

Operator:

Good morning, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to PDG Realty's 4Q08 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 listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer 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:

Thank you. Hi, everybody, welcome to our 4Q and 2008 full year results conference call. It is a pleasure to be with you all here, as usual. I think the results that we are releasing today were very good and totally in line with our guidances and previous expectations of the Company. Even though, of course, the 4Q was more challenging, we were able to go through it and have the final results of the year totally in line with what we expected.

Before going into the numbers and the details of the operations, I just want to touch two subjects that have to do with the impact of the world crisis in Brazil and the Brazilian real estate sector, which will start to a few more, let us say, in the end of the 4Q beginning of the 4Q. For sure, the way we dealt with the crisis was something very important in our strategy. I think that has to do with our business model and the quality of the management that we have in our operating companies, so we were able to react very fast to the new environment, and we were able to continue launching and take the necessary measures to adjust the type of product, the type of launchings, not being unrealistic but with caution continuous launching and react to the crisis instead of just stopping to see what was going on.

In some sense, I think this crisis was positive for the sector, especially for the big companies in the sector, because we are kind of back to normal kind. I think 2007 and beginnings of 2008 were times of excess capital in the sector, not only equity but also debts were available to everybody and to every good business plan that was presented

to investors. I think with that some mistakes were made and in the end they were confusing the market, everybody trying to grow at 100% speed, everybody buying landbank at any price just because of the sake of being able to show a potential growth in the future, everybody claiming that they were able to operate in low income, high income, mid income, anywhere in Brazil from Manuas to Porto Alegre, so everybody from one day to the other became superheroes that could do everything at the same time.

We are very proud that we were not in that same direction, we never stayed out of our strategy and we were sometimes criticized by the size of our landbank, by the fact that we were kind of conservative, but I think in the end that reflects that we were correct in our strategy of growing at a sustainable pace and with the Company and with the profitability of the Company always totally in control, paying attention to no not only for landbank and launchings, but for sales, on returns, paying attention on what we always believed were the important points to pay attention in a real estate developer that is basically a long-term cash flow management, and paying attention with the risk and to the class client, so that is the type of thing that we believe, coming back to normal times, the quality of the management will make more difference and we are very comfortable with the quality of the management and the business model of PDG.

The other, let us say good point about the crisis is that it reduced dramatically the offer in the market. The new supply, the numbers of launchings really went close to zero in the last quarter compared to what was the expected numbers for the year. In total, the numbers that we have today, probably the public companies will be launching in 2008 close to R\$25 billion in potential sales compared to a number that was expected to be around R\$45 billion by the beginning of 2008. For sure this big change that is not only because of the world crisis, but a lot of it has to do with the problems that some of the companies were already facing prior to the crisis on their own cash flow management, for sure helps a lot the healthy companies and the companies that continue to launch good projects, good products, adequate to the demand of the market.

That is why we believe it was one of the major reasons why we were able to launch in the 4Q even more than the 3Q, following our guidance for the full year, and being able to have a very healthy sales speed in the 4Q, as we will show going on in the presentation.

Another important point to mention that has to do with the overall industry and PDG specifically, even though the crisis, the availability of funding for the sector, not only for construction financing, but the especially for client financing after completion continues to be presence in the market and in some cases with even better conditions for the client. So I think that is another very important piece of the puzzle. Of course, the banks are more exigent, they want more to play and to operate with the bigger companies, so for sure, again, there is a natural selection in favor of the bigger companies in the market, because the bank are preferring to run less risks and for sure the company with a better balance sheet will prevail in their perspectives, but there is plenty of funding available for construction financing and for the client financing after completion. We are not seeing any problems in that front.

On the other hand, I think Caixa Econômica Federal is playing a very important role in more and more trying to give better conditions for the long-term financing for the client and making the other private banks move towards something similar to be able to compete with Caixa Econômica, so I think the mortgage finance is not a problem. Of

course, working capital financing is very difficult and expensive nowadays, it was more by the end of the year, nowadays is getting a little bit better again, especially because of the overall reduction in interest rate that the Country is going through, but for sure, only to big companies it is available, to mid size and small companies the banks are not willing to operate and give more working capital for them.

I think that as a background for the sector, what we saw in the 4Q and what we are seeing going in the 1Q09. So now I want to pass to Michel Wurman and João Mallet, who are going to do the presentation of the results of the 4Q and the full year, and I come back later. Thank you.

