

Operator:

Good morning, ladies and gentlemen, and thank you for waiting. At this time we would like to welcome everyone to PDG Realty's 4Q07 and 2007 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 Relations section.

Also, this event is being recorded and all participants will be in 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 Antônio Grabowsky, CEO. Mr. Grabowsky, you may begin the conference.

José Antonio Grabowsky:

Hi, everybody. Thanks for your presence in our first full year conference call for results of PDG Realty. 2007, as you have been following with us, was a very special year for PDG. We did our IPO in the beginning of 2007, in January, and since then there were a lot of challenges, the market was really good for real estate development in Brazil in 2007, and we were able to be very active in the market in all three levels.

In the operation levels let us say, directly through PDG, through co-development and through the invested companies, we were able to develop a lot of projects and exceed all guidances that were revised along the year in terms of launches. And results were very good in terms of sales in all the projects in which participated.

And the reason for that is, for sure, our business model, where we are able to have the best possible manager for each of the business lines, running the day-to-day of the operations and being totally focused in the operational level and letting us at PDG take care of the other layers of challenges.

In the strategic level we were able to do a lot of good deals, acquisitions, new joint ventures, new geographic expansions, increasing stakes in the invested companies, so, it was also a very active year and we are very happy with the results in that direction. In the capital markets as well, not only we were able to do the IPO in general, but we were able to successfully complete the raising of debt in July through the issuance of debentures.

And lastly, in October we were able to do our follow-on very successfully, at a very good timing, and it was very important for the Company in terms of cash situation, as we will see in more detail. Nowadays we are in a very comfortable situation after the IPO, and that is going to be very important for PDG going forward.

I would like to make three comments before we go in more detail in the presentation. First is the fact that we were able, in 2007, to exceed all the guidance that we released throughout the year, including all the revision of guidance that we were able to do along the quarters as we were more comfortable with the operating level of the Company.

And also we were able to exceed all the guidances from all of the eight houses that cover our share today. That is very important in our opinion, because it is not common, and we are very confident that this will make those analysts that cover PDG be able to understand and to project our numbers going forward closer to our reality.

I think that, basically, the results of our philosophy of underpromising and overdelivering, I think that is our training, that is the base of our philosophy of how to manage the Company. Number two, I think we finished the year within the five largest companies compared to the more than 20 public companies nowadays in the real estate sector in Brazil.

We are among the five large companies in any given criteria or main indicators of performance in our understanding, among them: market cap, free float market cap, EBITDA, net profit, EBITDA margin, net profit margin, sales - much more than launches, we pay attention to sales -, speed of sales - that is another very important thing that we pay a lot of attention to and we will talk more about that during the presentation -, and last, but not least, we were also able to improve a lot the liquidity of our share after the follow-on, and we are now among the five largest in the sector.

Those are all very important measures to which we pay a lot of attention, that we understand are the base for any investor to track and to evaluate our Company. For 2008 we expect that we will finish the year within the three largest in any given criteria, so, we expect that we will be able to increase our position.

The last comment I would like to make for the overall real estate market in Brazil is that we are seeing a much stronger 2008 beginning of the year compared to 2007, not only in speed of sales, in our ability to launch, but especially in the availability of long-term financing in adequate conditions, creating a much better affordability for the Brazilian people. And that is, in our opinion, the most important factor for us to be sure that we have a very strong pattern of growth for the coming years in the industry.

I think we are just in the beginning of the cycle of seeing the effects of availability of mortgage financing for the residential sector in Brazil. Just to give you two quick notes on that specific issue, Caixa Econômica, since the beginning of the year, has more and more improved its conditions towards the end-users, towards the buyers of units, reducing interest rate, increasing payment terms. And just one point: after May, as we have the increase of the minimum salary fairly up to five minimum salaries of monthly income, which means around R\$2,000, a little bit over R\$2,000, will be able to finance in a line with interest of 5.5% above CR, which creates, with a starting monthly payment of R\$600, a possibility of financing up to R\$77,000 for that family, which is very important for them and very important for us, considering our business line and our focus in the low income segment.

Besides Caixa Econômica, the private banks, especially ABN, more recently announced they have improved the volumes to operate within the economic segment for units up to R\$130,000, with 9% interest rate, and increased the payment terms from 20 to 30 years, which creates a reduction in the monthly payment and in the required monthly income of around close to 20%. So, that is another very positive news for the industry.

