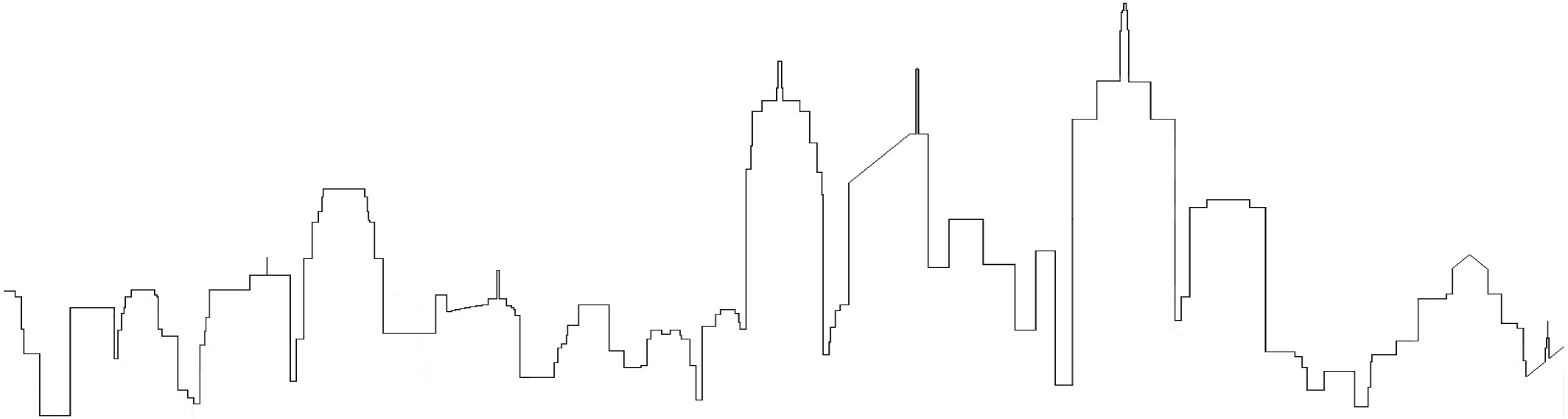
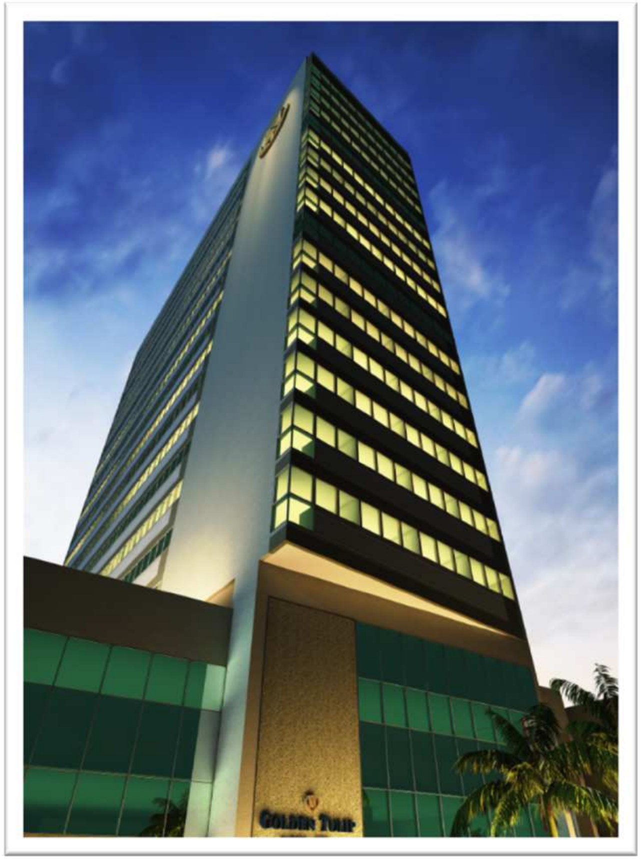
PDG

