

**Operator:**

Good morning, ladies and gentlemen, and thank you for waiting. At this time we would like to welcome everyone to PDG's 4Q11 earnings conference call. These are non-audited results referring to the 4Q11 and the full 2011 year.

We would like to inform you that this call and the slides are being broadcast on the Internet at the Company's website: [www.pdg.com.br/ri](http://www.pdg.com.br/ri), and that the presentation is available for 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 that we will begin a question and answer session. Further instructions will be given. Should any participant need assistance during the call, please press \*0 to reach the operator.

Before proceeding, let me mention that forward-looking statements during this conference are based on the beliefs and assumptions of PDG and on information 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 can also affect the future results of PDG and may cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the call over to Mr. Zeca Grabowsky, CEO. Mr. Grabowsky, you may begin the conference.

**Jose Antonio Grabowsky:**

Thank you. Good morning, everyone. Thank you for being with us in this call. First, let me apologize for the delay in the disclosure of earnings. Closing of our annual report with the accounting areas in each business unit and with the audit is quite a complex process for a company the size of PDG. And it was further complicated in this quarter by the implementation of SAP in Agre. But we continue to work together with Ernst&Young Terco to finalize this process. And as soon as possible, probably until the end of the week we will report the audited data. Therefore, the data in this report have not been audited and they are less detailed than usually. As soon as we have audited data, PDG is committed to clarify any questions that may come up.

So, let me begin talking about adjustments in the 4Q's earnings and the delays, in order to clarify questions about the problems faced with SAP. I can give you some details of exactly how we conducted this work, which ended up being more difficult than we expected. The implementation of SAP, we already had in PDG, in Agre and it meant for us to do the data migration from the four previous systems existing in these companies to SAP, which we already had in PDG.

Unexpectedly, we had a very different plan of accounts. So, it made it more difficult to reconcile accounting balances and it ended up increasing very much the amount of our financial team and the audit teams. And that was together with the yearend audit, which is unusually more detailed, so this is the reason for the unexpected delay.

One more time, I want to apologize with our shareholders but this process and the implementation of SAP in Agre was very important, it was a step we had to take to continue to evolve in our internal processes and controls, as we will inform during the call.

Now talking about 2011 in general terms. We already wanted to have a management alignment with the subsidiaries. This alignment started in 2010, when we acquired Agre and we started the integration process.

Now, regarding engineering, which has always caused a lot of concern. We already had this focus of expanding our engineering areas, so that in time we would be able to reduce the volume of third-party builders. Goldfarb in 2011, we had changes in the main executives in the engineering area. We changed a few key pieces, and we expanded, in the case of Agre, the third-party construction work that had already started. In most cases we decided to maintain the third parties. In a few cases, we were able to replace a few of them because of problems with delays. But in most cases we continued with the third-party homebuilders.

Now, for the new projects then most of them, or almost all of them will be built by our own team, which we continue to reinforce and expand. We still have a portion of projects being built by third parties, they will be delivered in 2012, many of them still have delays. So obviously we are paying very close attention to this. Because of this we decided to review our budget in the end of the 4Q. And it generated an effect of R\$222 million in the budget and it had an effect of R\$140 million in the revenue line. We will talk about that in further detail.

Other accounting adjustments were made by the audit, R\$44 million. They refer to the amortization of goodwill and the merger of Agre and PDG businesses. This is going to be further detailed also during this presentation by Mario.

Now talking about 2011. There were a few significant challenges and achievements. The macroeconomic scenario was not as bullish as in 2010, domestically or globally. The real estate industry continued to grow and we have a very healthy sales over supply ratio. At the same time, we had to deal with a significant increase in the number of projects and units delivered. Consequently we had to provide service to a growing customer base. In spite of that, the balance for the year is quite good and we were able to achieve a few very important goals, which makes us feel motivated for 2012.

The highlights were, R\$9 billion launches, up almost 30% compared to 2010. According to our guidance, sales R\$7.5 billion, growing 15% compared to 2010 and an excellent sales and SOS ratio, or sales over supply, in all four quarters between 27% and 29%. A bit over 32,000 units delivered, a growth of 60% compared to 2010. This was a very important achievement. And during the year 2011 we concluded the brand unification, so now instead of using different brands everyone uses the single PDG brand.

Talking about 2012, our priorities for this year, certainly our current focus will be to make current operations more efficient. We no longer talk about growth, now we talk about efficiency. Obviously, we will continue to deliver a large number of projects, some from Agre still have delays, most of our projects with delays come from Agre. And we still maintain our number one goal, which is to become cash flow positive.

Regarding cash flow, we will focus on cash generation during the year. And our priority will be the acquisition of sites with minimum cash disbursement. Above all we are working hard to improve our efficiency in the transfer of customer contracts to banks, the so-called *repasses*. In view of the high number of units delivered in 2011 and even higher in 2012, this is the number one driver that is going to help us generate more or less cash in the year. We expect, because we are conservative, because of the difficulties in this area of transfer of customer contracts to banks, so being conservative about the time when the project is delivered and cash will come back and still be able to generate cash in the 1Q, we expect this to consume cash in the 1Q and then gradually improve and present a cash flow positive result for the year.

