

Operator:

Good afternoon, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to the PDG Realty 2Q07 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 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 a listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a Q&A section. 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:

OK. Thanks. Hi everybody. How are you? Thanks again for joining us in this 2Q results conference. We are very happy with the results of the Company. I think that as time goes by more and more we will be able to show that our business model and our strategy has been working quite well and that we have been able to deliver the expected or even above expected growth in our activities and more importantly, we are keeping our sales speed very high and our margins also high above the average of the industry here in Brazil.

I will go through the highlights of the 2Q before passing to Michel that will go through the conference with you. Potential sales volume launched of almost R\$500 million, the total volume for projects that we participated in the quarter, of which R\$230 million is PDG pro rata, accumulating for the 1H R\$375 million of our launching, PDG pro rata.

From the units launch on the 2Q only 57% were already sold at this moment. And from the units launched in the 1H, more than 60% of the total was already sold. We have been able to launch 21 projects, a total of 2,570 units. 88% of the residential units launched in the quarter were projects in the middle and mid-low income segments following our strategy and this strategy has been proving very efficient so far. This segment of the market is really very attractive and our expertise in that segment through Goldfarb and also through co-developments has been proving itself very well.

Net revenue for the quarter of R\$124 million, up 95% from 2Q06. EBITDA in the quarter reached R\$36.2 million, with 29.1% margin, 130% higher than the 2Q06. In terms of land bank, even though we have been launching very well and being revising our launching guidance for the year three times already since the IPO, we have been able to acquire size faster than that pace, and our land bank pro rata reached R\$3.3 billion nowadays, distributed across 159 projects.

Again, following the same strategy of not depending a lot of any given projects and avoiding the competition for big size and avoiding the hassle of problems in the approval also in the big, big size, with 78% of the residential potential sales volume of the land bank concentrated in the middle and mid-low income segments.

And another novelty, let us say, in order to keep our transparency and keep, let us say, giving you as much as possible information about our activities, we started this quarter to present together with our MD&A, a separate presentation for Goldfarb's earnings and activity in the quarter attach to ours, so you can follow separately Goldfarb activity.

Recent events for the Company. We did a partnership in Rio de Janeiro, through CHL, with Pinto de Almeida Engenharia, a very traditional leading company in the city of Niterói, in front of Rio, the second largest and more active market in the Rio Janeiro state. We are very optimistic with this partnership to generate new projects for CHL in Niterói.

We completed the sale of our stake in Patrimóvel, the real estate brokerage company that we acquired together with Gulf Investimentos, a very profitable deal by the way, and we'll talk about later our strategy in the real estate brokerage segment. We will comment on that, but the deal itself was very profitable.

We did a partnership directly PDG with Construtora Abaurre, in the state of Espírito Santo, that is a new area of operations that we will be starting to launch probably before the year ends. This partnership was done by PDG and this local partner and we will also bring Goldfarb to the project, in case the projects are in the middle or mid-low income segments, which is the case of the first two sites that we acquired up to now.

Another partnership was done between CHL and a company called Estrutura, for the development of land parceling in the northern area of the Rio de Janeiro State, where there has been a lot of development in the area related to the petrochemical industry, a lot of investment going on in that area.

Another important thing that happened recently in the Company was completing the issues of the R\$250 million non-convertible debentures. We were really very good on the timing for that, and we were able to close the deal in a very good cost for the Company.

Even though we have not so far finalized to invest the money raised in the IPO, we anticipated that, we would probably need more money for new investments as the opportunities are appearing very well for us. So, we decided to go for the debentures, anticipating that probably by the year ends, we will be finalizing to invest all the money from the IPO.

And last, we finalized the approval of the issue of new shares, in order to finalize the deals we did to increase our stake in CHL, from 40% to 50%, and in Goldfarb, from 57.5% to 70%, the two important deals for the Company, and those two companies are operating quite well and we understand those deals were very accretive for PDG.

