

Operator:

Good morning, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to PDG Realty's 2Q08 earnings conference call.

We would like to inform you that this call and the slides are being broadcast on the Internet at the Company's website www.pdgrealty.com.br, and that 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 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 Antonio Grabowsky, CEO. Mr. Grabowsky, you may begin your conference.

José Antonio Grabowsky:

Thank you. Hi everybody. Good morning. I am here with Michel Wurman and João Mallet, our IR team, to speak with you today. We are very positive for this call, let us say that we feel very glad that a little bit more than one year after the IPO we were able to fulfill or exceed all the targets of our business plan. We have been able to put together a business model which proved itself to be a winner in this high growth environment that we see for real estate markets in Brazil and we continue to see that going forward. We were able to deliver strong growth in all lines of our activities, launches, sales and with a very good sustained or increasing the margins, both EBITDA margins and net profit margins which for sure is more important than just increasing the launches.

We have nowadays a very efficient operational platform working for us. More than 80% of our activities nowadays comes from companies that we control, Goldfarb and CHL. So we have a very strong management team throughout the different companies that we control or have minority interests in our favor. We are very confident that this platform is already producing very good result and will continue to produce as we expand to other areas.

In general, let us say we were able to have along the quarters since the IPO very consistent and with high visibility results, quarter after quarter with a steady and high growth comparing from previous years quarters, always keeping with our under

promising and over delivering strategy, which we feel is the best way to conduct the business of this Company going forward, with, let us say, as much as possible transparency to you our investors, the analyst, to be able to communicate well with the market and be understood by the investors throughout the times.

Going to page three of the presentation, talking about the highlights of the quarter and of the semester ended in June. We have a record in our pro rata contracted sales reaching R\$472 million in the 2Q. Sales speeds is always our focus and we have been able to deliver the best results in the sector so far. Almost 66% of the units launched in the quarter are already sold today. Our pro rata launches for the quarter basically achieving R\$600 million, a very important growth. And the total sales contracted for the 1H, R\$939 million and our pro rata launches achieving R\$1.2 billion in the 1H08, which is totally in line with our guidance and, as you will see later, that is one of the major reasons for us to be comfortable to raise our guidance.

Financial Highlights: net revenues reaching R\$524 million for the semester with more than R\$300 million coming from the 2Q. EBITDA reaching R\$146 million for the 1H, with R\$82 million coming from the 2Q, the EBITDA margin still very good, close to 28% in the semester. And adjusted net income reaching R\$115 million in the semester with R\$ 63 million only in the 2Q.

In terms of keeping up with the low income strategy, 82% of the launches in the 2Q coming from the low income segment. Units below R\$250,000 of unit price. We will talk in more detail about that segment in our land bank later in the presentation. 82% of the sales as well coming from that segment, and 80% of the land bank concentrated in the low-income segment.

Solid cash position, for sure, our cash management has been vital so far to make the Company in the position that we are today and we continue to pay a lot of attention, to be very conservative with our cash flow projections, cash requirements, anticipating as much as possible all the needs that we might have to fulfill our business plans. So we are very comfortable with the cash position that we have in the end of the 2Q, more than R\$430 million in our balance sheet. And we were able to increase a lot our access, our negotiations the major banks in Brazil regarding real estate construction financing. We reached R\$3 billion in credit lines from the major banks, Bradesco, Itaú, HSBC, Santander and including that line, a portion of that, directed to the acquisition of sites, which is also very important.

In terms of guidance for the year, as we are very comfortable with the launches so far and specially with the speed of sale that we were able to continue to have, we will be revising our guidance for the year, from R\$2.4 billion to R\$2.6 billion to a new range of R\$2.6 billion to R\$2.8 billion launches for the full year. For sure we have the adequate, the appropriate land bank for that, especially in the low income through Goldfarb as we will see later, and we believe that we will be able to reach that new guidance by the yearend.

Next page, page four, some recent events of the Company. Goldfarb continues to expand geographically. That has been a very good strategy for the Company, occupying not only the entire State of São Paulo, but also other important areas of the Country, so Porto Alegre is our newest location. We recently completed the acquisition of some sites in Porto Alegre area for Goldfarb.

We were able to launch our first project with our local partner for Ribeirão Preto, Habiart Barc, as successful as expected in our business plan, a project of 192 units, close to R\$90 million of potential sales volume, we have 50% of it and we have reached 30% of sales in just two weeks after launching. This was very positive, another important expansion for us.