Michel Wurman:

Hi, everybody. Thank you for the participation, going directly to page two, we are going to pass through some highlights of the operation from 2008 and from the 4Q. Overall sales were very nice, we did R\$435 million on sales, we launched 738 and we sold roughly 50% of the units that were launched within the quarter. Contracted sales, our PSO reached 24% and that was the highest number within the sector. 75% of the launches happened in the low-income segment and for the whole year we believe that what made the whole difference was the very good selection of projects, which really were launched according the market needs. So we were able to keep a very strong sales pace with a strong concentration to the middle-income, 75% of what we launched in the last quarter and more than 60% for the whole year, but with very good sales speed also in the other segments.

Going to the next page, page three, we pass through some financial highlights, our net revenue for the 4Q reached R\$347 million and for the whole year R\$1.2 billion with roughly 120% comparing with numbers from 2007. Our adjusted EBITDA for the quarter came roughly R\$77 million with a net income margin of 22.2%. For the whole year we had R\$317.8 million with a net margin of 26.3%. Our adjusted net income was R\$66.8 million for the quarter, of 20.7%.

On a relative, I believe what we did from PDG, but a lot during 2008, we have been able to grow a lot in terms of absolute numbers, trade commerce that we have today in the operations is one of the largest one in the Country, but even on a relative basis, we continued to be very strong on the margins that we have, so we have been able to grow the Company with a lot of efficiency that we have been able to have since the beginning of PDG.

Other important point, we did the earlier option exercise from Goldfarb, so we have 100% from the first part of this now on we will consolidate 100%. We continued to have a very good cash position, we ended the year with R\$256 million that if does not cover all of our needs; we expect to reach cash flow positive by the 3Q or 4Q of this year.

Another important measure that we did in PDG over the last quart is that we started to create an area that is integrating the whole back office from PDG, Goldfarb and CHL operations. We are taking the best areas from each one of these three separated companies and we are putting all of them together, integrating them in order to be more efficient on what we will be managing, and we believe we will be able not only to cut cost on that, but more than that, we will have more ability to generate cash on a faster position.

Another important thing regarding the balance sheet happened last week with the reaffirmation from S&P of our rating. Last week, they did a reevaluation of all the rates from the public companies within the homebuilder sector and we were the only one that they kept with the same rate, we were not downgraded. This is for us, like we have been able to more consistency that we have been having in the Company, we have been managing the Company.

And that last point on the highlights was regarding the marketing campaign and the differentiation that we have been trying to add. Like José said, we are passing to crisis managing the Company and managing the crisis, we are not hiding ourselves and the strategy is exactly to take advantage of the crisis. During crisis times you have less competition, because you have a lot of your competitors having a lot of problems with cash and inventories, and something that since the beginning of PDG, all the time we try to manage on the same way, we try to have the lowest inventory as possible and we try to have a very conservative cash assumption within our budget. We have a lot of access within our operation exactly to pass through times like these.

We know that to be a homebuilder, to be a developer is a business of managing cash flow and it is exactly with what we have been doing as we did since the beginning of PDG. So the way to pass through crisis is exactly being very active on the measures of the Company, and this is exactly what we have been going.

Going to next page, already mentioned about Goldfarb, the other important thing is that last quarter we announced our share buyback program. We did some buy back and we intend to continue to do share acquisition for the Company, we believe that is a very good opportunity for us, we did not announced that for the sake that we wanted to talk to the market that the share was to cheap, we announced that because it is an opportunity for PDG and we can expect back to have more during the year.

Going to the next page, we already mentioned about the back office integration. Another thing that I did not mention is that during this whole back office integration, we are acquiring an S&P implementation and software that will happen through the whole year and that is the way that we believe we will be more efficient over time

Coming back to the differentiation of marketing strategy, we believe that we did some different things during the quarter, but I want to highlight two different projects. One came from Goldfarb, Milton Goldfarb had the idea when he realized during the last quarter that the buyers could be a little more scared about losing their jobs, but losing their jobs were expected to be a very minor portion of the buyers, we create the concept of buy back commitment from Goldfarb. So if a buyer from Goldfarb that bought since the last quarter, if during this period, they somehow lose their job, we will be refunding 100% of the price paid.