Now I will let you with Michel that will go through the operational performance of the Company and I will be back later on the Q&A session.

Michel Wurman:

Hi, everybody, thank you for your time too. So, let us go to page five, this slide shows the operational performance of the launches. As Grabowsky said, the 2Q we launched R\$230 million on the PDG stake, and in the 1H07 we finalized with R\$375 million, roughly 35% of our part for the year.

In the 3Q07, we will be probably doing something from R\$200 million to R\$400 million in new launches, having the last quarter of the year in a very good pace and comfortable pace for the Company.

More important in the money part in the PDG launches is the number of projects that we launched and the total number of units. This shows again the opportunity that we have in our business model, the opportunity that we have to launch several projects at the same time.

Probably we were the Company in the market with the ability to launch more projects in the 1H07. So far we participated in 35 different projects and we launched 4,200 units over the quarter with the majority stake, in the next page as we can see, 88% with the focus on the mid-low income in the 2Q07, something around 70% with the 1H07 results.

It is important to highlight that right now, probably we are the first or the second largest mid-low income operator company in the country, and we will continue to have this pace of having some 70% to 80% of our launches in this segment. As we will see later in the presentation, the performance and the sales performance has been very good in this segment.

We can go straight to the page eight. As I said before, all of the projects that we launched in the 2Q07, so far we sold 57% and the total projects that we launched in the 1H07 so far, we sold 52% of the projects. I believe this is the higher average of the industry as we will be seeing over this night, the industry is doing something around 30% to 40% of the launches were sold during the 1H07.

And I believe the main difference is the segment that we target that is the mid-low, that is performing very well and more than that, as well we can see the difference on credit and the cash volume values of the Brazilian buyers.

In the next page, our total contracted sales were also very high, all the time high in our results, for sure as we continued to grow this will not be as higher. But so far, it was R\$534 million and our stake was R\$224 million.

In the next two pages, in the page 10 and 11, we see some of the best projects that launched in the 2Q, out of the 21 that we launched, we once highlighted eight of them. And I do not want to mention each one separately, but the most important message is that, as credit is coming to the lower class, we have been able to increase and speed up our sales and our revenue speed.

Now we can go straight to page 12. We have a breakdown and something that we are targeting very close and very tight are the sales performance, and something that we have been able to do to is to increase price in the mid-low income strategy, something that was not in our original business plan. But, as we have been able to sell very fast, we have been also able to increase their prices and we can see by that in the metrics.

Another important point again, in the page 13, is breaking the operational performance in the sales, as time passes we are gaining more efficiency and why? We have been tracking very tight the sales speed of our projects. So, again, so far we have been able to sell 60% of the total projects launched in 2007.

And I want to go through this page a little bit. Out of the projects that we launched in 2003, that the buildings are done, we have been able to sell 99% of that. And in 2004, some of these projects we are delivering right now, we have less than less than 5% of inventory. And in 2005, the majority of the projects of 2005, they will be delivered in the 1H08, so far we have sold 88%. In 2006, most of the projects are in the beginning of the construction right now and we have 80% sold so far. And for 2007, that is only pre sales, we build 0% up to now, we have roughly 60% sold so far.

I think that probably these are the best metrics of the industry and we can be very confident that we will continue to be very tight with the revenues speed of our projects.

In the next page, we can see the land bank. So far we have R\$3.3 billion in net land bank that we divided between 159 projects. This is something around 2 to 2.5 years of net operation for PDG, and our target is to have 2.5 to 3 years of net operation.

We are very confident with the land bank and we have been able to buy more land banks then we have the ability to launch. Why? The strategy of trying to acquire mid-sized projects, as we can see in the next page, so far has been very successful and we believe that we will continue to have that ability to do that.

In the page 15, it is another way to see our land bank, so we have two axis. The first axis you can see the size of the project, so you can see a very huge concentration in the project around R\$20 million to R\$30 million, all pro rata, on potential sales volume.