Earnings Call Q4 2012



Agenda

- **Business Plan**
- **Construction Budgeting**
- **Cash Generation**
- **Q&A**



Golden Tulip
Lançamento: 2012
Campos dos Goytacazes/RJ

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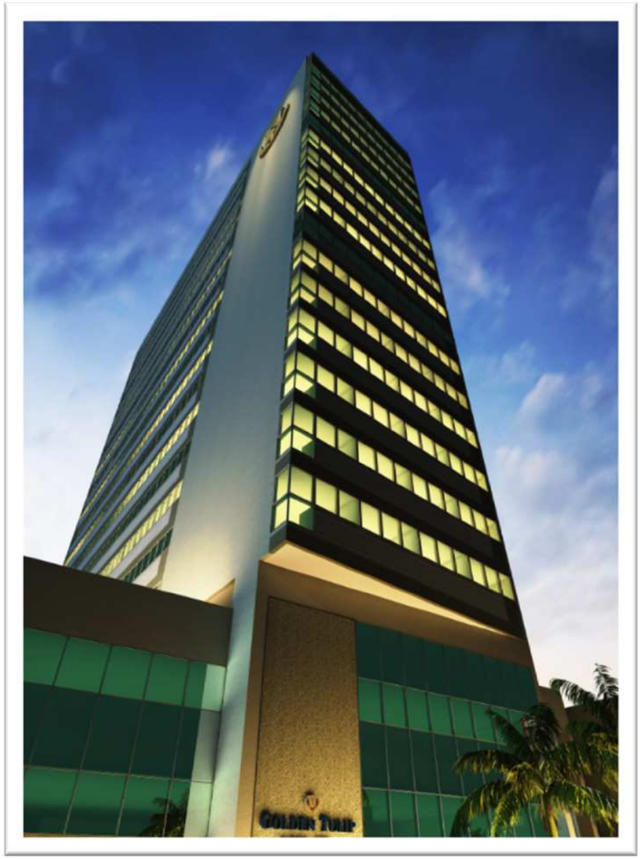

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- Rapid growth based on acquisitions and geographic expansion;
- Acquisition structure made integration a challenge;
- Clear growth signals beyond market capacity and ever growing business complexity.

Strategic Guidelines

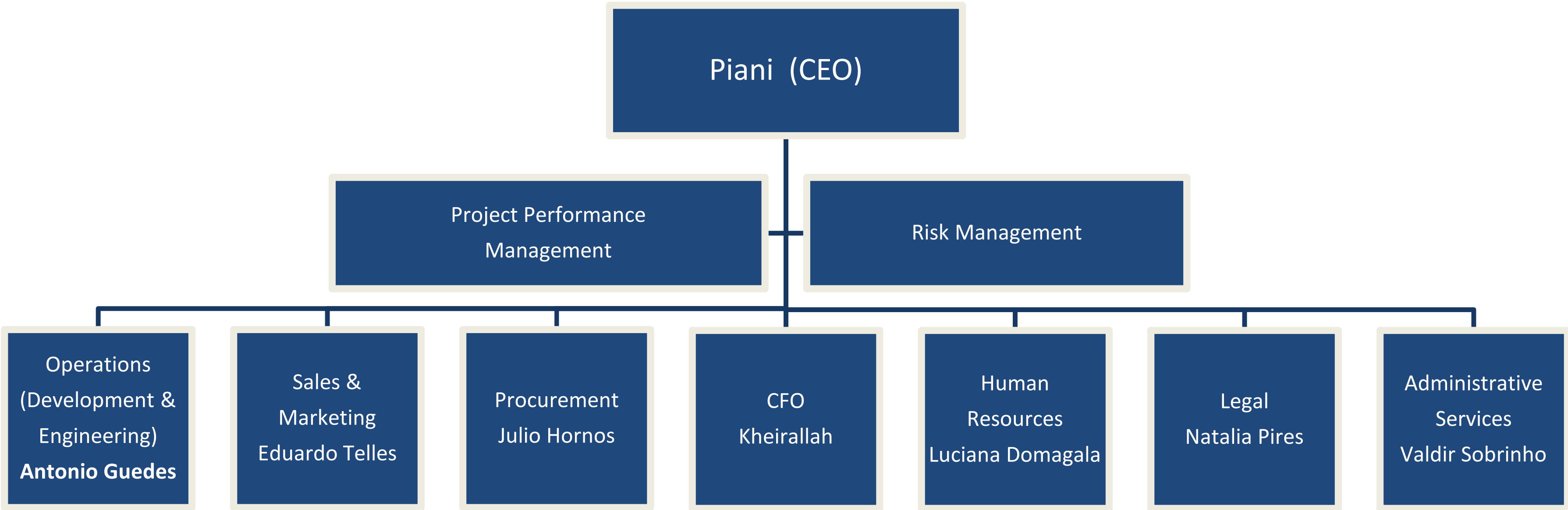
- Reduction in the number of target markets, from 17 to 10 macro regions;
- Main segments Economic and Medium Economy, with stakes in High Income
- Opportunistic presence in “Minha Casa Minha Vida”, commercial and land parceling segments, mainly in São Paulo and Rio de Janeiro.