This measure for sure was very important for us to keep on keeping the sales and the most important thing, the most interesting thing is that in the beginning a lot of people said that we were crazy on doing this strategy, and over time a lot of different companies copied that and during February we saw some reports from the United States, some magazines with articles saying that Hyundai was doing very well in the United States market because they have a strategy that they were supposed to refund the buyer if they lose their job. So it is exactly the thing that we had during the last quarter here.

The other thing that we think was very smart came from the CHL side, it was the concept of buy an apartment and also wining a car. This was a marketing strategy that Rogério Chor, the CEO of CHL had since the beginning of the year, he said, "if we need to use different marketing efforts I want to use, try to use a least this concept of buying an apartment and giving a car" and when we heard this strategy the first time, the first moment, we said "OK, Rogério, very nice idea, but you will only be able to keep the car when the buyers pay 100% of the units price". We were able to create a sales table and we have several conditions over time and the strategy was very smart and we were also copying that strategy from CHL, we exported that to Goldfarb.

This is exactly the way that we have been managing the crisis. Very thigh on cash control, very thigh on fixing very quickly when the problem appears, from the marketing side we should do different measures, exactly like the ones that we said, and again, on the marketing side, the supply shock was stronger than the demand shock. That is why we continued to be very optimistic with the market.

Now on, I will pass to João to continue with the presentation and I will come back in the Q&A session.

João Mallet:

Hello, everybody. On page six, we show the sales figures for the full year of 2008 and 4Q08. Overall, we ended the year with a total sale number of R\$1.8 billion, this is roughly a 9% increase when compared to 2007 number. It is important that we kept the largest share of our sales coming from the low-income segment; 72% of it came from the low-income segment. Another important income segment in 2008 was the commercial one, we had several successful launchings in small office products, it was a nice strategy that we had mainly in the 2H08.

Going to the next slide, page 7. The most important number here is to show that even with a tougher 4Q scenario we were able to pre-sell more than what we had in the 4Q08. From the launchings that occurred in the 4Q, we were able to pre-sell 46% on PSV. This number was 43% on the 3Q, so even in a tougher scenario, we were able to keep a good position of the launching number.

On the lower table, here, we can see the sales over supply; this is a common indicator for the sector. We ended up the year with 57% of sales over supply, in the 4Q this number was 24%. For 2009 we are projecting something between 40% and 50%, the total year.

On page eight, the same table that we have been presenting for at least the last four quarters, and the important point here is the units that are launched and are not sold so far amount up to R\$1.4 billion and from this R\$1.4 billion, roughly 82% are from units that we launched in 2008, band new units, units that have roughly just started the construction for these units launched in the 3Q and 4Q we have probably not stated the construction for the majority of the launches here. From the total units of the launchings since the beginning of PDG history, 39,000 units, so far we have 30,000 units already sold, 77%.

On the next slide, page nine, we have a breakdown of the projects that we launched in the 4Q. It is important to mention that we had the first launching in Argentina, we had successful launchings in Mato Grosso, Espírito Santo, some other cities, new cities,

markets that are in a tougher scenario can pose a different trend in sales speed, the crisis is not present around every city in Brazil. The dynamic of the real estate sector is highly depending on the micro variance, so we were able to keep good sales speed in several cities.

On page 10, just as small brief of some projects that were successful ones in the 4Q. On page 11, the number of launchings, those numbers we already released them in the beginning of the year. But, just to pass some important ones, we launched on pro-rata basis R\$2.6 billion in 2008, this number compared to R\$1.2 billion in 2007, more than 100% growth. In the 4Q we launched R\$738 million, 66% growth when compared with the 4Q07. Again, a large proportion of this number coming from the low-income.

On page 12, the landbank composition. 83% of our landbank today is in the low-income segment. It is important to mention that, again, the second quarter in a row, the landbank, the PSV in our landbank decreased, we have today R\$6.3 billion in our landbank, spread around 207 projects. We do not feel the need to have a large landbank number today, the market is becoming good again to buy land, it is better for the land acquisition. So R\$6.3 billion is OK, it is adequate.

On page 13, here we have an important metric on this table on the right side. The units that are illegible to the Crédito Associativo and to the SHF funding, and more important than that, just 6.2% of our units in landbank are units that the average prices will be higher than R\$350,000. Those units are a small amount of PDG and the other one illegible to the SHF and Crédito Associativo are by far the vast majority.