And then you can see the average per year per project, so you can see again a strong concentration in this R\$2 thousand to R\$3 thousand the m². That shows the main difference from our results, that is the main explanation from our vision compared to the other companies.

We have several projects at the same segment, we have multiple ability to launch different projects and very spread. So, approvals, municipal permits and things like that, so far they are not a big problems for us because our land bank is very predictable in the management of the land bank.

In the page 16, I think we have best numbers from the whole presentation. The EBITDA number of the quarter was R\$36.2 million and the most important part was the margin, 29%. Again, one of the highest in the industry, and we have two explanations for that and why we believe that we can continue to have higher margins in the average.

The first one we have been tracking very tight the revenues and the sales, and the second one, the G&A. We are not letting the G&A grow a lot in our projects, and in PDG level, also in the Company level. A very high speed of revenues, of sales, so low G&A makes us have a higher EBITDA margin in the average industry.

And this is probably the most important point of PDG, like we are launching and the most important part we are targeting profits, we are not targeting launches, although we have been able to launch a little better than our original business plan.

In the next page, in the page 17, we have again our guidance, so this is the third time that we revised it. This year, we will probably be going from R\$1.05 billion to R\$1.2 billion, we are targeting the middle of this average, and for next year we will be doing from R\$1.5 billion to R\$1.7 billion. On both years, we are very confident on the numbers, they are already in home.

In the page 18, again you can see our business model, how we see each segment and each partnership and co-investment model. Then in the page 19, I want to just give some highlights of the Goldfarb's numbers and it is important to, I just want to mention that in our MD&A, that is in our website, we have a complete MD&A from PDG, and in the last pages, we also have four pages about Goldfarb numbers that is something that overtime we will continue to do that and try to show the market Goldfarb as a separate company.

Regarding Goldfarb, our EBITDA numbers were R\$12.6 million in this quarter, this more than 300% better than the same period of last year. And one very important metric is the EBITDA margin that grew from 12% to 23% within one quarter.

We believe that we can also gain more efficiency within the next quarter, so probably we will be watching higher margin than 23% in this segment. Why? So far we have been able to increase prices in this segment, something that was not in our business plan. For sure, as Grabowsky said, scale is very important to get that kind of efficiency.

In page 19, you have the operational highlights. Goldfarb alone is growing very well, in a very healthy situation. So far, we are launching in Sao Paulo municipality and all the neighborhood in the Sao Paulo state. By the last quarter of this year, probably we will be launching some in Espírito Santo. And for next year, it will be Sao Paulo, Espírito Santo and Rio de Janeiro fully operational. We are also starting to find new areas to go with the Goldfarb platform to new markets.

In the next page, you can see the share performance and some final remarks. Again, just to highlight our business model, I believe that we have high flexibility and diversification compared to the average industry.

These can lead us to have higher margins because we have many management teams, we have lower costs and we can sell faster. We have the ability so far to hire

the best management team available. I think the majority of the performance so far has been proven by that.

We have the best persons in leading each project that we have in the street, and with our management expertise mainly in the organizational type and also in the cost ratio side. Again, I believe that the majority of the companies in the market are growing very well, but they are increasing a lot their G&A level. G&A for us is something that we have paying attention very tight to not increase that. We do not want to lose margins on G&A expenses.

José Antonio Grabowsky:

I think in general the results have shown that our partnership model has been working quite well. As we always say to you, we believe a lot that the management, the quality of the management in the end is what makes the difference in the results of the projects of the Company.

And as we have been paying a lot of attention to that, let us say, any new joint venture that we look for, first of all, the quality of the local partner that we look for is the most important thing for us, more than just, let us say, the entering in a new location. We want to make sure that we enter with the right hand operating in our favor.

So far we have been able to really put together the best possible management to operate in favor of PDG. And I think this strategy has been proving itself so far. We are very optimistic with the opportunities in the market going forward.