Therefore, for sure this year we will prioritize sales and not growth. In this direction we have decided to reduce our guidance for launches to a range between R\$8 billion and R\$9 billion, a bit below the number we expected or equal to what we made last year. We emphasize 2012 will be a year of adjustments in the Company after a long cycle of fast growth we had in the past five years since the IPO.

With this strategy, and given that we have already finalized the 1Q12, I can tell you some operating results. As you can see, sales exceeded the volume of last year by 5.3%, with sales over supply ratio of 27%, while launches, because of seasonal effects, are now R\$1.1 billion launches. So, on the one hand, we are already at 13% of the guidance midpoint, which is our historic average. We have a very high sales over supply ratio and we have reduced our inventory of ongoing projects, approximately R\$700 million. And that is good news, in spite of the priorities this year to keep the same level of sales and have sales very close to the volume of launches.

As you know, Agre had a number of projects with delays, and one of our main goals to conclude Agre integration is to finalize and deliver these projects in 2012. With that and the other regular deliveries of PDG, we plan to deliver more than 35,000 units in 2012, which represents a smaller growth, a modest 10% growth, but we can tell it is a big challenge.

Not only do we want to achieve this number of units sold, but we also plan to improve the quality of customer service in our units delivery process, which will ultimately impact the time to transfer these customer contracts to banks, the so-called *repasses*. As we moderate growth, the Company will focus on internal processes and improved process efficiency. On this front, we have a number of ongoing initiatives, which will begin to produce benefits in 2012. Some of them you already know but I will emphasize them.

Consulting with INDG. We hired INDG in the beginning of 2011 and they are helping us manage and track goals started in 2011 with Agre, and today INDG is already helping us manage all our business units and making process management and goals part of our culture.

The expectation is that now in the second year of consulting, it will begin to harvest more results at PDG. In addition, late last year we started a specific project to standardize engineering practices in all business units of PDG, so as to have and maintain best practices in each unit and the creation of standards for PDG construction as a whole. The other topic you already know about, is now materializing, it is the CSC topic. In 2011, we hired Accenture Consulting to assist us in the implementation of a shared service center; it will be called PDG

Serviços. As of July, we expect this unit to take care of all business support activities in an integrated process at PDG; with that we expect not only more efficiency but also a significant G&A cost reduction as of the 2H12, in addition to better control of operations.

Another issue we are implementing at the same time is the integration of front office estate development areas. At the same time, in this 1H of the year we are also integrating physically and working together to generate more synergies and to generate more scale gains for PDG. The other topic, and that is another simultaneous initiative, because now we have a single brand and the integration of the state development areas, we want to improve our marketing efficiency.

So, taking from the integration we have just mentioned and to continue the branding, single brand process, we have centralized all PDG marketing with only two agencies, when up until last year we had up to 20 advertising agencies, each unit had its own agencies that were inherited from the past. Now we have only two, one focusing on online and the other one focusing on offline, both working for all business units of PDG. This initiative will start operations in May and it will be fully completed in the 1H of the year. With that, in addition to cost reduction, we certainly expect more brand alignment and a better return on advertising investment.

The other topic I would like to talk to you about regards the corporate management and the executive management and the Board of Directors. We made a decision not to transition the executive management at this time. I will continue as PDG's CEO after the General Shareholders' meetings and we will address this issue at the appropriate time. Now, the Board, in addition to the disclosure of audited data, we will propose the new team. The idea is for us to improve even further our corporate governance. We will include two new members of the Board.

And as you will be able to see, each in his own field of expertise has qualification and experience to contribute significantly with the Board's decisions and to further improve PDG management in this new phase.

Let me now give the floor to Michel, and he will continue the presentation.

**Michel Wurman:**

Good morning. Good morning, everyone. I am going to page three of the presentation, talking about operating and financial highlights. I will go very briefly through them, and during the presentation we may go into more details with Julia and João, when they will discuss these operational details.

So, here it is important to say we reached the guidance launches of R\$9 billion, net contracted sales R\$7.48 billion, 15% growth compared to 2010, 39% of launches were in the mid-income segment, 31% in the low-income segment. We have already said, we delivered 32,400 units. Julia is going to talk about that in a few minutes.

Financial highlights, net revenue R\$6.82 billion in 2011, 18% growth compared to 2010. Adjusted EBITDA R\$1.57 billion, growing 6% compared to 2010, and adjusted EBITDA margin 23%. Net income R\$783 million, 11.5% adjusted net margin. Return on equity 12.7%.

Now as Zeca mentioned, we had a negative non-recurring impact of R\$222 million, because of budget review of a few outsourced projects, which we carried out in the 4Q. And very important, we concluded the accounting, the business combination or merger with Agre and PDG. It generated a lot of discussion on the market. So, R\$214.5 million in assets, and goodwill of R\$203 million. We are going to give further details about that.