On the following page, page 14, we start to talk about the financial numbers. Just a quick comment, we will be presenting on the next page the numbers adjusted by the law that impacted all the real state companies. So here we have the numbers previously before the law 11,638. So net revenues we ended up the year with R\$1.2 billion, 119% of the growth when compared with 2007, gross profit R\$472 million, another triple digit growth here, EBITDA we ended up the year of 2007 with R\$161 million, this year we ended up with R\$318 million, roughly 100% of growth. The same dynamic for the adjusted net income, we ended the year with R\$251 million, this number compared to R\$130 million in the end of the full year of 2007. Those were the numbers previous the law.

On page 15, we have all the reconciliation, let us try to explain this table here. In the first column are the numbers after the 11,638 law adjustments. So the net income that should be considered for dividends should be the R\$182 million, it is the lower number in the last column, this number if you do not consider the adjustments, should be the R\$322 million on right column after the adjustment here.

Regarding the adjustments, the major numbers and some comments on them. The receivables adjustments to present value, all the real state companies have to adjust their own balance receivables by a coupon between the interest that you pay on your debt and the INCC inflation. So in the case of PDG this number was R\$14 million in 2008. Another important number here, sales show room prepaid expenses, we were expecting in the beginning of the year that all the companies would have the option to keep capitalizing just the show room, the sales stand.

In reality, when the law was published, it was a little bit different. We had the ability to capitalize the show room if you expect the show room to be open for more than 12

months, but before 12 months you reach 90% of presales, you are obliged to expand the sales stand. In our case, this is one of the major reasons for this large number here; otherwise it should be much less.

Another important number here is the stock option plan. What is the rule applied here? We should value the stock option plan by the date that the plan was granted, in our case, the first one, which was the largest one, was in May of 2007 and the share price was R\$17.40. So the calculation here is regarding a share price of R\$17.40 per share of PDG.

The following adjustments of R\$8 million is regarding the FX results that we had in or Argentinean investment, we invested in Argentina with a USD that was R\$1.7 and now it is more than that, so we have a positive adjustment throughout the year of 2008, with the new law we are not allowed to put the FX results in our income statement, we should adjust that against our equity. So we have to make a reversion of the previous results that we had in the income statement, against our equity. So we have a negative adjustment here. The other one, a minor one, but we can go through them in the Q&A session.

Just another important table here, the table that you have below the reconciliation, so we have R\$182 million of net income, this is the number that should be considered for dividends, your legal reserves and then you the basis for the dividends. We already declared interest on equity of roughly R\$15 million so the difference should be paid on dividends of PDG.

Michel Wurman:

Just to talk with the same language that is being talked in João's presentation, if you come back to page 14, when we talk about adjusted net income, the adjusted net income should be R\$222 million, the R\$251 million for the 2008 numbers, that includes the depreciation coming back to the balance sheet.

José Antonio Grabowsky:

Just to make it clear, the R\$251 million versus R\$222 million, that is an adjustment that has not to do with the law, it is an adjustment to compare with the guidance, to compare with our previous numbers for the other quarters of the year.

João Mallet:

Excluding the non-cash expenses, so coming back to page 16, the schedule of the contracted debt of PDG, we keep a very healthy position, the largest amortization will start by the 3Q of 2010, and then we have some major ones starting in the 3Q of 2011, which is our debenture. So we are still very comfortable with our debt position, below we present our net debt position of R\$600 million roughly to an equity of R\$1.4 billion.

On page 17, a qualitative breakdown of the debt, by creditor, by index, by type of debt, something that is very important. And now I will pass again to José and Michel.

José Antonio Grabowsky:

Talking about our perspective for 2009 and the 1Q and other important issues that we are paying attention today. I think one issue that everybody is talking about, and of course, we are following very closely is the housing plan that is expected to be announced by the Government tomorrow. We do not know yet the final definition of the plan, but all the information that we have is that the measures will for sure highlight the importance of the low-income sector for their real estate companies. And of course, the companies that are already operating and operating successfully in that segment will be the ones that could benefit the most from the measures.

Most of the measures that we hear about are in the right direction, let us say, in the sense that they are increasing the affordability in the sector, creating more conditions for the families around five to 10 monthly salaries to be able to have a bigger capacity of paying their monthly installments. So, when the Government is talking about reducing interest rate, reducing the costs of the life insurance policy that is attached to the monthly installment, and better than that, talking about granting bigger subsidies for the buyers, that is very important and very healthy for the market, therefore, increasing the demand and, let us say, the affordability of the families within that income bracket.