We believe that the big change that the mortgage financing is going to produce in the demand, in the level of operations in the residential segment, is just starting to appear, let us say, more and more we see a lot of activities, a lot of interest from all the major banks to create more efficient and more adequate product line, credit line for the buyers, we think that that is very healthy and very good for our activity.

And again, especially in the mid-low income segment, the credit lines are better, are more efficient and of course, let us say, the increase in the potential demand that they create is really where you see the most dramatic effect in terms of new potential demand that you create to the market.

So, I think we are open, ready for questions now, and I hope that you also like the results of the Company.

Guilherme Vilezente, UBS:

Hello, good afternoon. My question is regarding co-development. I just would like to have a color of how it is the broken down between the co-development to partners and with companies that are not subsidiaries. And if capital is still an important factor to attract middle market partners, you used to see growth from these not capitalized companies, if it is still taking place?

José Antonio Grabowsky:

OK. In terms of co-development, we still see a lot of opportunities, but as more or less you already anticipated, let us say, in the big cities like Sao Paulo and Rio, more and

more we are doing co-developments with our own companies with our own partners. Although we still have a lot of projects being launched in co-development.

As we go to other locations, that is where you see still more opportunities for doing co-development with the local companies, exactly like we did in the past, our strategy has always been starting through a joint venture on a project or on a collection of projects, to understand the partner, to make sure that we are doing ongoing due diligence with that partner to maybe in the future think about a more permanent investment in that location or with that partner.

Guilherme Vilezente:

OK. Thank you.

Gordon Lee, UBS:

Hey guys, good afternoon. A couple questions on Goldfarb actually. First, now that you are releasing the data separately, I was wondering if you could tell us what do you expect for PDG pro rata in terms of the Goldfarb's participation in total launches in 2007 and 2008.

And the second question also on Goldfarb is whether, obviously a lot of your competitors who have not really focused on this segment before are now focusing on it, and seems to be very bullish on it. I guess my question for you is whether at this stage you have been feeling any impact of increased competition for that segment and whether that is something that concerns you going forward. Thank you.

José Antonio Grabowsky:

Hi, Gordon. First regarding our pro rata of Goldfarb project, I would say from now on, most of the new launchings we, besides having our 70% stake on the company, we also have co-development 50-50 with the company, which makes our total stake on the results of the projects go up to 85%, and I would say for the majority of the land bank of Goldfarb today, that is the reality. OK?

So going forward 2007 and 2008, most of the projects we will benefit from 85% of the numbers. And the land bank only of Goldfarb as of today...

Michel Wurman:

Only Goldfarb is R\$1.2 billion and the total land bank today is R\$2.2 billion. The majority of this difference of R\$1 billion belongs to PDG alone.

José Antonio Grabowsky:

Yes, 19,446 units spread in 63 different projects. And, answering more or less your second question, we have been very efficient in Goldfarb to acquire new sites, again in the same strategy in general as in PDG, diversifying the risk, spreading the projects in many sites and not concentrating in one big site.

But as you mentioned, let us say, a lot of the capitalized companies are now trying to focus on the mid or low-income segments. Everybody understood the potential of this

market, and of course, there is some competition, especially again in Sao Paulo capital, and that is why we kind of anticipated that and Goldfarb invested a lot in the countryside of Sao Paulo.

Since last year in acquiring sites, we already launched in those other cities and now in Rio and Espírito Santo. But especially in Sao Paulo we have seen some competition from the other companies, although our vision in that regards, I would say has two components.

First one, the market is good and big enough for many players. Of course we would rather have no competition, that is obvious. But the market is good enough for many companies to operate.

Secondly, although it seems natural and easy for companies that used to operate in the middle-high income segments to just decide and go to the low income segment, we are quite confident that a lot of them will have big difficulty, the learning curve will be tough long, because it is really a different market.

