Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to PDG's 2012 results conference call. Today with us, we have Mr. Carlos Piani, CEO, Mr. Marco Kheirallah, CFO, Mr. Guido Prestes Lemos, IR Officer, and Mr. Renato Barboza, IR Manager.

We would like to inform you that this event is recorded and all participants will be in 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 team at ri@pdg.com.br.

Today's live webcast, including both audio and slideshow, 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 Safe Harbor 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 Carlos Piani, who will begin the presentation. Mr. Piani, you may begin your conference.

Carlos Piani:

Thank you. Good morning, everyone. First of all, I would like to thank you all for joining us on our 4Q12 conference call. I would like to highlight that the presentation is being uploaded as we speak, and in a couple more minutes you will have the presentation.

As probably all of you are aware, the 4Q results include relevant non-recurring adjustments that will present a shorter presentation to leave more time for the Q&A session. As for our agenda for today, I will start describing the main highlights of our business plan. Afterwards, I will follow with an overview of the improvement of the construction work management and budgeting offices that was done during the quarter. After that, Marco Kheirallah, our CFO, will discuss the cash flow generation. After Kheirallah's presentation, we will move on to the Q&A session.

Moving to the presentation, I would like to start with our understanding of the Company's previous positioning. Since its foundation, PDG's growth has been based on acquisition and, like other developers, geographic expansion. From 2006 to 2011, PDG acquired many companies and established partnerships and joint ventures to access new markets. With these transactions, between 2006 and 2011 PDG quickly, became a market leader, and a national company with operations in all Brazilian regions. And in launches, values grew 30 fold from R$300 million to R$9 billion, and our land bank grew 13 fold, from R$2 billion to R$27 billion. In total, the incorporation of our acquisitions was lower than the growth of our launches, chiefly due to the structure under which we purchased these companies. As part of the acquisition price was paid based on future performance, until 2011 the unification was restricted to support activities, leaving the previous controllers responsible for the teams and businesses. And on this scenario, the key function of PDG's management was overseeing activities of the subsidiaries, obtaining necessary financing for group activities, and Investor Relations.

In August of 2012, the previous management recognized the Company had grown beyond market capacity, reducing average launch guidance for the year from R$8.5 billion to R$4.5 billion. It also became clear that the Company's structure was not in accordance with the new degree of complexity was a roughly R$480 million budget review on the 2Q.

Moving to the next page, after assuming the role as Chief Executive in September 2012, with the support of the Board of Directors I began an in-depth review of PDG's strategy, operations, and finance to find strengths and weaknesses within the Company and its position in the real estate market to identify necessary changes to maximize value generation for shareholders. This project generated the following strategic guidelines for the Company: first, reduction on PDG's geographic footprint from 17 to ten major regions; second, concentration of efforts in the low- and mid-income segments, with occasional incursions into the high-income bracket, which should represent roughly between 80% to 85% of new launches; third, complementary operations in the commercial land parceling and My Home, My Life segments, which represents between 15% to 20% new launches. In the last quarter we made private lines approval criteria stricter, analyzing them with the new strategy, reducing the pace of new launches. With this, we reached R$1.7 billion liquid launches projects in 2012. We also reviewed our client cancellation policy and the feasibility of all projects that have been launched but were not still under construction.

As a result, we accelerated liquid cancellation and discontinued projects that we thought would not deliver a minimum profitability given the risk. Total cancellations and project discontinuations reached R$475 million and cancellations reached R$1.4 billion in 2012, but I want to point out that project discontinuations are one-off events and current cancellations have brought excellent resales at good prices.

It is also worth mentioning that during the diagnostic stage, we became very optimistic with our Rio de Janeiro unit and the land parceling segment. Both have excellent new business prospects in the short term, which will lead to have a larger share of our launches already in 2013. This diagnosis also started to identify the key operating pillars necessary to provide the Company with the management capacity to execute the strategy and reach its goals. These goals are: first, development of a unique culture through total integration of the acquired companies, clearly focused on profitability and cost control; second, organizational restructuring, addition of key personnel, and redefinition of compensation schemes; third, structuring our regional operations into business units; fourth, enhanced

construction budget management processing; and lastly, redesign of other macro processes.
Now, I would like to move to slide five, the objectives vis-à-vis new strategic directors and operating models we created a three-year plan. By 2015 we hope to have consolidated our new organization process and should be able to sustainly and continuously launch between R$5 billion and R$6 billion per year. In this environment, we will seek return on equity of 20% per year by selecting fewer projects with higher average returns, more efficient operations, and better applications of our assets.

On the next slide, we go over people issue. With this new strategy, we have revalidated our mission, vision, and values, changed our organizational structure, bringing in new talents and promoting existing personnel. The new structure considers full integrated operations with targets that are linked across all business units, allowing for significant cost cutting over time. To occupy these new positions, we look for internal talents, such as Natalia Pires, who has more than 15 years of experience in the industry and became our head councilor, and also brought other experienced professionals from the market, such as Antonio Guedes, who has been with Cyrela and Gafisa to serve as Chief Operating Officer, Luciana Domagala, who has experience in Gerdau and Claro, as Chief Management Officer, and Valdir Sobrinho, as Head of Shared Services.