I think with these highlights, as Zeca said, our objective is to begin 2012 growing, gaining efficiency, reducing cost, and improving the attractiveness and the profitability of our business.

Next page, now Julia is going to talk to you about this, and I will come back in a few minutes.

**Julia Martins:**

Good morning, everyone. I am going to talk a little bit about the calendar of units delivered. We talk a lot about this. We have a weekly track, we track this weekly, it is one of the most important figures for the top management. This is key for us to manage our cash well, also for construction, also for customer relationship. So, this is the end, the finalization of our sales process, as important as it is with the efforts of everyone. And let me congratulate the whole Company, we have been able to deliver a record number of units, 32.4 million units, 61% more than in 2010.

We continue next year, as Zeca mentioned, with a very challenging goal, to deliver more than 35 million units, between 35 million and 38 million. Of these 32.4 million, we already delivered in 2011 1/3 of these units were from Agre, on average 65% of these units had more than six months delays. So, we continue to work hard to deliver these projects that have delays as soon as possible.

Now going on to the next slide. I wish to talk about the land bank. We closed the year with R\$26.9 billion in land. And we continue with the same policies, for 2.5 years of three years of operations in the land bank. I always like to highlight that 48% of our land plots were purchased before 2009. They have been accounted for a lower amount. So, these amounts you see here are how much we paid at acquisition. So, we have approximately three years of operations in the land bank, and these amounts have not been updated. We still prioritize purchasing land with the minimum disbursement, 23% of the units this half year were purchased using cash, and the remainder was in exchange for units.

Let me now give the floor to João, he is going to talk about the main financial indicators for the Company.

**João Mallet:**

Hello. Good morning, everyone. I am now on slide number six. We have provided summarized data because these data have not been audited. But on page six, we have the figures that, well, I believe will be equal or very close to the results audited. So, you see the results before the impact of budget review and after. And you have that in the line of taxes; that is the impact that we wanted to highlight. Net adjusted income or adjusted net income after, we had 31,241 in the last quarter, we now have a net operating revenue R\$1.898

million, after the adjustment R\$1.178 million. Gross margin after adjustment 18.5%, and now going back to the capitalized cost the margin is 28.7%.

EBITDA reconciliation, EBITDA before the adjustment 22.2%, after the adjustment 16%. Adjusted, you can see it here. Now in addition to the budget adjustment, we also had the conclusion of the combination of business between PDG and Agre. We had an adjustment of about 44, that is goodwill amortization and it has an impact on the bottom line. So these are the main adjustments we wanted to highlight in the closing of the year.

Now going to the next page. Now, you have a bit more, talking about margin. EBITDA margin here has been impacted by these two adjustments. Net income R\$1.759 billion for the quarter, and for the year R\$1.823 billion. Adjusted net margin 84.1% compared to 36.6% in 2010. Adjusted EBITDA for 2011 R\$1.565 million, margin 22%, compared to R\$1.476 billion, a margin of 24.5% in 2010. Adjusted net income in the closing of the year R\$783 million compared to R\$875 million in 2010. Margin 15.1% compared to 11.5% in 2011.

Now, slide number eight, this data has not been audited, as we said. We have cash generation R\$ 1.722 billion. Debt, if we break it down here, SFH and corporate debt, we had an increase in SFH debt and a lower corporate debt. In the lower line you have the securitization or issuances, R\$1.2 billion in the 3Q, R\$1.4 billion in the 4Q.

Now after the impact of the goodwill amortization you can see the results here and also dividend provision. Net debt/equity is stable, 54% compared to 53.6%. Now, net debt/equity ratio excluding SFH -3.9%; it was 0.9% in the end of the 3Q. So, we now have a very healthy debt level.

Now, if we include SFH and securitization 72%, we are now talking about something closer to 77% at the end of the 4Q11. So, very comfortable levels in terms of cash position and debt amortization, according to the calendar for 2011, 2012, and 2013. So, we have the right provisions and we have no impact in the cash position there. We have a little bit of impact on profit.

Now slide number eight. We are now talking about cash burn, so going to the end we are talking about a cash burn of R\$105 million; it is on the last line. The idea here was to provide details line by line, including securitization, R\$25 million for REP investment, which is not something of regular business, and R\$50 million we used for share buyback program. So, these are non-recurring items, a small adjustment for Brazil Brokers' shares, R\$3.78 million, closing with R\$105.5 million of cash burn for the 4Q.

Now, let me highlight that more and more we have the idea of using SFH as the main funding source, while we maintain the same scenario of SFH. I believe for large companies, there is a scenario of SFH, which is perhaps limited, but for large companies it is not a problem. For large companies they provide priority and so we still have credit line. We have not yet felt any restrictions here. However, we want to have an alternative, we are also working on this front, if one day SFH begins to have problems of limitation. So, then we have an alternative, which is almost ready to be able to trend for funding to that alternative.