If you want to really be a homebuilder, like Goldfarb, coming from a company that is a project company, accustomed to do three, four, five projects per year, and decide that they will learn about the middle income segment is not very easy. So, we are very confident that we will probably keep growing its growth pattern without a problem.

Michel Wurman:

Probably, in some of the results that were released by some companies in the market right now, you start to see these kinds of companies that were used to do mid, mid-high and decide to go to the mid-low and having problem on sales in the mid-low. And actually the mid-low, if you are able to do the right project in the right place, you should sell everything as the market as it is today with the credit lines. If you are not selling in these segments, it is probably that you do not have expertise on that segment.

And in the other hand, if you are selling well and not having margins, you are also having some problems to learn to how to operate in this segment. That is why we decided to concentrate our operations in this segment a lot in Goldfarb.

And just in the Goldfarb for next year, the midpoint of Goldfarb is probably R\$1.2 billion of VGV launches and our pro rata stake plus the other co-developments with other companies that we have in the mid-low segment, that I mean units below R\$200 thousand per unit, you can consider that we will be doing from 70% to 80% of our next year guidance, that will be from R\$1.5 billion to R\$1.7 billion.

Gordon Lee:

Perfect. That was very clear. Thank you very much.

Verena Wachnitz, T Rowe Price:

Hi good afternoon. Congratulations on the strong results. I have two questions. The first is on the price increases that you mentioned in the mid-low and mid segment. Could you comment on the amount or the percentage that you are seeing and also is it only in that segment or are you also seeing some price increases mainly in the little

high or high end of the market where actually land prices especially in Sao Paulo is going up, so we should expect at some point that companies are taking pressure to increase prices. So, I am wondering what you are seeing there as well.

And then, the second is on, I wanted to know what percentage of the IPO proceeds you have invested so far, and if you could give us any sort of comments regarding what sort of investments you will see over the next quarters, and if we should see anything in the brokerage strategy, which you mentioned is still part of your strategy? Thank you.

José Antonio Grabowsky:

OK. Maybe in the middle of the answer, I will have to ask you to repeat the second part of that. Anyway, let us go. To start with the price increases, what we have been able to do, especially in the Goldfarb, as we launch a project and do a very close and tight follow-up with the sales, we kind of tagged the prices up as we achieved our benchmark of sales for the first week, for the first month, that type of thing. In general, I would say increases from 5% to 10% has been the typical increase for the successful project.

Michel Wurman:

Successful, I mean after we have been able to sell more than 30% in a very short-term period.

José Antonio Grabowsky:

We start to update the sales table. OK? So that is the first part. In other markets, what we are seeing is more general increases, in some cases with big increases, probably 20% or more, but regarding locations that were not considered very good locations and Sao Paulo is very typical for that industrial areas that are turning into residential areas.

As a big project start to appear in the areas, we see a big change in the level of prices for residential in that area. In a specific location, kind of a consolidated area for mid or middle-high, we are not seeing big increases or we are not seeing even the 5% or 10% increases in unit prices.

Michel Wurman:

The main issue here is that, when you have as low as you get with the unit price, the credit issue is more important. So, as you are more getting more years of next year's statement of your mortgage, of your total mortgage, we have been able to get some catch up in the price when that increases. So, credit is leading the prices increases than neighborhoods.

José Antonio Grabowsky:

And the increase has been much more seen in the low price regions or areas. That happens also in Rio, when talk about Barra da Tijuca and the surrounding areas. The traditional places, the traditional addresses are not seeing an increase in prices, but the surrounding areas are kind of catching up and the differences are getting smaller between the main roads and the surrounding areas.

The second question, regarding the brokerage business, that is a very good question. We see the segment as a very big opportunity. I think we have mentioned that before. I think some companies will feel a big problem in finding agendas for their launchings with the traditional existing brokers in the market today.