Coming back to the presentation, on page three, just trying to cover the highlights for the quarter and for the full year, first important issue: speed of sales. We are very concentrated on that, we tracked them very closely and we were very successful in that measure. From all the units launched in 2007, we have 77% of them sold so far; a total of close to 10,000 units sold in the year. And for the units launched on the last quarter, 63% of them are already sold.

In terms of focus, we continue with our understanding that the biggest opportunity in the residential segment is within the low income and we are more and more focusing in that through Goldfarb and also through some co-developments and joint ventures that we have. 96% of our *pro rata* launches for the last quarter were in that segment; 67% of the overall year *pro rata* launches were in that segment; and we have in our land bank nowadays 47,000 units directed to that income segment.

In terms of guidance and exceeding guidances we were able to launch in excess of R\$1.2 billion, which was our last revised guidance for the year. We finally launched R\$1.233 billion, and we were able to finish the full year with an EBITDA of R\$161 million, with an EBITDA margin of 29.2% and a growth compared to 2006 of more than 200%. In terms of adjusted net profit we had R\$129.5 million, 23.5% margin, and again a growth of more than 200% compared to 2006; so, very important numbers, and, as I mentioned before, above the guidance of all the analysts that cover PDG.

Considering the results and considering the activity we are seeing so far in the 1Q, we decided to start our guidance revision for 2008, and the same way we did for 2007 we will be tracking very closely our activities, and as long as we see room for more increase, we will be revising the guidance. We had a guidance of R\$2 billion to R\$2.1 billion for launches and we are revising it for R\$2.4 billion to R\$2.6 billion for the year of 2008.

Cash position, as I mentioned before, the follow-on was very important, the timing was very good; we were able to raise R\$575 million in the deal and we have a very comfortable cash position, at the end of the year of more than R\$700 million, which gives us total strength and comfort to keep developing our business plan with no problems in the future.

Our land bank, today, achieved R\$5.7 billion our *pro rata*, almost the triple of the end of last year, a very strong growth, according to our strategy of keeping acquiring and developing, preparing the launches in a fast as possible way, to rather really be turning over our land bank than not really creating very long term land bank; again, continuing with the strategy of being as much as possible diversified. We have now 239 different projects in the land bank, spread over 12 states and 44 cities, covering a very important area of the Country, and within our focus in the low income, with 74% of the land bank *pro rata* VGV sales volume within the low income segment.

Now I will hand to Michel to continue the presentation. I, of course, will be here waiting for the question and answer section to continue our conversation.

Michel Wurman:

Hi, everybody. On page four we can start to talk about some of the corporate highlights of this last quarter of 2007. On page four we have some of the already released information for PDG, but the most important part is that we increased our stake on Goldfarb, we have the option to go for 100%; the same thing happens for CHL. So, now we control both companies with a clear (unaudible) 100%.

We also did the joint venture for Goldfarb in Rio de Janeiro with CHL, that will be an important geography for Goldfarb. We also created this company, Terrano, that will be very important for us to be in the countryside of important areas and regions in Brazil, to develop some land bank for the long term. Right now we are in 12 different states and in 44 different cities. We also did some financing approaches for Goldfarb, the Tier 1 was with Caixa Econômica, and we also have some other banks under negotiation to give some credit lines for the buyers and for the construction, for both.

On page five we also see a small highlight in Brasil Brokers operation; this is an opportunity we found during the 2Q07 and we were able, within the second half of last year, together with the management team from both, that had the idea and organized everything, I believe that together we had the opportunity to do the IPO of this Company, that is doing very well, with several new M&As in the starting of this year. For us it was a very successful operation and it is very important that over time it will be contributing with some income for PDG.

Another important project that we started last quarter was the income-oriented projects; actually we bought a stake at REP, that we are targeting projects for income at the retail sector. We believe that we have a big growth opportunity in that segment, with very attractive returns. Right now we have an internal dilemma of being very large and having a large position on a big retail strict operation company or if we have to find new investors to create a very big operation of REP in the long term.

In the next page, page seven, we see some corporate highlights, as José mentioned, for the land bank priorities we have, right now, for 2008 we will have 70% to 80% of our operations coming from the mid-low income segment; as we see here, we have around 47,000 units in the land bank, so, it is very comfortable to do the 2008 and 2009 numbers. Also, we have in this page the rest of the operation of PDG: there is the mid to high, the land parceling that we have a very good land bank right now, and we are increasing that; the income, that is the REP operation, and will be developed in other operations in this segment in the future, and also starting to have the service side, with the 6% of Brasil Brokers that we have today.