The next slide you have details in terms of the goodwill amortization from the mid point of 2010. Let me give the floor to Lara, and Lara will give you more details about this.

**Saulo Lara:**

Good morning, everyone. Yes, when the topic is more arid, I will speak slower so that you can follow me. In 2010, we acquired Agre; it was a share swap operation. Compared to the value of Agre at that time, the amount we paid in terms of share swaps showed an amount R\$418 million higher than book value. This is something we normally call goodwill. This goodwill has economic essence. If you look at the assets and liabilities of the company acquired.

Now, we allocate this goodwill to [unintelligible] that were generated as we do this and Agre at that time, at the time of acquisition, we had this land at the purchase price, which were below the value of sales. So, part of this goodwill was allocated to this land.

So, you can see here that there was R\$109 million of allocation. And the main land we have there is Telefonica, so it has a big impact in terms of expected profitability at that time. Several ongoing projects, of which we also had expectations of profitability for the future, we conducted an analysis during one year and the profitability was confirmed. And these projects, as I said, are ongoing; we allocated another R\$64 million of the goodwill paid for Agre, R\$214 million in total. So, land and the ongoing projects, as they are built and as the land becomes new projects, then they will be amortized by our system of recognizing revenues and profits in our annual report. That is we will use the land and these numbers will be amortized. For that already launched this year and the amortization we recognized in 2011 R\$44 million from these launches.

And in the next quarter, in the next two years, 2012 and 2013, we will still have R\$70 million to launch, and after 2013 we still have the R\$210 million, which is now land. This land will be used for future launches. In addition to these R\$214 million I have already mentioned, we still have a different of R\$202 million for the goodwill; this is how much we paid for future growth of Agre. It includes the brand, it includes the market share we had in Salvador, for example, and even the value of the management.

So, this goodwill refers to intangible assets. So, we put it in this line goodwill and every year or every quarter this line goodwill in the new financial reports will be reviewed. Whether we will maintain the same amount or whether it has deteriorated and we need provisions. Usually the profitability of our business will make this goodwill remain in our Annual Report. So it will not generate impact in future results.

Now, I believe that we go back to the presentation. We will now finish and open for questions and answers.

**David Lawant, Itaú BBA:**

Good morning, everyone. Thank you for the presentation. I have two questions. The first, I mean, not talking about the budget effect, I am looking at adjusted gross margin, it is below what we had in the previous three quarters. You had a positive effect in the 3Q, but it is lower than the 1Q or 2Q. I understand this is because of Agre projects, I believe, that had a

lower margin and they still impact the results. Do you confirm? And what is the trend for 2012, what will be the level? Will it go up during the year?

And my second question, I am sorry, I missed part of the presentation and I apologize if you already spoke about this. But how many projects today are being built by third parties and how many projects with your own teams, can you give us the breakdown? Thank you.

**Michel Wurman:**

David, I will begin from the second question, and then we will go to the first. Today, PDG as a whole, 80% of the ongoing jobs are being built by our own teams, and 20% are being built by third parties. At Agre one year ago, it was 60% third parties and 40% our own team.

So during the year, we were able to reduce that, and in 2012 we will finish the year with 90% of the projects being built by our own teams. Talking about the projects, 20% of the projects being built by third parties, we reviewed the budgets in 2011, especially in the end of 2011, and this is the impact you have on the results. We reviewed the budget on average increasing by 5% these budgets. We did that in the end of 2011.

Now about margins, let me remind you of two important topics. We still have in PDG as a whole 35% or 40% of our consolidated results comes from old Agre projects; in the 2H11 and the 1H12 these will tend to disappear. So, the consolidated of PDG as of the 2H12 will represent only 10%.

Now this 40% of old projects have a low margin, gross margin between 20% and 24%. So, this is the impact you see in the gross margin. Then gradually, as these projects will disappear, the margins will naturally go up. We will no longer have the long-term impact of third-party projects. We will no longer have the impact of lower margins in these areas. And consequently in time our margins will improve.

But it is not something that will improve already in the next quarter. It will improve in the next three quarters. We are working hard to deliver these projects now.

**David Lawant:**

Thank you. Thank you very much.

**Guilherme Vilazante, Barclays:**

Hello. Good morning. I have a question about the size of this review and the magnitude of cost over rents, because, I mean, what you just mentioned, it does not seem a lot. It does not seem a big problem. But we saw other reviews in this industry and it was not just once, it continued to need reviews and in some cases it ended up being a big review. So my question is, what is the level of certainty you have? I mean, to what extent are you sure that this adjustment, this review will be enough?

And next, it is not a question, it is a request about the goodwill amortization in the future. I would like to request, that when you publish your results, please separate this amount. Because it is easier for us to make a comparison, because this comes from assets review. So



it would be interesting to maintain this number, this percentage of cost that comes from goodwill amortization separately.

**Michel Wurman:**

OK. About these two topics, yes. Lara's idea was precisely to keep it separated, so you would understand how this line is broken down: R\$30 million to 2013, but we will do that every half year. We will update the number of the goodwill amortization.