Operational Pillars

- PDG will be a fully integrated operation, in terms of its internal processes, Guidelines and Structures;
- Restructure the organizational structure, hire new talents and refine the remuneration policies;
- Geographic expansion/consolidation achieved through the establishment of regional Business Units;
- Improvement in management processes and construction budgeting;
- Redefinition of other macro-processes.

Fonte: PDG

- Annual launches between R$ 5 and R$ 6 billion;
- Return on Equity of 20% / year.


Piani (CEO)
Project Performance Management
Risk Management
Operations (Development & Engineering) **Antonio Guedes**
Sales & Marketing Eduardo Telles
Procurement Julio Hornos
CFO Kheirallah
Human Resources Luciana Domagala
Legal Natalia Pires
Administrative Services Valdir Sobrinho

Fonte: PDG

History

- Aggressive PSV growth and rapid geographic expansion, reaching R$9 billion in annual launches;
- Presence em 17 macro regions;
- Historical ROE of 10%;
- Several operational models running at the same time, stemming from the acquired companies;
- Insufficient operational capacity to operate in sustainable fashion, given the level of launches reached.

Transition (2013-2014)

- PSV increase in line with improvements in operational capacity and new business opportunities;
- ROE below targeted until the delivery of projects which underwent budget revisions;
- Focus on guaranteeing delivery of ongoing projects, inventory reduction and cash generation increase;
- Revaluation and optimization of current landbank;
- Repositioning of PDG´s geographic and business segment focus;
- Implementation of a sustainable operational model.

Expected Positioning (2015+)

- Launches between R$ 5 – 6 billion;
  - 80% - 85%: high, medium high and economic segments;
  - 15% - 20%: Economy(MCMV), land parceling and commercial.
- Presence in 10 macro regions;
- ROE of 20%;
- Regional business units, in each of the target markets, set up to successfully perform at the local level with stable launch level and clearly defined operational focus;