On page eight we have a breakdown on how we have the land bank of PDG and which states and cities we are covering. I believe that the most important point here is to show the established investment that we were able to create during 2007 with the money we raised in the IPO. We believe that right now the majority of our operations is and will continue to be from São Paulo, São Paulo countryside and Rio de Janeiro, although we have several positions in other geographies in Brazil; we have states in which, if are able to develop that well and we see the guidance and the business plans

of those operations going well, for sure that will be a very important part of PDG in the future regarding the organic growth.

Page nine, I will pass that to João.

João Mallet:

Hi, everybody. This new chart here that we present was the demand from some investors, and here we picture a clear view of our numbers in a breakdown by income segment for the main figures of the Company, financial and operational ones. It is important to note here that the low-income segment represents already 67% of our launches, 75% of the land bank budget, 57% of the net revenues. These numbers for the mid and long term should be more in line with the land bank numbers as we start to launch even more projects in the low income segment.

It is important to mention that here we still do not see any income, or a small income came from services and income-generating properties; for the future, these lines should be slightly higher mainly for 2009 and beyond.

In the next page we have the breakdown of our launches for the 4Q07 and for the whole year of 2007, highlighting the low income stake of these launches. For the 4Q we launched R\$454 million and VGV *pro rata* PDG, representing 96% in the low income and 4% in the mid income. For the whole year, the number of the low income launches accounts for 67.1% and mid-income, 14%. The other stakes are minor ones, we had 11% in mid-high income.

On page 11 we have the breakdown of the low income launches by region; it is important to note here that in São Paulo, the municipality and other cities still represent a large market for us. For the future we still see São Paulo being an important city, but the joint venture agreement and other operation agreements that we concluded last year will start to show some results, mainly in the Southern region, Paraná and Santa Catarina, and the Central-West region of Brazil: Brasília, Goiás and Mato Grosso.

On page 12, the most important chart here is the upper left one, where we can see that the units up to R\$100,000 and up to R\$150,000 account for 70% of our whole land bank in the low income segment. These are units to fit the Caixa Econômica credit line, which is up to R\$130,000. So, the main bulk of the land bank in the low income to target this specific segment up to R\$130,000.

Again, the land bank here in São Paulo's other cities is important mainly due to Goldfarb land bank; 88.5% of the low income land bank is composed by Goldfarb units.

On page 13 we show contracted sales for the 4Q07 of R\$428 million our *pro rata*, and for the full year the number accounts for R\$970 million, only PDG stake. Much more important than these numbers that finished by the end of December are the sales figures when we update this for the date of this release. By this we see that we have, of everything that we launched in 2007, only 23% is units in inventories, non-delivered units, units under construction, and we think that by the end of the delivery of the keys these units will be 100% sold.

So, just to point out here, for everything that we launched in the 1Q07 so far, 83% is sold; for the 4Q, 63% is so far already sold; for the whole year, 77%.

On page 14 we have this common feature highlighting and showing in more detail the projects that we launched in the 4Q07. Again, a high exposure to the low income; only two projects in the mid income; nothing in the high end; nothing in the mid high, São Paulo, the capital, and other cities, Rio de Janeiro, Espírito Santo are the main cities.

Page 15 is a way that we use mainly internally to track the sales speed, the sales price, to check if the sales table is speaking with our average; we can use this table internally to raise prices, to do some adjustments in the project dynamics.

Again, all the 4Q projects that we launched are presented here. It is important to mention here that almost 100% of the projects that we launched in the 4Q07 were originated by Goldfarb and CHL, companies that we control 100% of by now - 80% and 70% for the majority stake of the companies. For the whole year of 2007 it is not this number, not 100%, but it is roughly 80%.

Page 16, Michel, please.

Michel Wurman:

Page 16 is another way to see the inventory and how we track the inventory. As João was mentioning during the call, we try to track very closely sales speed, prices and pricing margins. That is another way to see this, it is another chart to prove that, but the important message here is that we are continuing to have strong sales speed, we have a very low inventory right now, this is an internal policy that we have, of everything launched since our beginning of PDG we sold so far 84% of the total units launched. I believe that that gives us a very comfortable growth perspective for the time. We do not have to take care of the past. We have several companies in the market that are launching a lot, but have to pay a lot of attention to what they launched in the past. That is not our problem today. We clearly have to deal with the high potential of growth that we have in each of the segments that we should address.

Another important point is that when you sell fast, if you are able to have good margins, if you are able to have total EBITDA, a large amount of EBITDA, I believe that is the best healthy way to grow the company because the inventories that you have, for sure to sell additional inventories over time you have to spend more with marketing, you have to do more marketing investments in that; so, you will be decreasing your EBITDA margin over time on that.