Second question. Now there are two important points. First, there are some projects that have a lower margin. It does not mean that they have a bigger cost of area; what happens is that we will deliver all of them. In the 4Q, we had an impact because of this review, which were third-party projects that were already close to delivery and they needed more resources. It happened in the late 3Q, especially in the 4Q, especially in Agre. So, that is why we decided to review the budgets, because if we had problems in a few of these budgets we had to carry out a big review, R\$222 million.

Now, what we have today are the best estimates we can make, and these are updated values. We conduct reviews every quarter, today this is our best estimate. That is why we did this review. These are project being built by third parties, which will be delivered very soon. So that is why we made this review.

**Guilherme Vilazante:**

Yes. But what is the proportion of this in your pipeline? I mean, what is the level of certainty you have to avoid having to review these budgets again and have more pressure on the margins?

**Michel Wurman:**

Well, I would say this is our best estimate today. Yes, we may have pressure in the future if the cost is very much different from INCC; this is a variable we cannot control. But as I said today, this is our best estimate.

In addition, this was basically due to third-party projects. This is where the problem is concentrated, but third-party projects are being reduced, especially at Agre. The projects that were outsourced in the past tend to disappear. As of today, it is our best estimate.

**Guilherme Vilazante:**

OK. Thank you.

**Nicole Hirakawa, Morgan Stanley:**

Hello, good morning. I would like to have an idea of how much of these 35,000 unit that we will deliver this year, how many are Agre's projects? And about the distribution of deliveries, if they are more concentrated in the 1H or 2H of the year? And Agre accounts for how much of the launches for 2012? So, I would like to know a little bit about that.

And one last question about financial results, again positive in this quarter, I would like to know about one-off or if you capitalized more interest in this quarter? Thank you.

**Julia Martins:**

Hello Nicole. Yes, of the 35,000 units to be delivered, 12,000 units were Agre, of which 8,000 units have more than six months delay. 90% of these, we have or we will deliver in the 1H12. So I have answered the first question.

Second, the launches, Agre would be about 45% or 50%. It depends on the flexibility; sometimes there are geographical changes, so that may change during the year. But it is ultimately 45%, 50%. Of the financial income, we have not seen any relevant impact on revenue this quarter. So, it is still very similar to the original projections and nothing really materially different from what we expected.

**Nicole Hirakawa:**

OK. Thank you.

**Paulo Renelli, J Safra:**

Hello, good morning everyone. Now, I would like you to give us a bit more detail of operating expense line. You said that a good portion of Agre projects that have delays, the ones that were delivered were delivered with delays, so do you have provisions for expenses referring to these project delays or perhaps that impacted the line of operating expenses? So could you give us details what was sales and what was related to the delays? And now, thinking about 2012, if you could give me an idea of how the G&A will behave, looking at the changes you have made with CSC and these initiatives?

**Saulo Lara:**

Hello. Just talking about Agre we considered the impact of these delays. So, looking at our contracts and the relationship with customers, so you have there the expectation that it is going to happen during this year, it is approximately R\$11 million.

However, let me remind you that on the other side, I mean most of the payments have been frozen in terms of value, that is they stopped paying the monetary adjustment; this is another discussion. But approximately we have R\$11 million as liabilities to try and solve any problems that may come up because of these delays.

**Michel Wurman:**

Now about CSC. Yes, CSC, this is we will have the SAP go live between July and August. Our expectation is to have cost reduction between R\$30 million and R\$40 million, this will be savings and we will already harvest results in the 2H12, basically efficiency; instead of growing the number of people, we will grow efficiency. So, the Company is growing as a whole in number of deliveries, number of projects. So, the idea is to hire more but also be more efficient by staff, and that is how we will be able to reduce the costs of IT, reduce the

number of branches, concentrate and improve our level of expenses. But the number would be between R\$30 million and R\$40 million savings.

Now back to your point. As Zeca mentioned, the front office initiative, we are already bringing together these units to PDG São Paulo unit. Agre unit already has a single operation. We have been able to reduce headcount already in the 1H12. So, this is going to contribute favorably to G&A. We also have the integration of Goldfarb and Agre, which will generate more efficiency and improve our internal processes as a whole. So, our goal is to have between R\$30 million and R\$40 million in savings this year and gain efficiency, R\$20 million or R\$30 million at the front office. Together, if we add them up, the savings can go up to R\$70 million.

**Paulo Renelli:**

Thank you very much.

**Guilherme Rocha, Credit Suisse:**

Hello. Good morning, everyone. Now I just wanted to go back to budget, just to make it clearer. When you purchased, when you acquired Agre in 2010, how much cost overruns? I mean what was the estimated cost overruns compared to the original budget of Agre? Were you able to account for that in 2011, how much you have already adjusted? Is that related also to the past, or is this a new budget for what you will already do in the future?