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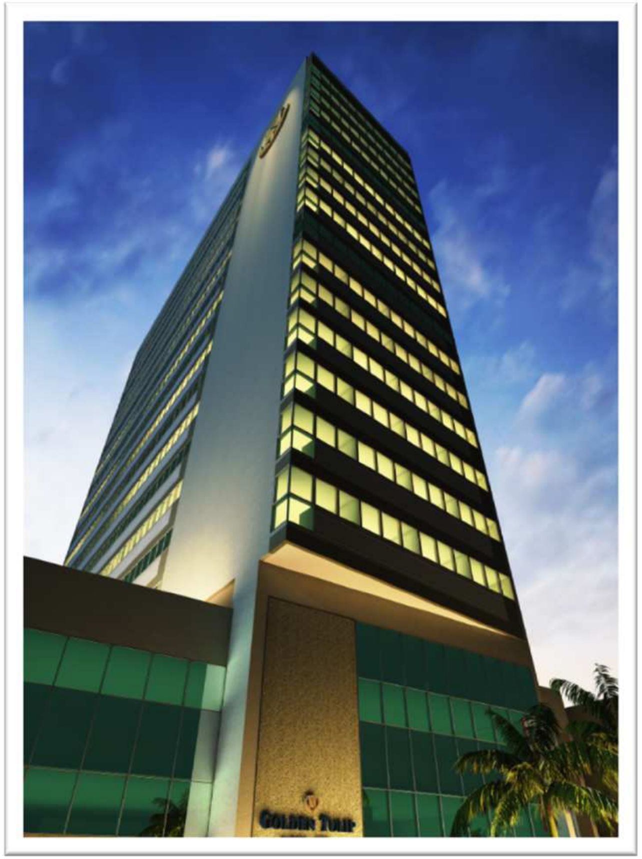

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- One of the pillars of the new operating model is the improvement of the construction works management and budgeting process. In line with this target, the new management decided to review controls and budgets for all construction works, in order to enhance estimate precision. The purpose of this work was to have an updated view of costs to be incurred. As a result of this review, the following decisions were made:
- 3 partnerships were terminated;
- some outsourced construction teams were replaced with our own teams;
- instruments of conduct adjustment (TAC) or other instruments were executed with
- government agencies regarding the necessary compensation for the execution of the
- development projects;
- the leading team responsible for MCMV projects was replaced;
- a projects area that reports to the CEO was created to supervise the physical and financial
- evolution of the projects, and implement the lessons learned from closed projects;
- the development projects are periodically analyzed by external advisers;
- more detailed budgets are required for the execution of existing construction works and for
- new projects;
- 100% of the construction works were revised and 86% of budgets were improved, based
- on new guidelines for material costs, services, workforce, improvements, environmental
- requirements, and completion deadlines;
- payment policies became stricter for construction works costs, with cross-controls involving
- the executive board and the CEO.

- Cost overruns of R$ 1.4 billion, which represents 11% of the total active construction sites of the company. Impacting negatively the net revenues in R$ 1.1 billion;

- Provisions: increase in the provision for maintenance costs incurred in delivered units, establishment of a provision for losses incurred by ongoing projects, provision reversal of deferred RET benefit and increase in provision for possible fines caused by delivery delays, totaling R$ 139 million;

- Non-cash adjustments: impairment of AGRE and TGLT goodwill, deferred taxes, costs incurred by the cancellation of projects, mark to market of convertible debentures, totaling R$ 367 million.

Adjustments– 4Q12

	R$ mm
(1) CONSTRUCTION BUDGET REVISION	1,075
(2) ACCOUNTING PROVISIONS	139
(3) OTHER NON-CASH ADJUSTMENTSA	367
TOTAL ADJUSTMENTS	1,581

Post Revisions

Newly Created Structures	• **Creation of a corporate structure,** responsible for key decision making and supplying regional business units with homogeneous operating guidelines; • **Creation of an Operations Vice Presidency,** with the objective of leading development and engineering in both corporate and regional levels; • **Unification of our 4 pre-existing engineering structures,** leveling development and engineering hierarchies; • **Creation of a performance management unit for projects,** responsible for data mining, analysis and questioning of ongoing projects, as well as partner performance. Projects will now carry specific time, cost and quality metrics.
Partnerships	• **Utilization of partnerships** solely to complement company skills; • **Validation of partnerships** through technical, financial and reputational due diligence; • **Standardization** of contracts; • **Re-balancing** of proportion between own and third party construction.
Planning, Management, Controls and Project Performance Assessment	• **Tripartite collaboration between regional business units, headquarters and corporate back Office, where responsibilities are split as follows**: Regional: new business origination and execution; Corporate: feasibility approval; corporate back office: execution support; • **Critical analysis of target markets**, where there are labor and supply chain obstacles; • **Previous alignment with municipalities,** aiming to avoid the inclusion of additional infra structure demands.
Gestão, Controle e Apuração das Obras	• **Construction budgets devised utilizing standardized guidelines and executive projects**, from now on overseen by corporate headquarters; • **Revised payment approval process, from now on fully controlled by finance and planning areas**, via ERP, in order to unify budget base; • Monthly **monitoring** of selected sites for verification of **adherence to budgets;** • **Creation of a remuneration scheme for construction site workers**, aligned with economy and quality in construction sites.