On page 17 we start to go to the special numbers of the operations, but the main highlight here is that in the beginning of the year we were expecting to launch R\$750 million, we did more than R\$1.2 billion. The important number is that the original guidance was to launch around 9,000 units for 2007 and we did roughly 13,000. But we sold so far something around 10,000 units. With those numbers, we actually sold more units than we were expecting to launch for the whole year of 2007.

In the next page we continue to see some breakdown of the land bank; the important message here is to show that during 2006 our operation was pretty much concentrated in São Paulo, Rio de Janeiro and Bahia; actually, in only three municipalities. For 2007, we grew in the São Paulo countryside; we grew in Niterói, in Rio de Janeiro; we grew in Espírito Santo and we also have some operation in Bahia. For 2008, on top of that we will have Minas Gerais, we will have Santa Catarina, we will have Curitiba, we will have

Goiás and probably some more geographies in the market. So, right now we are in 12 different states and 44 different cities.

For the next page, for the financial highlights, I believe that we should pay attention to the total volume and the margin. Going straight to the EBITDA and adjusted net income, it is driving this Company at a very growth perspective; from 2005 to 2006 we have been able to grow that company at double digit, and with the money that we raised with the IPO that was extremely important for our growth. I believe that we have been able to invest that fast and at a very efficient rate, and we roughly tripled the amount of EBITDA - we went from R\$53 million in 2006 to R\$161 million in 2007. And in terms of net income we come to the same pace again, from R\$42.8 million to roughly R\$130 million. The most important part is to be able to increase margins, even coming stronger to the mid-low income segments, as we have been operating in 2007 and will continue to operate in 2008.

The next page is another breakdown of the land bank. You will see how many projects we have for each one of the segments. One important thing is that since the beginning of PDG we have an internal policy, again, to have a fragmented land bank that allows us to control better mainly the project management of each one of those projects. That is why I believe this is one of the most important reasons why we have a better sales speed, because we can control better costs and we can try to anticipate which are the market trends for each one of the segments.

Page 21 shows the land bank that we have. As I said in the prior page, fragmented land bank is an important thing for the land bank, the second one is the duration of the land bank. In our case we always try to have the guidance for the year for the duration that we have and the visibility of what we have for the land bank for the current year that we have. That is why right now we have in house something around R\$2.4 billion to R\$2.6 billion in land bank and that is why we exchanged our guidance again for the year.

In the next pages we are still in the topic of guidance revision, that I believe is an internal policy also; we have several internal policies at PDG. We try to follow them very close, all of them. This is the second revision that we are doing for 2008 and one important thing is that we started how we see full year of operation on a development company.

We believe that we should launch 15% to 20% of the VGV in the 1Q and we should do around 20% to 25% within the 2Q, so we should end the 1H08 with something around 35% to 45% of the operation. Then we have more 20% to 25% in the 3Q and the remaining 30% to 35% within the last part of the year.

This is a way that we believe we can launch and sell well. We are in the exact track right now for PDG and we believe that we will be entering the first part of the year with more than R\$500 million in VGV, but the most important part is that we continue to see very strong sales speed. If we compare the numbers from the 1Q08 with the 1Q07, we are seeing a better sales speed for the Company.

As an overall guidance for the Company, I believe that we were able, during 2007, to create and establish a very good platform for the growth of the Company. We have right now, as José told in the beginning, a very good management team; I believe that we have the best management team available for the development of the projects and

also with the financial and M&A and how to grow a Company's management team, the plenty of staff that is creating a better company for us in terms of sales speed, in terms of EBITDA, in terms of margins, in terms of total EBITDA and net income.

We were able to establish the majority of that platform during 2007 and I think for this year and the next year we will take a huge advantage of putting this platform organized during the last six months. Our results will come from the organic growth, we have a lot of room to grow in that and we will continue to try to grow as much as we can on that.

We also see some very good opportunities in the private equity scenario, private equity companies that today do not have the ability, most of the companies do not have the ability to come back to the market to try to do the IPO, and with our business model I believe that we can be the best partner for the majority of those companies. So, it is a question of pricing and how to adjust to our business model.

We are also paying a lot of attention to M&A - for sure that would be a question, but yes, we are paying a lot of attention. We are doing a lot of math for all the M&As and all of the opportunities in the market.

Some of the opportunities are not cheap as everybody believes they are, mainly because most of the operations need a lot of cash, and in the growth aspects of PDG we have organic growth in which we can invest more money, buy more land bank and grow the (inaudible) premium.