**Michel Wurman:**

Well, it is a good question. I will give you our best answer. The new budget is related to projects being built by third parties. We began to receive demands or requests for more resources. And that is why we decided to change our expectation and review the budgets. All the remainder is already included in our gross margin. If you look a long time in these 18 months, our gross margin came down by some R\$300 million. And in time, it will be recovered from this reduction.

Good portion of this reduction has to do with old Agre projects. Now, from our 100%, I have 40% coming from Agre. And of these 40% projects from Agre, 75% of them had cost overruns. But in time this will disappear. So, today 25% comes from Agre. But in the end of 2012, we will no longer have this, and the margin will gradually go up. So, cost overruns, I mean, this review has already covered for that based on future deliveries. We review this number every quarter, as I said.

**Guilherme Rocha:**

OK. So, just to make this clear, the other point: the sales over supply you want to deliver in 2012, what was the sales/supply ratio for 2012? And if it already includes these adjustments in gross margin, I mean?

**Michel Wurman:**

Well, can you repeat the question, Guilherme? We were not able to understand you from here.

**Guilherme Rocha:**

I want to know what is the sales/supply ratio in 2012. Is this part of the R\$222 million budget review?

**Julia Martins:**

R\$140 million of revenue has to do with the revenues that have already been recognized, and the remainder is gross margin. A good portion will be recognized in 2012, but part of that has already been recognized.

**João Mallet:**

That has to do with projects being built by third parties, but they are already about to be concluded; as we said, approximately 20%.

**Guilherme Rocha:**

Thank you very much.

**Marcelo Motta, JPMorgan:**

Hello, good morning. A question about cash flow: you brought down the guidance for launches. Now can we understand we will improve cash generation during the year? Or can you give us more details about this?

**Michel Wurman:**

Hello. What do we expect? Well in terms of cash flow, two things: a purchase of land, we are increasing the number of land acquisition in exchange for units, that is with minimum disbursement. Six to nine months would be the time, we have a large number of deliveries, they have already started in the 2H11, and we will have a lot of units delivered in the 1H12. So, this will help me generate more customer contracts to be transferred to banks. So, in the 1H, it begins cash flow negative but it will improve in the 2Q, 3Q, and 4Q.

**João Mallet:**

Hello. Now, this impact comes much more from the customer contracts being transferred to banks. Because the land bank, since we already have land in our bank and considering that we are acquiring land with minimum disbursement, it is much more important to focus on customer contract transfers to banks, like Zeca said in the beginning.

**Marcelo Motta:**

OK. Thank you.

**Luis Mauricio Garcia, Bradesco BDI:**

Good morning, everyone. Basically two questions. The first, can you talk, Michel, a little bit about the delays in project? Because it has a second consequence, which is a renegotiation of delays. It may impact receivables. Have you accounted for this already? How much can we expect in the next third quarters in terms of renegotiation of receivables because of these delays? Have you considered that already in the review you conducted in the 4Q, or we may have an impact on receivables and therefore an impact on margin?

**Michel Wurman:**

Hello. Let me answer the first question. We have not included this amount in the results. We do not expect that to be relevant. So, we have not provisioned, but we do not expect this to be a relevant number, according to our experience. You have that number of R\$11 million Lara has just mentioned and detailed.

**Gustavo Cambaúva, BTG Pactual:**

Good morning, everyone. Two questions. The first about the previous question on cash burn. You have a large number of deliveries during the year. How much of that you have not yet transferred the customer contracts to the banks? And what can we expect in terms of cash flow? Can we already expect a positive impact as you transfer more customer contracts to banks?

And this decision of reducing the guidance was based only on the fact that you want to have more controls over operation, or is it because you believe the market is not going to be so bullish in 2012? Thank you.

**José Antonio Grabowsky:**

OK, I will answer the second question. And then we will go back to the first question. Now the guidance, in fact with that guidance of R\$9 billion to R\$11 billion, we have already mentioned the priority for 2012 was not growth, but efficiency. And we did not want to have such a big growth in launches. So actually, the new guidance was just to adequate the figures to this strategic decision that had been made in the 1Q. We could see that sales continued very strong despite we had a lower number of launches.

So, it has nothing to do with the market, the market will continue to be very healthy this year. It is more related to our strategy in the Company, R\$8 billion to R\$9 billion is not a low volume of launches, it is still a very high volume of launches. It is not easy to launch R\$8 billion to R\$9 billion, it is not easy to keep operations at this high level. It has nothing to do with [unintelligible] funds from the market, no. It is because we want to have a leaner operation, better control, high sales, and a healthy sales/supply during the year.

Now let me answer the first question, what we expect for 2012 is the following: we have a goal of customer contract transfer to the banks 20,000 contracts. So, we are talking for the year, as new concept we are using, which is units being disconnected from us, between 33,000 and 35,000 units. So, we will have these customer contracts transferred to banks as we learned about this process.

We could see this is more a mid-class income or high mid-class income, many of them prefer to pay for the whole amount as we hand over the keys. That is why we have between 15% and 20% of total pay. So, during the year we will adjust this if we have fewer contracts being transferred to banks and more customers pay for the whole amount, then we will adjust this number.