We have already redesigned our short-term compensation structure scheme and are working on a long-term incentive model to find leadership with the Company's long-term success. We hope to present and approve the new long-term incentive model some time in the 1H13. It is also worth mentioning that we work with our affiliate companies during this quarter. Since the results in March, we were able to access Thiago Lima as CEO of our affiliate company named REP. Mr. Lima is a civil engineer with nearly 13 years of experience in the local real estate market and was most recently Development Director at BR Malls, where he worked for over seven years. Previously, he worked at Multiplan during the company's pre-IPO stage. We believe that Thiago has an ideal profile to lead our operations with enormous success.

Moving to the next slide, we describe our evolution over the next three years. We will both reposition period in which we will adjust our position in terms of geography, assets distribution and segments to become adherent to our strategic plan. During this period, new launches were well in line with the improvement of our operational capacity and the new opportunities. We will focus on delivering the units under construction, selling our inventory, and increasing our cash flow generation. We do not expect to meet our ROE goal until we deliver most of the works that were revised during this quarter.

Now, I would like to move to slide nine, where we will describe the refinement of our budgeting and overall accounting processing. One of the pillars of the new operating model is the improvement of the construction works management and budgeting processing. The new management has decided to review controls and budget for all construction works in order to enhance the accuracy of decisions despite the work carried out by previous management team. The purpose of that work was to have an updated view of costs being incurred by revising the construction works of partnerships, evaluating and replacing the contracted construction companies in outsourced construction works, evaluating the construction works of the My House, My Life program, solving issues with the Government, tenderizing a new improvement for the budget of existing construction works, and lastly implementing new supervision of processes.

As a result of this review, the following decisions were made: three partnerships were terminated, some outsourced construction teams were replaced with our own teams, instruments of conduct adjustment or other instruments were executed with Government agencies regarding the necessary compensation for the execution of the development projects, the leading team responsible for My House, My Life project was replaced, the management office was reporting directly 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 project is being analyzed by external advisors, low detail budget is required for the execution of existing construction works and for new projects, 100% of the construction works were revised, and 86% of the budgets were improved, based on new guidelines of material cost, work force improvement, and environmental requirements, and the completion deadlines. And lastly, payment policies became stricter for construction work costs, with cost controls involving the Executive Board and the CEO.

On the next page we see that the conclusion of this work, it is important that no change or improvement was embedded on the construction work process and for the acquisition of input and services. This will be attained after the implementation of the new management model. Therefore, we believe that a conservative value has been determined for the completion of the ongoing works, and we do not expect it to be further reviewed.

The consolidation value for budget complementation was estimated R$1.4 billion, which represented 11% of the outstanding budget for all asset works. But only R$1.1 billion of this growth will impact the results of the 4Q12.

Additionally, this is the revision and changes in the tax legislation, a consolidated amount was added to the maintenance guarantee and technical assistance provision, to cover possible fines for deliver delays, losses in ongoing development projects, and reversal of the deferred tax in the amount of R$139 million.

The improvement of our construction work cost estimate processes has also resulted in another adjustment to our financial statements. There was a reduction in assets that did not generate cash, consisting mainly of the impairment of goodwill and the acquisition of Agre and TGLT, deferred tax assets, expenses with discontinued projects, those areas of financial liability of convertible debentures, therefore creating the capitalization process last year, under the IFRS growth. And all of this totaled R$367 million.

The 4Q12 results were impacted by all action. In some, the net loss was increased by R$1.6 billion of non-recurring expenses based on this restructuring process. These actions impacted in a relevant way our 2012 possibilities, but did not impact our liquidity.

On the next slide, some actions that were already taken. The management team and the Board of Directors are taking these results seriously and already defined a plan of action to avoid new adjustments and revisions. Regarding the organization structure, we decided to create a corporate structure, responsible for key decision-making and support of its own business units with equal operating guidelines.

We created the COO position with the objective of leading development and engineering both corporate and regional level, we unified the pre-existing engineering structure, leveling development and engineering hierarchy. We changed the whole My House, My Life management team, we created the PMO office, responsible for data mining analysis, especially of ongoing projects, as well as partnerships performance. Budgets will now carry specific quality methods.

Regarding partnerships, we also decided to use them solely to complement Company skills. Our future growth will be mainly organic. Partnerships will be delegated through technical, financial, and reputational due diligence. We will tenderize to standardize the contracts and we will rebalance the proportion between own and third-party construction team. Regarding the planning, controls, and validating processing, we decided to improve collaboration between regional business units, headquarters, and back office, where responsibilities were split as follows. Regional units will be responsible for origination and execution of the projects, corporate headquarters will be responsible for feasibility approval, and the back office will support execution at the regional level.