And another important news for us, it was our revision, our rating revision by Standard and Poor's that happened in May. Standard and Poor's have upgraded our corporate and debt rating from brBBB to brBBB+ and changing the perspective from neutral to positive. For sure, in our standing, we deserve much more than that but that is a process, we understand that those rating agencies need to feel more comfortable with the company quarter after quarter, but for sure it reflects our solid cash position, balance sheet position and also the perspective for the Brazilian real estate sector and for PDG individually.

So, now I will hand over to Michel to continue the presentation and I will be around for the Q&A later. Thank you

Michel Wurman:

Hi everybody. On page five we talk about the coverage, I think it is important that over the last quarter we gained several important coverage for the shave, right now we have 12 coverage with the ranging over rate, or with the buy rate, which is very important for us. And more than that, is being participating and we have a very tight agenda for the 2H08, you can see that the IR agenda in the second half of the page, that it will be participating a lot, we will try to communicate as much as we can.

We know that we have a business model that we have several lines of income and every time is more important to explain that, that besides the income generated from the developments we have, other business lines that we intend and the idea is to continue to have that to enhance our returns over time.

The other important thing is that we are trying to have a very good concept with the analysts and also the investors, so please feel free to contact us and continue to call us in order to have more visibility in the Company and the idea for us is always try to have the highest degree of disclaimer that we can have.

For instance, if you take our MD&A that we released last night, we inserted some things that some analysts said it would be important to have disclosure on that. This is very important for us, the feedback you give us to try to release that for all of the investor.

The next page is just the highlights of operational performance. For sure, sales and contract sales increased a lot. If you compare sales from the 2Q07, it was 224 million and that same quarter in this year we did R\$472 million, with more than 110% of growth. And in terms of contracted sales, we have even a better growth than that. We concluded the 1H08 with R\$939 million of sales of PDG units, only the pro rate stake.

At the bottom of the page you can see two pizza charts that it shows the segmentation of what we are having with the launches and the second part is the geographic breakdown. I think the important part here is that you can see that this was the quarter, probably we will continue to have this kind of assumption that cities outside São Paulo

municipality, these cities will be, and will increase the importance in our land bank and in our launches, over that regions like we believe we have two important calls to fight for.

First of all, we are trying to address our projects for the mid and mid-low class that we believe that it is a long-term trend that this class will continue and will be bigger in terms of the Brazilian population, and the second important thing is that in terms of cities sites, we believe that in mid-sized cities we have very good opportunities. We saw that by some of the developments for Goldfarb, that if we thought for instance, as an example from Goldfarb, from last year we started to develop in Campinas, for Campinas is not a mid-size city, it is a big city but it is not the size of São Paulo, it is not the size of Rio de Janeiro and once you do the first or the second development that will have to prove and that you have to do some extra marketing to try to show your brand and that will have the capacity to deliver what you promise, once you pass that step that is always one or two projects, the remaining ones are much easier to sell. So we can face some very strong sales speed in cities like that with very low competition from other developers.

The next page you see that we are used to always release this kind of information. Right now that we are starting to see the other companies trying to release that kind of numbers that we believe that it is important to compare the same thing and the important thing for us is that on average, like we had from 30% to 50% of sales within the first and second months of launch and we have very little, actually in this quarter we did not have any kind of problems if you take a specific project.

And this is the kind of trend that we want to have and we keep trying to have in the future for our land bank and for the launches. We really try to launch what we believe that we can sell. We really try to launch what we see that we have some demand for that.

Next page we have some examples as we are used to release. I think like every quarter, it will be more of the same. For sure, we have a lot of projects with a lot of success. Here we have some examples from Goldfarb leading, Goldfarb, CHL and also from Cipasa.

The next page is the track record of our launches. Some important things to read through this chart: first of all, so far since 2003 we launched 29,500 units and out of that we sold more 24,000 units. Out of that we have 82% of total units sold and taking quarter over quarter, of the units that we launched during 2007, so far we sold more than 86%. So we have less than 14% of inventory from 2007 launches. This is a very important number.

The second, and the other one that is very strong also are from this year, of the launches from the 1Q08 we sold so far more than 67% and the average of the year so far, we are higher than 60%. For sure this is one of the best performances in the market, if not the best one in sales speed. And we continue to try to keep that.

Now I will ask João to continue.