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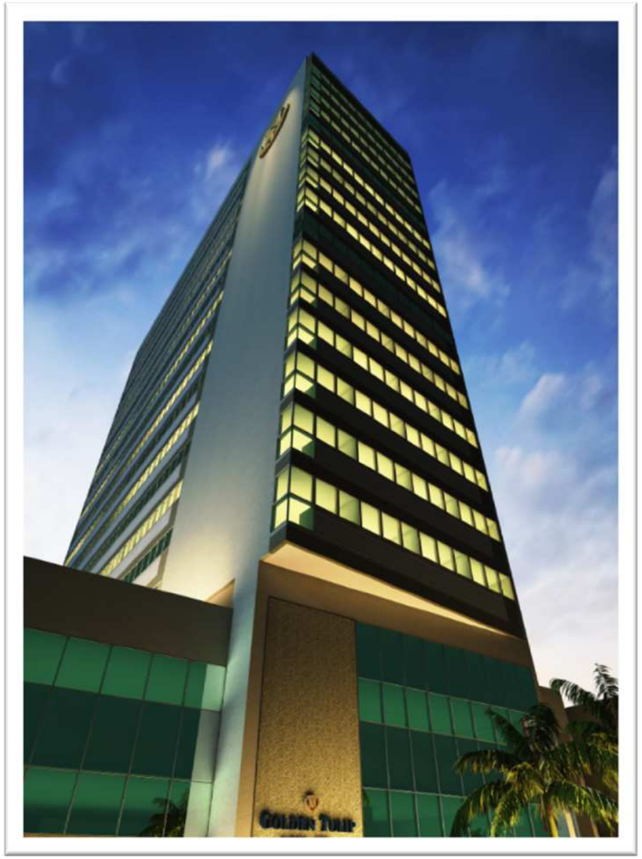

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Cash Consumption reduction

- Cash position on December 31st was R$1.8 billion
- Adjusted net debt increased by R$261 million in Q4, 40% below q-o-q
- Operational cash generation of R$14 million in Q4
- New debt issuance of R$150 million, utilizing promissory note instrument with Banco do Brasil in Q4

R$ million

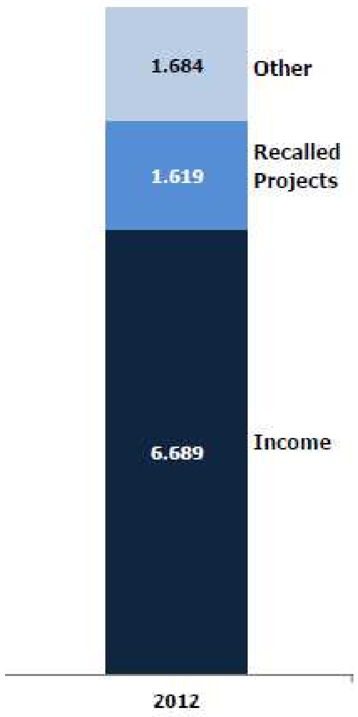
Net Debt Variation (R$ mm)	Q1	Q2	Q3	Q4
CASH	**1,720**	**1,982**	**1,847**	**1,809**
CASH VARIATION	(2)	262	(135)	(38)
DEBT	**5,350**	**5,963**	**5,743**	**6,015**
PROJECT FINANCE(SFH)	2,973	3,028	2,991	3,077
CORPORATE DEBT	2,377	2,935	2,752	2,938
DEBT VARIATION	160	613	(220)	272
NET DEBT VARIATION(pre capital increase)	**(162)**	**(351)**	**85**	**(310)**
SECURITIZATION	**1,595**	**1,729**	**1,629**	**1,613**
Promissory Note Issue	1,479	1,557	1,524	1,503
Co- obligation	116	172	105	110
Securitization Variation	1	134	(100)	(16)
NET DEBT VARIATION(post capital increase)	**(163)**	**(485)**	**185**	**(294)**
ADJUSTMENTS	**(14)**	**19**	**(613)**	**33**
REP Investment	12	19	19	7
Stock Buy Back Program	4	-	-	48
Asset Sales	(30)	-	-	(22)
Dividends	-	-	168	-
Capital Increase (Subscription)	-	-	(800)	-
NET DEBT VARIATION (post capital increase+adjustments)	**(177)**	**(466)**	**(428)**	**(261)**

