Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to PDG3Q13results conference call. Today with us, we have Mr. Carlos Piani, CEO, o Mr. Marco Kheirallah, CFO, o Mr. Guido Lemos, IR Officer, and Mr. Antonio Guedes, COO.

We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the company's presentation. After PDG's remarks, there will be a question and answer session for analysts. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We would like to inform that questions can only be asked by telephone, so if you are connected through the webcast, you should email your questions directly to the IR teamri@pdg.com.br.

Today's live webcast, including both audio and slide show, may be accessed through PDG's website at **www.pdg.com.br/ir**. And the presentation is available for download at the website.

Before proceeding, let me mention that forward-looking statements will be made under the SafeHarbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of PDG 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 the Mr. Carlos Piani, who will begin the presentation. Mr. Carlos Piani, you may begin your conference.

Carlos Piani:

Good morning everyone. First of all, I would like to thank you all for joining us in our 3Q13 conference call.

This quarter we made one year at PDG, and I would like to state that we are very optimistic about the future given the things that we put in place, and the measures that we have taken. We are certain that in the medium term these measures will create value for the Company, and consequently for all shareholders.

As for our agenda for today, Kheirallah, our CFO, will start describing the main operational and financial highlights of the quarter. Afterwards, I will present the long-term incentive plan that was approved by the Board of Directors, and that will be submitted in the next shareholders assembly. After that, we will move on to the Q&A section.

Kheirallah, you may begin.

Marcos Kheirallah:

Good morning. I will flip through the presentation starting with slide number two, where we show the launches of the quarter. We launched R$189 million in new developments in São Paulo: Reserva Manacá and Bosque Araucária, belonging to Jardim das Perdizes, our JV with Tecnisa, and Vila Nova Sabará, a JV we have with Rossi. In Rio de Janeiro we launched an additional phase of Carioca Residencial, a partnership we have with Cyrela.

In the month of October we already launched an additional R$539 million, R$356 million of which belonging to the corporate and commercial center The City, in Barra da Tijuca, and Expert Suites, also in Rio de Janeiro, in addition to a land block development called Buona Vitta, in Ribeirão Preto, São Paulo State.

It is important to note that all launches are from 2013 onwards, despite still having a small weight on the overall results, carrying the minimum with a gross margin of approximately 37%.

Next slide, number three, the recalled projects. In spite of our efforts in launching projects which have not yet broken ground, through the new risk return criteria we canceled 19 projects, which we had indicated previously.

The impacts of this decision were as follows: first, R$60 million of an accounting impact; second, R$62 million reduction in backlog gross profit; third, R$413 million reduction in inventory at market value; fourth, R$36 million cash disbursements for canceled sales compensation; and fifth, R$420 million reduction in costs to be incurred.

In addition, we had a write-off for eight projects canceled in 2011, with PSV of approximately R$226 million, an accounting impact of R$6.8 million on our P&L, a reduction of less than R$1 million in our gross profit backlog, and a reduction of R$153 million on our cost to be incurred.

We still have five projects under current recall analysis, representing a PSV of R$250 million. On a conservative scenario, if it were all to be canceled, the impact will be as follows: a cash disbursement of R$11 million, and a reduction of R$200 million of our costs to be incurred.

This cancelations, despite the accounting loss generate in the short term, reaffirm our long term deal on financial and operational discipline, and further diminishes the execution of complexity of our legacy projects.

Flipping to slide number four, the 3Q gross sales totaled R$813 million, combined to the new credit policy established earlier this year. Year to date, gross sales stand at R$2.7 billion, R$1.7 billion of which being inventory sales, and R$1 billion in new launches.

The month of July was particularly affected by the new credit policy transition, with sales of only R$200 million. During the months of August and September, we were able to recover the expected average sales pace of R$300 million per month.

On the next slide we show the resale of canceled units. Concentration of canceled sales early in the quarter gave the sales team more time to resell units, different from the previous quarter, when the cancelations were concentrated in the last weeks of June. Therefore, the percentage of units resold in the quarter was around 30%, compared to the previous quarter at 20%.

Most importantly, in line with the 2Q data, the profile of canceled units is fairly attractive, with 90% of total units in development with more than 60% sold. The evidence of such attractiveness can be seen on the following slide, where we present the 12 month resale curve.

This curve should be aging of the unit resale process, allowing the visualization of the resale's speed of getting volume and cancelled units along time.

On the next slide, number seven, speed of sales, the sales speeded of the last 12 months was 33%. The drop occurred due to the high volume of canceled units during this quarter.

Towards to normalize the amount of canceled units by our 12 months average, the sales speed would have been 38%. The R$154 million inventory increase in the 3Q is due to inventory adjustment to market value, and canceled sales goodwill.

On slide number eight, on the de-risk panel, and this is a very important one, the execution of de-risking continues to progress according to management's expectations. From July to September we finalized works on 3,257 units, totaling 23,903 units for the year, 92% of the midway point of our expected total for the year, with current and backlog margins in line, reinforcing our budget review of the last year.