Of course, let us say, part of the plan will be oriented to an income target that we are not able at this moment to operate profitably, when we talk about families below three monthly minimum salaries per month, with more or less R\$1,500 per month of family income, we are not able to cater that market profitably.

I think that really something where the Government will really have to make almost direct construction to be able to sell units for that range, but for sure something around four minimum salaries, around R\$2,000 and above we are able to operate profitably, we already have experience in selling units around R\$70,000 and R\$75,000. That is exactly the type of products that we will be benefiting from those measures and we expect the measures to be released tomorrow by the Government and for sure it will be positive.

We are not dreaming about the big numbers that the Government is talking about. For sure there is a lot political interest from the Government when it talks about 1 million homes to be delivered in 2009 and 2010, but for sure we believe there might be a huge impact on our own launchings. Goldfarb for example is expected to launch 15,000 units in 2009, for sure with the Government plan that number might be growing up to 20,000 or 25,000. So it is a big jump in our numbers, so if we are able to pick a small number of those 1 million units that the Government is talking about, we are already happy and for sure that will impacts our numbers.

Regarding the scenario of the 1Q, we continue to launch, of course, very cautiously, very prudent, paying a lot of attention to what products are making sense for the buyers at this moment, but we will probably be launching around R\$400 million in the 1Q, which is a reduction compared to the last year numbers, but it is still a big number. And the sales continue to be at a very good pace, not only sales for the new launches but especially sales for our inventory are also at a very good pace in this 1Q.

The way we are looking now it is possible that we reach by yearend somewhere around the R\$2.5 billion of launchings which is in accordance with our last guidance that we talked about. Besides that, for sure 2009 is a year to pay a lot of attention in the

efficiency, in return, in profitability and not exactly just growth. We never paid a lot of attention of growing just for the sake of growing and more than never we are paying a lot of attention in the efficiency and in the profitability at this moment.

We have been doing some adjustments in the Company, CHL, Goldfarb and PDG itself to make sure that we adjust the size of the Company to the size of the market and to the smaller growth that we are seeing for 2009.

Some measures that we took for sure we will have help that our G&A for 2009, instead of growing around 20%, which was the previous expectation, it will probably going to stay flat. So that will help our profitability in the year. And another important thing to will affect us and most of the companies, the reduction in the interest rate in Brazil that started to happen and it looks like it is going to keep happening at the very strong pace towards the rest of the year, it is going to be a positive impact in our balance sheet as well.

In general, we see a challenging year, but we are very comfortable that we will be able to deliver good results, continue to position PDG as one of the leading companies of the sector, we finished 2008 better than expected, on a relative basis, for sure being the second largest company in any given criteria was something for us that could be in our plans for later, but hopefully we were able to achieve that earlier, by the 2H08, and we plan to continue for sure growing on a relative basis inside the sector within the leading companies of the segment, paying attention to any new opportunities that come for us to grow.

Thanks a lot, I will pass on to Q&A. So we can continue our conversation.

Guilherme Vilazante, Barclays:

Hello. Good morning. My first question relates to launches, I would like to know if the Company has already a guidance for 2009 after the adjustments for Goldfarb acquisition and the performance of the 1Q. And if you do not have, if you have an estimate of how far you can go in terms of launches given your current capitalization.

And I would like to also take advantage of the further question to ask how your sales are performing, if you could give us an X-ray during this 1Q.

Michel Wurman:

Hi, Vilazante. Regarding the guidance for the year, the guidance that we still have is in between R\$2 billion to R\$3 billion, we know that it is a wide range wide, currently we have a focus on the midrange of the target, the R\$2.5 billion for sure excluding extra things that can come with the Government package.

Still on that, why we believe that we can achieve these R\$2.5 billion on a comfortable position, for sure more than R\$2 billion on the minimum case. We will be doing around R\$400 million in launchings during the first quarter, we expect to have in between 35% to 40% of the whole year launched during the 1H of the year. The quarter on average we have 15% over the year's guidance. That is why we believe that we are on track with our expectations. And the best part is that what we have been able to launch so far, we continued to sell very well.

Guilherme Vilazante:

Have you seen any change in the profile of the behavior of return of units, or delinquency?