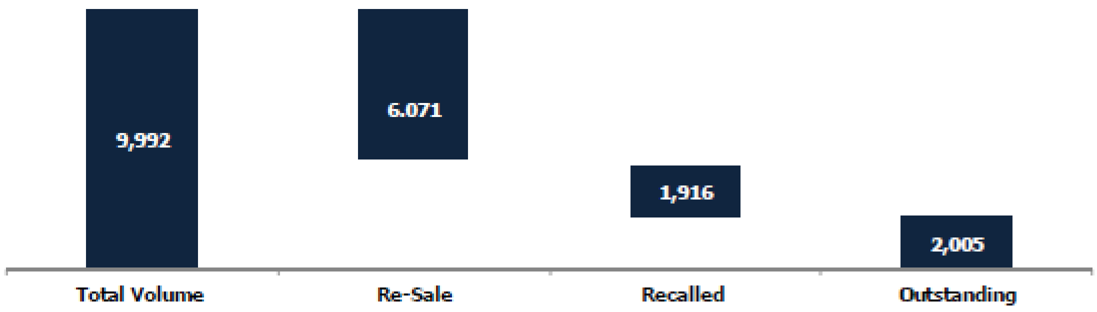
[1]operational cash generation=variation of net cash position-financial expenses

Fonte: PDG

Greater efficiency in cancelled sales proceedings will benefit mortgage transfers

- Cancelled sales committe established
- Credit analysis and policies, fully aligned with mortgage transfer process
- Of a total of 9,992 cancelled units, 67% occurred due to income insufficiency, 16% recalled projects and 17% other. 75% of cancelled units during 2012, were resold during the period, generating a 17% PSV ("VGV") gain or R$125 million.