The market is growing very fast. Most of the companies are growing and the brokerage companies, in our opinion, will not be able to handle all that growth alone. So, we see a big opportunity for companies to increase their market share and to grow a lot the smaller real estate brokerage companies, especially in the big cities Sao Paulo, Rio, etc.

With that in mind we see a lot of opportunities, one of the business of the service sector regarding real estate is that we want to pay a lot of attention. We did a very good deal acquiring Patrimóvel together with people from Gulf Investimentos. The acquisition was at a very good price, and the idea was to include Patrimóvel in a bigger project that people from Gulf is developing, to acquire stakes through various companies throughout the country and create and a national chain. OK?

But the conversations with the owner of Patrimóvel to join that chain did not go too well. So, Gulf and I decided that in favor of the bigger project, it was better to resell Patrimóvel, to the original owner, of course, at a big premium, because we had acquired very well.

So, as we had maybe chances to sell to a third party and, let us say, in the market was clear that our original price was very cheap, we were able to sell for him at 100% profit as what we investment. It was a very good deal for a little time frame, but was not our original intention. But as the conversations with him to join the bigger project got impossible, we decided to do that.

Regarding the bigger project, Gulf is finalizing the acquisitions of stakes in various companies and we are discussing with them, we got a stake in that project, we will probably be finalizing these discussions before the end of the month and we will be announcing it, of course, to you as we finalize the deal with Gulf.

The idea is to join them in this project of creating a national chain of brokerage companies and if possible having the benefit of acquiring stakes as private equity deals and in the future, be able to do the IPO of this national chain and have a bigger jump in the evaluation.

But with a long term perspective, the idea is to keep our stakes in that chain for a mid-long term as we see a great opportunity of growth all around the country to both companies that Gulf is acquiring, especially because we feel in the project the same time of partnership that we are seeing very effective in the PDG model.

We will have the owners of the company, the founding partners of each of those brokerage companies still running the day-to-day of the companies, being totally aligned in terms of the interest with the future results of the company.

So, it is not that we are way out for those guys to make money and get out and retire. They will be locked up for long term as executives, as shareholders, so it is a long term business plan for the brokerage business that we are putting together with Gulf.

Verena Wachnitz:

All right, thanks. Can you remind me what percentage of the IPO predicted you have invested?

José Antonio Grabowsky:

I am sorry, I forgot that piece. So far, we have invested basically R\$300 million from the total of R\$450 million that we raised, and we have commitments to finish investing the R\$450 million by year end. That is why we anticipated and issued the debentures, so by year end, our net cash will be based under the R\$250 million of the debentures. OK?

Verena Wachnitz:

Great. Thank you very much.

Operator:

There appears to be no further questions. I will turn the floor back over to management for any final remarks.

Michel Wurman:

Just as a final remark. We believe that we posted very good results in the 2Q but our target is to get, quarter by quarter, better results. We are very optimistic with the market regarding sales, regarding new launches.

If you are a company in Brazil that you are doing in the right segment, the right project, it is being very easy to sell. And with the right management and the right cost control of the project, and the G&A, we are able to get higher EBITDA. So, this is something that we will continue to tie very close in our future and new very good opportunities are appearing. So, we are very confident in the near and in the long-term future of the development business.

José Antonio Grabowsky:

Thanks again for your confidence and we are working hard here to deliver very good results for you. Two comments, first of all, let us say, Michel has plans to do many trips this quarter, so he will probably be visiting some of you in the United States.

But for those, let's say, who has the possibility, I would invite you to come down to Brazil to visit us here, to visit our projects, our sites, I think it helps a lot to understand the opportunity down here, really going to see the sales office, the model units, the sites, which is really interesting experience, the opportunity to be here.

So feel free to call us, to talk, to visit us, it is a big pleasure and we understand it is very important to keeping good touch with you on a day to day. Thanks a lot. Bye-bye.

Operator:

Thank you. That does conclude today's teleconference. You may disconnect your lines at this time and have a wonderful day.