Second, we obtained occupancy permits for 30 projects, or 5,888 units, and R$1 billion in potential sales value. Year to date we have obtained permits for 66 projects, 13,000 units, and R$2.5 billion in PSV.

And third, we accelerate the individualization, with 6,369 units on the quarter, which sums up to the 10,328 for the 1H, and a total of 16,697 for the year, 57% of the expected for the full year.

In the next slide, number nine, the net debt by the end of the quarter reached R$7 billion, with the increase of the project finance portion SFH to R$3.8 billion, right along our goal of increasing focus in project finance participation on the total indebtedness of the Company.

Variations between corporate debt and CCB and CC obligations are mostly reclassifications to better account for the nature of these debts.

The next slide, net account receivables, the end of the quarter saw a total of R$8.2 billion in net receivables. During the 9M13 we increased our net receivables by R$937 million, and net debt in similar fashion, by about R$1 billion.

It is important to note that the reduction in costs to be incurred of R$3.1 billion year to date, and the increase in partners finance indebtedness as a proportion of the total. From the R$750 million new debt that we acquired this year, R$600 million, or 80% came from project finance.

On the next slide, backlog results, the backlog margins continue its upward movement, with the completion of older vintage lower margin developments from 27% in the beginning of the year to the current 28.7%, a 1.8 p.p. gain. The way of the 2013 projects, with average gross margins of 36.7%, are within the new established return metrics on overall results, but still continues to be a marginal of contribution to the P&L.

At last, on the final slide, the performance of P&L, in 3Q we saw the following two main sources of non-recurring adjustments: first, R$67 million referring to the recall projects, mentioned previously during the presentation; and the mark to market of the PDG R811, part of the the 2012 capital increase convertible issue, which generate a R$25 million financial revenue for the quarter.

With that I turn back to Piani to present the incentive plan.

Carlos Piani:

Thanks, Kheirallah. In the last board meeting of the Company, the Board approved the new long-term incentive plan for PDG. This was the last piece of the compensation scheme that we were missing, and now it is approved and we should take it to the shareholders assembly.

The objective of this plan is to offer PDG's executives the opportunity to become shareholders of the Company, exposing them to the risks of the business as well. The plan will be pay on the share options model, consisting of a grant of options, which gives each beneficiary the right to purchase shares of the Company with their own resources, at predetermined prices, terms and conditions.

The option granted will be non-transferable, and cannot be exercised in the event of termination during the investment period. Plan's participants are prohibited for entering into derivative financial instruments linked or related to their own option.

We will have two plans, and the first one is described on page 14. The general point is that 25% of the option will be exercised after two years from the date of the grant, up to 40% of the options may be exercised after three years, up to 70% of the options may be exercised after the fourth year, and the rest of the options, 100%, after the fifth year.

Trading restrictions will occur. There will be a lockup for one year after the exercise of the options, and concept is the following: if the beneficiary does not have the capital to exercise the options, he may sell the shares sufficient to pay the exercise plus the taxes implicit in that transaction. Besides that, there is a restriction for one full year.

The maximum exercise period will be six years from the grab date. The exercise price will be the weighted average price of the shares on the last 60 days preceding the grant date. There will be no correction on the price. The maximum dilution will be of 80% in both plans, fund one and fund two.

We expect to allocate on this first grab, in plan one and plan two, on a consolidated basis, 60.5%, and we expect to allocate on this first grab around 45 people.

On the next page, we describes a little bit better how the plan will work. On this first program of the first plan, the grant will occur until the end of 2013. There will be no options to do that thing in 2013 and 2014. 20% of the options will be in 2015, 20% in

2016, 30% in 2017, and 30% in 2018. The beneficiaries will have until 2019 to exercise the beneficiary options.

It is worth highlighting again that, after the exercise of the option, the beneficiary will have a lockup of a year to sell his shares.

On the following page we describe plan two. The second plan has the same characteristics of the first: the beneficiaries in this moment will be myself, the CEO of the Company, and Kheirallah, the CFO. 50% of the options that are going to be granted to us must come from this second plan.

To be entitled of the participate, we will need to purchase shares equivalent to 100% of our bonus, net of taxes. If we do not purchase shares, we will not be entitled of the options.

The shares that are going to be purchased are going to be restricted from sales for the next five years. We will only be able to sell these shares after 2018, and we will need to buy these shares at market prices.

We will take these two plans to the shareholders assembly. If approved, we will have another board of directors meeting to approve the list of beneficiaries, and their allocation in the grab. We expected to conclude this process before the yearend.

With this, I conclude the long term incentive plan description, and now I would like to turn over to the Q&A section.

Jason Mullin, Goldman Sachs:

Hello everyone. I have two questions. My first is related to the title in process, and how that it is going. Now so far this year you showed almost 16,700 units were titled, and you obviously had a target that you talked about, between 32,000 and 36,000. Maybe you can talk about what is holding this up, or what are the bottlenecks, and how do you see this process going forward.

Second question is related to your budget in revisions and process. It is quite positive that it seems that your budget has been accurate, and we see no cost overrun as of late. If you can talk about how that is going, is it very much in line, or are you very conservative in your actually bidding the budget, or are things going as you had previously expected? Thank you.