Now, making a comparison, this we will have the same number of customer contracts being passed on to banks in 2012, the same as 2011, that is what sell one year we can already transfer to banks the following year.

**Michel Wurman:**

We have invested very much internally in our teams, in training, in trying to improve our processes, to our mind. And this area of the Company, this is something we must improve, we must evolve permanently, because this topic is essential for us.

Even the banks have invested a lot to try and improve process control. They are hiring people, they are making internal changes in the areas of banks that deal with us, but it is a slow improvement. We have improved, we will continue to improve, but it is a slow evolution, because there is a lot of red tape, you need notary re-certification, registrations, and there are many steps. So between the time that a project is ready, you have the inspections, handover, the installation assembly, and when the money comes back to you, cash, I mean, the time is still long. We have improved the process of customer contract transfer to banks, but we are still conservative when we talk about this number in our projections. We will continue to improve during the year. But despite the very high number of units delivered, the conversion of this into cash takes time.

**Gustavo Cambaúva:**

OK. Thank you, Zeca. If you allow me one more question, about your permanence or your stay as PDG's CEO, was this your decision or was this a Board decision that you stayed a bit more?

**José Antonio Grabowsky:**

It was a mutual agreement. We reviewed the original idea so that I would stay as CEO and talk about transition at a more appropriate time. Today, we have many things happening, new initiatives in PDG, SAP. So the 1H of the year we thought it was more prudent not to talk about transition. So, we will do that at a more appropriate date.

**Gustavo Cambaúva:**

OK. Thank you.



**Eduardo Silveira, BES Securities:**

Hello. Good morning, everyone. I have two questions. The first is a follow-up on the question about gross margin. Now, looking at adjusted gross margin, cost reduction plus interest 34%, R\$300 billion below the previous quarter. Can we expect the same level of margin in 2012, or only in the 1H? Because you have Agre units delivered.

And the second question we saw a reduction of R\$240 million in net assets. What was the impact of goodwill on that, if you could detail that?

**João Mallet:**

Yes, OK. Our margin in the new guidance, what we see is that we have new projects built by our own teams. So, the budget is more conservative. And so we believe the impact will become more favorable as of the 2H12.

**Saulo Lara:**

Now, goodwill amortization, the only impact here is the R\$44 million in earnings. So, as we reduced that you have this impact on the net value. Now what is left in terms of goodwill is in net assets account. So, you can see it there. It is intangible assets, so it will remain there permanently. So, it increases our assets.

**Eduardo Silveira:**

OK, I understood. Could you explain why we had this fall of R\$240 million in the equity? João, could you talk about that please?

**João Mallet:**

Well, in a quick reconciliation, equity we had approximately R\$20 million of profit, R\$44 million of what we have already allocated, and this is precisely the goodwill amortization that I detailed. Another R\$20 million, which was the goodwill amortization of the previous period, when we acquired the control of [unintelligible], so that was adjusted against equity, but we already have a provision for dividends, R\$170 million. So, that broke down the results. That is how you get from the 3Q closing to the 4Q closing number.

**Eduardo Silveira:**

So, the number one impact was dividend?

**João Mallet:**

Yes, that is right.

**Eduardo Silveira:**

OK. Thank you very much. Good morning, everyone.

**Daniel McGoey, Citibank:**

Good morning. My question was about margin. You already told us you cannot give guidance for margin for 2012, but with what you have done already then the margin for 2012, could you perhaps tell us either gross margin or EBITDA?

**Michel Wurman:**

Hello, Dan. What is the trend for margin? It starts flat in the 1H and then it goes up gradually. So, we believe we will have a margin recovery, R\$200 million, R\$300 million along the year. But mostly in the 2Q, 3Q, and 4Q, but it is difficult to tell you exactly when, it depends on how sales will behave. But this would be the trend for margin along the year.

**Dan McGoey:**

OK. Thank you.

**Estevan Polidura, Deutsche Bank:**

Thank you very much. Good morning, everybody. One quick question: can you comment please, if possible, about the news out there regarding PDG's top managers using the derivatives to cover their variable compensation? That is it.

**José Antonio Grabowsky:**

I request the answers are in English. I am sorry it is the first time we are doing the call with translation. But let me now answer the question again, this is Estevan's question about stock options. Now, because of the compensation, we made a decision to change our policies of negotiation. We have already proposed this; it will be evaluated in the Board Meeting immediately after the General Shareholders' Meeting. But for all practical purposes, we made a decision of not allowing new negotiations with derivatives, because of rumors and because of the impression it may generate.

Despite it is a personnel decision by the executives, and the volumes are not so relevant, but we have concluded that, because of the noise and the impression that could be generated amongst investors, it was wiser not to allow this any longer. So, this was the decision made because of what happened.