João Mallet:

Hello everybody. I continue on page 10, on the top charts we have the distribution of the launching PSV pro rata PDG on the 2Q and the 1H08. It is important to highlight the impressive growth that we achieved, in line with the projected, no big surprises here, we are trying to keep everything in a solid basis. An important thing here to mention also is that these launches level is been highly supported by the sales velocity. This sales velocity together with the launch levels gave us the comfort to increase the guidance for the 2008 year once again.

Another thing that we want to highlight here is that regarding launches and sales, we are having, for example in the economic segment, the low-income segment, we had 82% of launches in the economic segment, low-income, and also 82% of sales occurring in the low-income segment. What does it mean? It means for us that our sales quality is being the same throughout all the income segments. It is very important.

On the lower right chart, an important thing to highlight is that São Paulo, except for the municipality, countryside and middle size cities as Michel mentioned started to be an important factor of our growth, of our sales and our launches. We can highlight Campinas, a big city, Riberão Preto with the launch that we have together with Habiart Barc, our first launch, and I will also want to highlight the Espírito Santo 13% sales pro rata PDG stake here. This is one of the examples that Michel mentioned of the initial operation of PDG that requires a initial market effort to put our brand in the mind of the population, of our clients, and we are together these efforts we are having the sales as well.

On page 11, talking now about the land bank, one thing that we can expect going forward is a much lower than what we have been doing in the past. For example, the 7.7 to 8.5 is still significant growth, but with this 8.5 we reached a level that gave us the comfort to be working right now the acquisition for 2010 launching projects. So we are going to decrease the pace of the land bank growth and what does it mean? It means that we are going to need less cash, not only PDG, but the majority of the companies are in the same situation, the big ones. They have a land bank that gives the comfortable for the future operation, the needs in the short term operations, and his is reflecting right now in the prices for land. We have less competition, for some deals that we were about to close we would prefer to postpone and try to get a better term in the near future, so we are talking about better terms, better prices, better conditions as a whole and this will give for PDG a higher comfort in cash and also in launches for the future.

In the right chart, just a distribution, the aging of the land bank and we can see clearly that we have for 2008 and 2009 the bulk the land bank already in house. We are working right now the 2H10.

Going forward on page 12, we continue to be concentrated in the cities that we want to be, for example, São Paulo and the State of São Paulo but we also have new vectors of growth. We are right now in 55 different cities in 13 states. We have in 2007 the ability to construct the portfolio or the platform to develop the growth of PDG, and for the future I can say it will, PDG will be much more a case of organic growth than non-organic growth when we talk about developments. We have already a very well

established platform throughout the whole Country. We have a national footprint right now.

Another important thing to mention here is the mix of the land that we are acquiring on marginal terms. The new land bank is being much more out of the big cities than what had been in the past. What does it mean? In percentage of PSV the land in the countryside is less expensive, it will cost us roughly 400 b.p. less than in the big cities. It will reflect in our loss margin.

On page 13, this is a suggestion that the market gave us, investors and some side analysts, to spread and to show up, split up the low-income land bank. We can see that more than 60% in units below R\$130,000 and those units are eligible to the "Crédito Associativo" line of Caixa Econômica. Again, remember that Goldfarb is the largest operator for Caixa Econômica Federal. It was, it is and it will continue to be the largest of operator of Caixa Econômica Federal. Here we can see that we are highly profitable in the mid low and this is an income segment that we want to be, and here we are talking about products for 42 m² to 55 m².

Page 14, the point here is to show and to clarify what we call the TR umbrella. What does it mean? The SFH funding, units below R\$350,000, we have the ability to use the SFH funding, the funding coming from savings and loans in Brazil. By law, the SFH maximum rate is TR +12, we are talking today about TR+10, TR=10.5. So it does not communicate the Selic trend that we are looking right now. This is very important.

We have 93% of the land bank eligible to the Crédito Associativo and besides 56% of the land bank is eligible to the Crédito Associativo in Caixa Econômica. We are right now one of the big players in this sector, so we are having as José mentioned in the beginning, roughly R\$3 billion of pre-approved credit lines with the main private banks. Besides that we are the largest operators of Caixa Econômica Federal.

Michel will continue from now on. Thank you.