Michel Wurman:

Delinquency, so far nothing, although we expect to have. For sure, internally, we are not seeing that yet in the numbers, but as an internal feeling we expect that to grow, not to explode, but that number is expected to grow during the year as we start to see more people being laid-off, mainly on the service side, on the service industry. But we are not seeing any kind of crisis, actually our internal feeling is that during January we were more scared than we are today regarding that.

Regarding the profiles of the buyers, the profile keeps the same. Our average buyer, mainly in the mid low-income is someone living in his parent's home, a couple that got married, a divorced man or woman, something like this, so we continue to have the same kind of buyers and something interesting that was actually mentioned during the previous call is that there were some regions that we knew that we would had more laid-offs than the average of the Country and we had some cases that people anticipated the payments of their debt in the case of the housing.

Probably they got money coming from the FGTS, so they prefer to anticipate that. That is not the average rule but we saw some movement like this.

José Antonio Grabowsky:

Besides the low income that is, of course, our major focus, there are some other opportunities in the market that we are paying attention especially through co-development or through CHL, which are projects oriented to investors.

A lot of people, individuals are looking for ways of investing their money in real estate, not only because of the crisis, and of the uncertainty of the returns in the financial market, but more recently because of the strong reduction in interest rate that is happening now in Brazil and that looks like will continue to happen. So CHL last year was already able to launch and sell very successfully some small office units projects and we will continue to look for that type of opportunities, probably in the office segment, or, even though, another trend that might become back in Brazil, opportunistically is the "flat" units, like small hotels sold unit by unit, that is another possibility that we will be doing some projects.

Guilherme Vilazante:

OK. Thank you.

Rodrigo Oliveira, Credit Suisse:

Hi. Just two questions regarding your income statement. We saw here a capital gain of almost R\$10 million and I was wondering what the nature of it is. And the second one is regarding your adjustment to your EBITDA, you show here nearly R\$3.6 million of non-recurring expenses and I was wondering what kind of expenses are these. Thank you.

João Mallet:

Regarding the equity gain, this was a number that in the 2Q we have from the Brasil Brokers. On the release we subtracted this number; you see that the number is higher than the release to the market. And now in the end of the year, we have to adjust everything because of the audit, we have to put everything in line.

Regarding the non-recurring it were some expenses that we had in the process of some of our investor companies that we tried to marketing operations and in the end we were not able to conclude that.

Rodrigo Oliveira:

OK. Thank you.

Gordon Lee, UBS:

Hi, good morning. Just a couple of questions on the balance sheet, and you mentioned, Michel, in your remarks that you expect to be free cash flow positive by the 3Q or 4Q, I got two questions. The first is, should we expect the same level of cash burn that we saw in the 1Q, during the first and second quarter, because it will lead up to that, free cash-flow positive number? And then the second question is, with the potential measures that are being discussed in the "pacote" (the Government package), how do you feel about your balance sheet? Do you feel that your balance sheet is capitalized enough that can sustain the additional growth that might be required by Goldfarb? Thank you.

Michel Wurman:

Hi, Gordon. Regarding the cash flow for the 2H of the year, cash burn for sure we will see during the 1Q diminishing a lot, the cash flow will be reached if we do not grow more. For sure with the target that we have for this year that we released for the market, we have money for that. And we have cash-flow positive for that target.

And you will see for the 1Q numbers that this disbursement decreased a lot exactly to become cash flow positive for this year. The main thing that happened in PDG after the crisis, the only change that happened actually is that before the crisis we were expected to reach cash flow positive by the 2H10 and after October and November we decided to anticipate that to the 2H09.

Regarding being able to raise more money, if you see our numbers like our net debt to equity ratio is only 41%. We believe that we can comfortably growth debt to a 60% to 70%. We are having several negotiations with the credit lines that the Government opened for the sector, for the Caixa Econômica, for BNDES, and other special credit lines, we believe that we will be able to get one of them in the short term, and more than that, with very little problems of covenants, like we do every month our cash flow analysis, we run the covenants ratio to be sure that we are comfortable on that.

Gordon Lee:

Perfect. That was very clear. Thank you.

Dan McGoey, Deutsche Bank:

Good morning, gentlemen. Two questions, first on the accounting, the release basically outlines the 4Q results prior to the new accounting law. I am wondering, you provided the reconciliation on a full year 2008 basis, do have results for the 4Q under the new accounting law? And I guess, assuming the answer is no, can you talk a little bit about whether the adjustments for the 2008 table are retroactive to account for the full year?