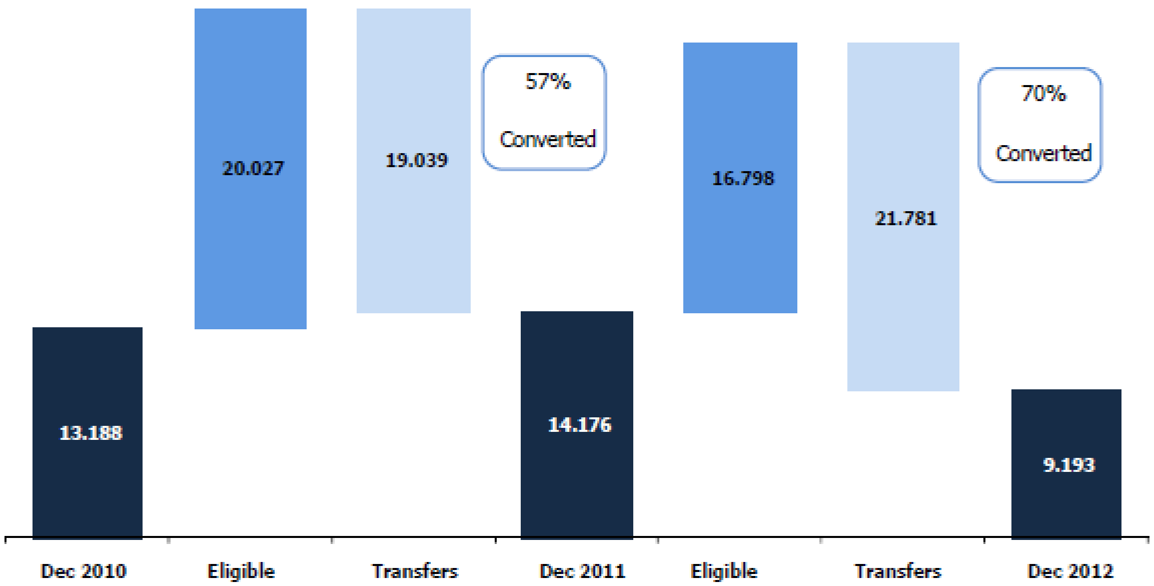


Fonte: PDG

Mortgage transfer and Registry productivity increase will benefit cash generation

- The conversion rate of 70% of units eligible for mortgage transfers ("repasses"), was significantly higher v. the 57% achieved in 2011.
- The R$3.5 billion in revenues from bank transfers, was 25% above the R$2.8 billion figure reported a year earlier.
- Redesign of mortgage transfer and registry areas, seeking to obtain productivity gains, was started in Q4.

Mortgage Transfer Flux - units



Fonte: PDG

CashFlow will be a priority during 2013

- Positive operational cashflow expected for 4Q13;
- Company´s cash position is sufficient to comfortably finance operations for the upcoming 6 months;
- R$1.2 billion in debt matures in 2013, 64% of which in the first semester:
  - 77% already renegotiated
  - 16% already amortized
  - 7% ongoing negotiations
- 80% of second semester amortizations concentrated with 4 banks
- MOU for the sale of Domo Corporate already signed, for approximately R$163 MM, settlement expected by the end of the first semester
- Landbank to be matched to the company´s future strategic needs
- We estimate 2014 cash generation to hover the $1.5 billion mark

OBS: Geração de caixa operacional = variação de caixa líquida menos despesas financeiras líquidas do período

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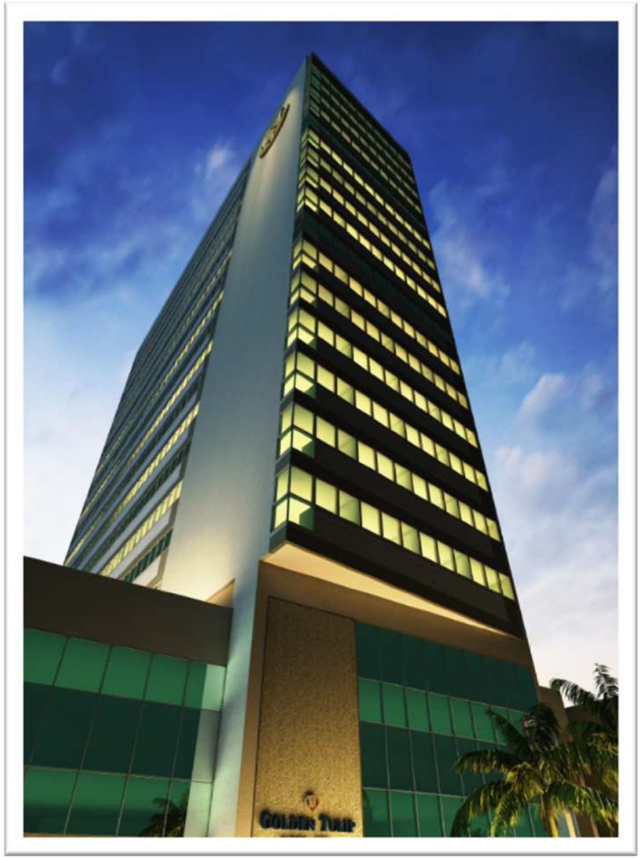

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