Although we are paying a lot of attention to the M&A, we believe that we have a better platform to do this M&A. We have cash, we are unleveraged in the Company level, we have a business model that we do not need to buy 100% of the companies, so, we believe that we can take advantage of that over the next months or years.

And the last thing that I believe that will be important for our growth, we are also paying attention to other segments, as I mentioned before, the income properties market.

I think just one final information that it is not in the presentation, but it is in the MDA, that is an important number, it is our deferred income. The number for the end of 2007 was up to R\$251 million, more than the triple of the number of 2006, and with a margin of 36.9%, which is in line with our gross margin, showing that our future results will be also very good.

So, I will pass to the Q&A so we can continue our conversations and take care of your questions. Thanks.

Rodrigo Villanueva, Citi:

Hi. Good afternoon. I have a couple of questions. The first one would be if you could be more specific with respect to the R\$24 million registered on the equity income. Where does it come from, and is it going to be a recurring item?

The second question would be related to operating margin. What can we expect in terms of operating margin for 2008?

PDG:

OK. Let us start with the margins. Regarding EBITDA margin, our expectation for 2008 is probably somewhere between 25% and 27%, a little bit lower than this year's number, because in this year we had a bigger component coming from other investments, like Brasil Brokers.

So, that is why we believe the margin for 2008 will be a little bit lower, although we see the margins on the residential development including the low income segment being benefited by the increase of prices, and the overall margin of the Company will be benefited in the future by the lower importance of the G&A compared to the overall numbers of the Company.

Regarding specifically the other question, João will go through.

João Mallet:

We expect, for 2008, from 60% to 75% of these equity gains to be occurring again. For the future we cannot precise that, but it is a good estimate.

PDG:

It will continue to be a strong line on the activity income line.

PDG 2:

And just for analysis, mainly due to the Brasil Brokers operation.

Rodrigo Villanueva:

OK. Thank you.

Operator:

There appear to be no further questions. This concludes the question and answer session. At this time I would like to turn now turn the floor back to Mr. Grabowsky for any closing remarks.

José Antonio Grabowsky:

OK. So, in general we are very optimistic with the market down here in Brazil. The residential development, as I mentioned before, in our opinion is only beginning the positive cycle of the affordability coming from the mortgage financing in Brazil. It is something new, it is starting to happen, and the conditions are getting better and better for the developers and for the clients.

Besides that, as Michel mentioned, we are paying a lot of attention to any other potential deal that could be crated for the Company, including continuing our strategy of private equity deals with private companies, where I see a lot opportunities to create value for us.

And we are also paying attention to the public companies to see if the numbers make any sense for any potential deal with any given company.

The other segments of the market, most, let us say, the income producing properties, we are already very well-positioned in the retail through REP and REP having the KIMCO view, that you are aware of, so, we see a lot of growth coming from that direction.

And we are directly, in PDG, paying attention also to the corporate-type office building segment, where we will be starting to develop some projects for income producing as well.

So, in general we are very optimistic, we feel that the team in PDG is established right now. Of course, as we keep growing we will be adding more people to the team, to PDG directly, to Goldfarb, to CHL, but we see that the bases are well formed now and we have a very strong team to keep growing.

Besides that, of course, we understand that our IR team, Michel, João and the others are doing a great job in terms of communicating more with the investors. We were able to increase a lot our coverage. We now have eight different investment houses covering the Company and there are some more to come in the near future.

And, of course, more and more they have been able to be present in more conferences, in more non-road show trips; that is our plan for 2008. We already started the year very busy in that regard, and we will continue to do that. We understand that it is very important for us to communicate with the maximum possible number of investors, not only to talk with them about the overall opportunities in the Brazilian market, to make them understand clearly the policies of Brazil in that moment and about PDG specifically, because we understand that, let us say, one year ago, for sure a lot of people we were kind of not comfortable or not understanding our business model.

Through the year we were able to show that probably our business model is the most appropriate for a very strong growth pattern that we are dealing with down here in Brazil, to be able to grow consistently and under control and having the operating teams totally focused in the operational side, leaving the other layers of challenge to us at the PDG level.

The more we are able to talk about that with more investors, of course the easier for them to understand and to follow PDG and be able to follow our future numbers and the opportunities that we see down here.

So, thanks a lot for your attention, thank you for your support, and let us keep in touch. Feel free to call us if you have any doubts, if you have any comments. The idea is to more and more make our MDA and our conference calls with a biggest possible disclosure of our numbers for you to understand the Company. Thank you very much.

Operator:

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

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