Marcos Kheirallah:

I will take the first question, and I will leave Piani for the second one. As you know, this is not a linear process. We are very much focused, we identified some gaps in the whole entitlement process, and in the last quarter we mentioned that in the conference call, that we were behind schedule.

With the new focus, and some small adjustments that we did internally, we were able to pick up the pace, that is why we had a higher pace in the 3Q, and we would expect that pace to continue to pick up.

It is a pretty challenging goal for the last quarter of the year. We are still working on trying to get there, but we still have two months left to go. I am not going to guarantee that we are going to do it, but we are definitely running in a much better and faster process than we were six months ago.

Jason Mullin:

Where is the bottleneck, and what can be improved? What have you been improving on?

Marcos Kheirallah:

There are external issues and internal issues. Internal, it is just a matter of process, having the process straight lined, and all the parties, engineering, legal, development, finance, accounting, taxes, all sort of inputs that go through this process, and documents, and permits that we have to have aligned in order to get the entitlement.

I would say that the internal side of the equation is pretty much solved, and again, running very fluidly right now. That part I think we got it easier, because it depends only on us.

Externally, we were talking with permit departments and mayors, we were talking with notaries, with registers. It is all sort of bureaucracy in Brazil that you cannot really control. You try to put pressure by being there all the time, but it is really less predictable, and then we would like to be quite honest with you. That is what I can tell you. We are doing the best we can.

Carlos Piani:

Regarding the second question, we are not conservative, I think we had the best estimate at the time. Until now, we have been able to execute in line with our forecast. I think price pressures are lower than what we expected at the beginning of the year.

If you carve out Rio de Janeiro, where we have a lot of events, like the World Cup and the Olympics, I think we have a little bit more price pressure in supplies, and other inputs. All the other regions are less heated than we expected at the beginning of the year.

But I think overall we are there, we are still very focused to execute the remaining legacy projects that we have at budget. So I think we have been successful up to now, and depending on our work we need to keep the pace to deliver. But we are still optimistic regarding costs in our way.

Jason Mullin:

Thank you very much.

Participant, GBM:

Good morning. My question is related to debt amortization that you guys talked about. If I am correct, you guys have an obligation for R$1.4 billion in the next 15 months. Could you tell us how much of that is corporate debt and how much is credit finance, and what is the plan to assume these obligations? Are you guys going to do that through the operations or we are expecting some additives or some other measures to take place?

Marcos Kheirallah:

It is all corporate debt. It is all corporate debt. This is not a part of finance debt so that maturity of the corporate debt - number one.

Number two, I would say it is partially funded with the cash flow from operations which will going to be positive, significantly positive next year, and second rollovers with banks. I mean, I have been able to rollover that with banks so far and continue to be optimistic about that.

But third and as important as it, that is a primer focus of this year to get the project financing to substitute corporate debt. It is a cheaper debt, it is the better structure in terms of assets liability and duration matching, and we still have a very strong pipeline of project finance to be contracted and inbursed and part of this funding is going to be used all over that corporate debt.

Overtime you should see the portion of more projects financing increasing the total of the indebtedness and the corporate debt to decrease. So that is essentially the strategy that has been so far and continues to be moving forward.

Participant:

So just to get a clear sense of how you are going to figure that, are you are going to get project financing to replay to repay the corporate debt? Is that correct?

Marcos Kheirallah:

We are going to rollover the debt in some circumstance; we are going to use cash from operations and from the balance sheet and we are going to acquire project financing. So those three sources of funds: so rollover, project finance and cash from operations.

Carlos Piani:

It is important to highlight that when we did the adjustment on the budgets of the works and we opened some space to supplement the project financing of some of the existing projects. Most of this has already been done, but we still have some room moving forward. So this additional project finance will generate some excess financing that can be used now in the project level but also to pay down corporate debt.

Participant:

Ok, just to summarize my questions. Could you tell us what kind of interest rates are you guys getting? Are you seeing an increasing interest rates or pretty much stable?

Marcos Kheirallah:

I would say, first of all interest rates in Brazil in the past 6 months have gone up substantially between 200 and 300 b.p. So obviously the new debt that we incurred has that puck up in the base rates and some marginal increase in the spread over from our corporate debt, but just marginal on the corporate, most importantly the increase in the base rate.

Participant:

OK. Thank you.

Operator:

As we have no further questions this concludes the question and answer session. At this time I would like to turn the floor back to Mr. Carlos Piani for any closing remarks.

Carlos Piani:

Finalizing I would like to first reinforce our commitment to delivering the superior value to our shareholders throughout outstanding operational and financial performance. Again, we are very confident about the measures that we are taking and about huge potential to reach outstanding improvements and generate long-term value to shareholders and turn PDG once again in one of the best building companies in Brazil. Thank you again for attending our 3Q conference call, and have a nice day.

Operator:

Thank you. This concludes today´s PDG 3Q13 results conference call. You may disconnect your lines at this time.

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