Michel Wurman:

On Page 15 we can talk about some financial highlights on operations. First of all, introducing some important points that we track and we will continue to track, we always try to have a very healthy business plan. What do we call a healthy business plan? We should have land bank to have the ability to launch and we should have the ability to launch, having a very good management team, we should have a construction company to deliver what we sold, and we should be able to sell that with very high margins, we should be able to do that in volumes to get very good EBITDA and very good net income.

I think that if you are able to do all of those questions for PDG, for sure that we are able to fulfill of that requirements at the same time. We are trying to grow the Company at a very healthy pace and you can clearly see that by the curve that we have on page 15. So in terms of net revenues, we did R\$304 million in the 2Q and for the 1H08 we did 424%. This is more than a 170% compared to the previous year.

We have been able to do that also with a very good gross profit. We did R\$203 million in the 1H08 compared to R\$71 million at the same period of last year and R\$116 million only in the 2Q08, comparing to R\$45 million for the same period of last year.

And more important than that is that EBITDA and the adjusted net income are increasing a lot and they are at a very good healthy pace, I mean. So the 2Q we did R\$82 million of EBITDA and the 1H08 we concluded with R\$146 million, that is more than we did for the whole year of 2007.

In terms of adjusted net income, we did R\$115 million, that is more than 130% compared to the same period of last year and only in the 2Q08 we did R\$63 million. Again, this is roughly the same number, the R\$115 million is roughly 100% of the number that we did for last year. So we believe that as we are very well pre sold, as we have the ability to construct on a very efficient way and managing the process on a very healthy pace, we believe that that we can continue to produce very good margins and, mainly more important than that, a lot of EBITDA and a lot of net income.

At the last state of the presentation, we just wanted to highlight that right now we have, I believe, all of the important things to continue to grow, to continue to develop our platform for the long term. Right now we have a very solid cash position, for sure one of the best ones in the industry. We did, during the 2Q, probably this is something new for the majority of the investors, so far we have released that we had an agreement of only R\$1.05 billion of construction credit line from Banco Bradesco, and over the last 60 days, we worked very hard on having access to all the credit lines from other banks. So right now we have R\$3 billion of pre-approved credit lines from the banks.

But the most important part from that is that all of this credit is attached to TR and with the pace that we have right now, Selic will end up the year between 15 to 15.5%, and the credit line that we get from construction financing is TR + 10 to TR + 11. Over that we will be able to get all financing probably at 100 b.p. to 160 b.p. lower than the cost of CDI. So this is the best credit available right now in the market and we continue very strong in this line.

And the third part, if you see the kind of funding that we have, you see that we have a very comfortable base to fulfill all the requirements to pay our debt. Actually, to tell the truth, we are really on an unleveraged position for the Company. So if you take the cash position, if you take the ability to fund with construction financing, if you take the platforms, if you take the construction companies, if you add the management team, we have like it is more a question of having the market that we have right now and having the ability to deliver that so far we have been able to do that and every time we believe that we are getting stronger on delivering this business plan and this growth for the future.

Another important thing that I did not mention during the presentation is that some investors asked in the previous presentation in the Portuguese call, they asked about cancelations and bad payments. Right now we have less than 4% of bad payments in the portfolio and the most important part is that this a little less than 4% is the same metric that we have an year ago and it is slightly better than at the same moment in 2006. So why we are having that?

Probably the best explanation for that is that we sell a unit we believe that somehow we are selling credit. So we are very, very controlled on giving credit, we know that it is not credit that we are giving for sure, the banks are giving that credit, but it is like we pay attention on the sale profit as being our credit. So we receive a lot of sales, because sales for us is not something that you sign a contract and forget about it next month. We really try to pay attention on how we receive money. Our business here is selling

units. Our business is not to sell marketing and not to sell brochures, and our business is not to launch something and retain a lot of units. Actually our business, we do not like units, we like to sell apartments. That is our business here, that is our vision of how we should run this Company.

Now I think we can open the Q&A session and, at the end, José will have some conclusions.

Alan Macias, Citi:

Good morning Gentlemen. Congratulation on the good report. I just, I guess I have just two questions. The first one will be if you can give us a little more color on your venture in Argentina, just what are you expecting in that market and what are your expectations for that venture?

And second I guess while you just answered the one on cancellations, I guess it is just that question for now.

José Antonio Grabowsky:

Regarding Argentina, our view of that and this has been like that since the beginning, Argentina, we treat like an option for the future if and when, let us say, the country's economy gets in a better condition. So we have a little exposure of less than US\$20 million invested in Argentina, in our stake at TGLT and also on product level. We have nowadays three projects going on in sites already acquired. The first probably is going to be launched still in 2008, in the 3Q08 or 4Q08.