Then the second question I have is regarding some of the marketing strategies you mentioned, specifically on the Goldfarb one and the unemployment guarantee, what sort of cancelation rate or unemployment percentage are you expecting to see and how you are adjusting your construction or your production to account for that?

José Antonio Grabowsky:

Let us start with your second question. In reality, this program in Goldfarb is a lot of marketing, rather than a dramatic change to what existed before. In reality, the way the market operates especially in São Paulo, if someone cancel for delinquency, independently of losing their job or not, usually for the sake of speeding up the process and according to the legislation in São Paulo, we give back to the buyer 80% of anything that he has paid up to that moment.

In the case of this program that we launched in the 4Q, during the construction phase, if the guy loses his job, and wants to cancel the acquisition, we will be giving back 100% instead the 80% that is the usual number. It is just a 20% difference in what we give back more, and it is a very strong marketing for giving more confidence to the buyers to keep acquiring their units.

We do not have the expectations that the number of units to be canceled because of that problem is very big, especially because the timeframe of the construction cycle is not so long in the case of Goldfarb. But I think we can count on the same around 5%. That is the top of our delinquency, usually. I think around 5% is a possible expected number of sales cancelation originated from unemployment.

Dan McGoey:

OK. So the answer is you have not meaningfully adjusted your production scheduled to account either from natural cancelation or for this new marketing challenge

José Antonio Grabowsky:

No changes.

Dan McGoey:

OK.

João Mallet:

Could you please repeat the first question regarding the adjustments?

Dan McGoey:

What I am wondering basically on the 4Q the results that you published under the previews accounting law, I do not think you provided the 4Q results under the new accounting law, is that because the 4Q under the new accounting has all of the full year 2008 adjustments and that would be meaningful? I guess, what I am trying to get a sense is to what the...

João Mallet:

We made the whole operations for the full year of 2008, we did not calculate the breakdown between the quarters of 2008.

José Antonio Grabowsky:

In other words, if we wanted to do the 4Q with the whole impact it would make no sense, the 4Q would be giving a number that is not reflect the quarter.

Dan McGoey:

They are all retroactive adjustments for the full year 2008.

José Antonio Grabowsky:

Yes, we did just for the entire year, not on a quarter-by-quarter basis.

Dan McGoey:

OK. Maybe if I can ask a similar question in a different way. Looking forward to 2009, looking at your reconciliation table for 2008, the primary difference in either margins or profitability are really going to come from the sales stand expenses and perhaps the interest capitalization, none of the stock option costs and so far should be recurring, is that correct?

João Mallet:

The stock option will be for 2009 probably something similar, because we have to recognize that on a pro rata, the sales stand, we had a big one-time adjustment because we had to change the metrics in the middle of the process. So, some sales stands that we were able to capitalize and amortize using the POC, as we were doing this since the beginning, we are doing this quarter by quarter and then we had to make like a cut and to recognize in one time. So this number will probably be more linear throughout the year of 2009.

The present value of receivables, as we will continue to launch, it will be something more linear, but probably negative, but not on that amount. The effect reversal will not occur any more. I think those are the largest ones.

Dan McGoey:

OK. Thank you.

Operator:

This concludes the question and answers session. At this time, I would like to turn the floor back to Mr. Grabowsky for any closing remarks.

José Antonio Grabowsky:

Thanks a lot for your attention, for sure 2008 was an important year for PDG. We look forward to 2009 being such a good year or better than 2008, and that we keep talking to you on a continuing way throughout the year in the major events that we go, that we follow or any thoughts, any doubts that you have, please let us know.

The idea is to keep following up with you and providing as much information as possible. If anything is not clear for you because of all those changes that we had in the end of the year auditing, please let us know, call us here to make it clearer.

Regarding the opportunities in the industry going forward, we are optimistic that those companies that stay healthy and are able to go through 2009 and the effects of the crisis in Brazil will be able to in the mid-long term profit from the very positive scenario that we see from Brazil going forward in the mid-long term.

I think that is the type of role that we see for PDG in the future. I think we are here for the long term. We want to be able to grow together with the Country, I think the sector has a lot of good qualities and benefits, and for sure the Government is paying a lot of attention to the sector because it has a great potential of growing together with the economy of the Country.

Thanks a lot for your attention, and let us keep in touch. Bye.

Operator:

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

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