**Jason Rolland, Goldman Sachs:**

So, you have already answered most of my questions about the operations and the management, potential management changes or lack thereof. But one thing that I am curious about is, Zeca, maybe you can give us some color on what you would have done differently to consolidate Agre into your SAP systems so that you guys could have reported your results as planned. I mean, only as of last week we were expecting the results to come out on Friday, then Sunday, and then last night, and now we are waiting for the audited numbers. So, is it that you started the process too late? Is it that there were just very difficult complications?

And then the second part of the question would be that you stated that the audited numbers will be released probably, if I understood you correctly, by the end of the week. Does that mean tomorrow, given the holiday on Friday?

**José Antonio Grabowsky:**

Well, as I tried to explain in the beginning of this call, in fact what caused the delay was basically the migration of Agre systems. When we say Agre, we are talking about four different companies with four different IT systems. And the data migration to SAP happened on December 1<sup>st</sup>.

Of course this was not planned. I mean, we had unexpected problems and that is the reason for the delay that is for us to process accounting information and begin the audit.

So, although they worked overtime and they worked during the night, and they were very much devoted to this work, unfortunately we were not able to close in time to disclose as planned last Friday, which was the original date.

But no, we do not have any problems with the information itself or the fact that we reviewed the budget, no. It was an IT issue that caused these delays. In fact, the other PDG companies that were already running on SAP closed in time. But if we did not have Agre final numbers, we could not disclose the consolidated PDG numbers. That is why we had this delay, so this is the problem. We made a decision to keep the call today because we thought it would be more relevant to have this opportunity to talk to you here today, because we began to hear a few rumors and even some expectation that perhaps there was some fear that the numbers could be worse than what they really are, so that is the reason why we decided to do the call as planned.

But according to the latest conversations we had with the audit team, the figures will most probably remain the same, because we did not have any relevant changes, only at BRE we may have just a few changes of reclassification or a few numbers that may come in different lines. And that is the reason why we did not disclose the details in the balance sheet, because we may still have reclassification of a few lines, and the preparation of reports and explanatory notes, and things of this sort.

So, our current expectation is that we shall close these figures up until the end of the week. But unfortunately not necessarily until Thursday, because it may well happen during the holiday on Friday or even maybe something during the weekend. However, we expect to close these figures as soon as possible, and as soon as they are disclosed we will be at your service to provide further information and clarification also about the General Shareholders' Meeting, which will take place 30 days after the date of this closure, probably on May 8<sup>th</sup>. This is the probable date for our General Shareholders' Assembly.

**Paulo Renelli, J Safra:**

Thank you for accepting my question. We have seen a few companies, some reviewed margins downwards, others did not, but looking at the land bank and looking at some projects, and then perhaps selling land or doing some land parceling and adequating that. You have recently reviewed the guidance downwards. Now, are you analyzing, are you

looking, do you believe the other figures are adequate, or do you believe that maybe a few things are no longer attractive to launch? What are the changes there?

**José Antonio Grabowsky:**

Hello. This is something we do permanently. You see the market evolves, the market changes. So, last year along the year and certainly the same thing will happen in 2012. A few land plots we had, because of press increases, they were no longer adequate for *Minha Casa, Minha Vida* projects and so we changed the project. We improved, we increased the prices, so this is a priority for us, but it is permanent, because we are always seeking for better profitability. Same thing happened in the Center West region, some projects that were *Minha Casa, Minha Vida* did not have the profitability expected.

**Julia Martins:**

Well, basically we review this every quarter, actually it is every month that we review this, when we see whether the project will be launched or not. And in more accounting terms, the review has to be downwards for all assets whose value is reviewed.

But we have the opposite situation. If you look at our land bank, there is a large portion of the land, 48% in the land bank was acquired before 2009, and we believe we had an appreciation.

**João Mallet:**

Actually we always make sure that the value of the land will not have to be reviewed downwards. In some cases, we sell the land. We, every month, as I said, review all the land in our land bank.

**Paulo Renelli:**

Yes, this is my question precisely. Now that you reviewed the guidance down, are you going to sell land or do some land parceling, and how much for 2012?

**Jose Antonio Grabowsky:**

OK. We could not hear you anymore. I think your line went dead. But Paulo, we have no plans to sell land. This is a review we do case by case. So if we have an interesting opportunity, we consider that case by case. We made decisions, as I said, case by case. We do not have a plan to sell land.

**Paulo Renelli:**

OK, I understand. Perfect. Thank you.

**Operator:**

At this time, we will close the questions and answer session. I would like to give the floor to Mr. Grabowsky for his final considerations.

**Jose Antonio Grabowsky:**

OK. Thank you. Thank you very much for being with us. Thank you for the questions. I apologize one more time for the delay in disclosing the earnings.

Let me repeat: as soon as we disclose the audited data, we shall be at your disposal to clarify questions you may have, so we can continue to exchange ideas with you and providing further explanations about PDG and about our prospects for the future.

Thank you very much for your trust, your ongoing trust, and see you next time. Thank you, everyone.

**Operator:**

PDG teleconference is now closed. We wish to thank you all for your participation and have a very good day.

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