The idea is to have little exposure and even in each of the projects we have partners alongside with us to diversify our risk with not an enormous mount of capital participating in different projects, all of them catered to mid high class consumers, because there is no credit available for mortgage financing in the country nowadays, with very adequate returns, we have very high margins.

It is very similar to what happened in Brazil, let us say five to ten years ago, where we had few projects with high margins oriented to the high-income people. And we believe it is a good opportunity to be there with a local partner, a very skilled guy to be able if and when the market gets better to grow and be already present there.

Michel Wurman:

One important thing is that even with the small exposure on the project level we believe that we will make a lot of profit. The only thing is that we will not be able to develop of a lot of projects at the same time. So the question right now is that probably we will have one or two projects per year, so instead of having volume that will have very high margins, but without scale.

Alan Macias:

Thank you, very clear. And the second question would be, I guess, cost of raw materials and if you can also, I guess you already gave some color on land prices, if you could just give us some color on that?

João Mallet:

Yes, regarding the land prices, what is going on right now? The majority of the companies I would say, except PDG and other few, are without cash today. So the competition for land bank, for new sites is being much less than what we had in the last year. I would say that the 1H07 was the hardest for land acquisition, right now, as PDG, the majority of the companies reached a safe or a comfortable level of the land bank, so we have a better condition again to conclude a deal without any pressure. As I mentioned, we are working right now for the land bank for the 2H10, roughly speaking. This gave us a very good position on the negotiation table.

Regarding the price of land as specifically speaking, when we move from São Paulo municipality for example we are talking about a 12% of the PSV going for land and this is normal when you go to the countryside is close to 8%. So this is the 400 b.p. that I mentioned before, this is for our current land bank, when I look at all the acquisition we did, this is the number that we have, the statistic number, so this is what we can see right now. As we are going more to the countryside we are going to take benefit on that in our growth margin, in the bottom line as well.

Alan Macias:

And inputs cost or finance deals, what impact are you expecting on that?

José Antonio Grabowsky:

Construct cost in general, there has been some items increasing, but I think overall, we are very well protected. First of all by the fact that we sell units adjusted to the construction cost index that in general reflects the overall increase in costs, and specially because of the fact that we are very well pre-sold, we have that benefit very importantly in our position.

The other point, as we have scale and as we have construction companies, very experienced people inside those companies, we have been able to plan a lot our acquisition side in the construction companies. So we have been able to negotiate around, let us say, 50% to 60% of the major contracts that we have for construction, we were able to negotiate long-term contracts with defined prices adjusted by the same construction costs that we have in our sales. We do not see any mismatchings going forward.

I think another important point in general for the Country and for the real estate sector is the fact that the Central Bank measures towards dealing with inflation has been proven to be effective and the more recent data available already shows that inflation started to decrease, so it looks like that the risk of having a growing inflation rate more or less out of control is not any more a risk for the Country.

We see that this was a very important thing to make sure that the Government allowed the Central Bank to do its job in the right direction, increasing interest rate which for us, for the real estate sector, is much less important than the inflation level. We are very comfortable that we see that inflation is under control, a little bit above the previous estimates but under control, and looks 2009 is already again on track towards the inflation target.

Alan Macias:

Thank you.

Operator:

At this time there appears to be no further questions.

José Antonio Grabowsky:

Thank you very much. We understand that everybody has a very busy day going from conference call to conference call, lot of companies releasing their results at the same time. So thanks for your attention. We continue to be very optimistic with the real estate scenario for Brazil and we are very comfortable that we will be able to consolidate our position as one of the leaders of this sector, with the target of being the best performing company in Brazil.

We feel very comfortable now that by yearend we will be in any relevant criteria, especially in the financial one, the net profits and margins among the top three companies in the sector, which is relatively a much better position than we expected when we did our IPO last year. So for sure we have been able to deliver results and to grow consistently better than expected.

Thank you very much for your attention. Once again, please make sure to keep in touch with us. We understand it is very important for the Company to be able to speak a lot with the investors, with the analysts and we have been doing, our IR team has been doing a great job in that regards and for sure in the next 60 we have a lot of events in our agenda, so probably we will be able to keep in touch with you. Thank you again.

Tchau. Obrigado.

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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