We conducted a critical analysis for the market in alignment with the position that we define as a business plan, and we are proposing for all municipalities to avoid additional infrastructural demand not always included in the initial design.

We expect that with the adoption of these measures we will not incur in new adjustments. Besides that we believe that these measures will facilitate the identification of potential improvements and gains regarding the revised budgets.

Now I would like to pass the line to Kheirallah, who will go over our cash generation.

Marco Kheirallah:

Good morning, everyone. During the 4Q12, we had the variation of adjusted net debt of R$361 million, basically explained by R$40 million positive operating cash flow and a net financial expense of R$275 million. Throughout the quarter we conducted a CCB fundraising of R$150 million with Banco do Brasil, for four-years term, to extend maturities and extend the debt profile.

As Piani explained, the cash flow and debt management are priorities of 2013 and ongoing years, with a main target addressed to all areas of the Company. With that in sight, within the financial structure, there are some goals and some developments that we have implemented. The first of them is with relation to credit transfer. We continue to improve the credit transfer activities and registration process, starting a project with the Falconi consultancy firm in order to shorten the cycle timeline and increase productivity. We had an improvement already in 2012 with credit transfer conversion reaching 70% excess rate as opposed to 57% in the previous year.

Second, with regards to cancellation. As most of you know, the main figure in the cancellation is the inability of the buyer to be transferred to the banks. From the 9,992

cancellations occurred in 2012, which accounted for R$1.422 billion, 67% of R$952 million occurred for that reason. At the same time and positively, we resold 75% of the total cancelled units within the same year, with an average selling price 70% higher than the canceled value.
Given the relevance of this issue for our cash end result it took two decisions. First, we have established a committee to actively manage cancellations taking into consideration financial, legal, and commercial matters. The purpose of this committee is to prioritize the cancellations under these three approaches.

Second, the area of real estate credit is now also responsible for policy and credit approval at initial sign of the sale of the unit. With that we can improve our starting point by applying the credit transfer criteria of the banks from the initial purchase process, targeting a better starting base. With that we expect to improve our future and have a much higher conversion ratio moving forward.

The third thing is with relation to SG&A. We began what we call internally the Conectar project with the Gradus consultancy firm with an objective of adjusting the organizational structure of the new facility plan, and a key focus on cost reduction in process optimization.

The second is the budgeting process. We performed the first unified budgeting process in the Company, for operating and selling expenses, standardizing the chart of accounts and cost centers. We will have a much better cost control process and practice across the Company. We will plan and control debt from matrix management expense system.

With regard to the cash flow, we started the year 2013 with R$1.8 billion in cash, allowing funding our operating cash flow needs comfortably until the 4Q13, six months from now, when the operating cash flow is already balanced. We have R$1.2 billion on corporate debt maturing in 2013, 64% of that in the 1H13 and 36% in the 2H. From the R$800 million, which matures in the 1H, we have already rolled 77%, amortized 16%, and we are negotiating the remaining 8%. The R$445 million in maturities in the 2H are concentrated in four large institutions, banks, and we do not see major restrictions on the rollover.

Piani and I have met with the Company's major creditor banks, to preliminarily discuss our cash flow and our business plans. We had a very positive response from them and from everyone, translating objectively in proposals to increase project financing to fulfill the budget revisions. Additionally we are actively reviewing non-core assets and the land bank of the Company. We signed an MOU for the sale of a commercial building called Global Corporate for R$163 million. The settlement of this sale is scheduled for the 1H13.

According to the new strategic positioning, we are reviewing the entire land bank of the Company, which will result in sales, new purchases, and swaps. For example, so far we have received proposals and we are negotiating eight land lots for values significantly higher than the book value on our account. We will actively reposition our land bank with that in sight.

Finally and very importantly, 2014 will be a strong operating cash flow year, generating more than R$1.5 billion due to the completion of the works and the acceleration of the credit transfer process. For all of that we do not believe that an increase in capital of the Company is needed. We are confident and very optimistic that with the new management team and model, the definition of the strategic positioning, vote of confidence from investors and creditors, and especially from our employees, PDG is on the right track to regain relation, confidence in sector that we are all doing.

With that I will turn it back to Piani.

Carlos Piani:

Now we can move to the Q&A session.

Operator:

I am seeing no questions. This concludes the question and answer session. At this time I would like to turn the floor back over to Mr. Carlos Piani for any closing remarks.

Carlos Piani:

Thank you. To finalize, we would first like to reinforce our commitment to delivering superior value to our shareholders through outstanding operating and financial performance. Despite the short period in the Company, we are really confident about the huge potential to reach outstanding improvements and generate long-term value to shareholders and turn PDG again the best homebuilding company in Brazil.

Thank you again for attending our 4Q12 conference call, and have a nice day.

Operator:

Thank you. This concludes today's PDG 2012 results conference call. You may disconnect your lines at this time.