Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to PDG 1Q14 results conference call. Today with us, we have Mr. Carlos Piani, CEO, Mr. Marco Kheirallah, CFO and IRO, Mr. Antonio Guedes, COO, and Mr. Rafael Espírito Santo, Head of IR.

We would like to inform you that this event is recorded and all participants will be in a listen-only mode during the company's presentation. After PDG's remarks, there will be a question and answer session for analysts. At that time, further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator.

We would like to inform that questions can only be asked by telephone, so if you are connected through the webcast, you should email your questions directly to the IR team ri@pdg.com.br.

Today's live webcast, including both audio and slide show, may be accessed through PDG's website at www.pdg.com.br/ir. And the presentation is available for download at the website.

Before proceeding, let me mention that forward-looking statements will be made under the Safe Harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of PDG 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, and could cause results to differ materially from those expressed in such forward looking statements.

Now, I will turn the conference over to the Mr. Carlos Piani, who will begin the presentation.

Mr. Carlos Piani, you may begin your conference.

Carlos Piani:

Good morning, everyone. First of all I would like to thank you all for participating in our call for the 1Q results. Our agenda today will be divided in four parts. First, I will be talking about the highlights of the quarter, than Antonio Guedes, our COO, will talk about operating aspects. Right after that, Marco Kheirallah, our CFO, will talk about financial results for the period and lastly we will move on to the Q&A session.

Moving to slide number two, we have the results' highlights. We recorded a net profit of R$2.8 million, the second quarter in a roll with a positive net result. We had a variation of net debt of R$75 million, keeping the down trade for the quarter, excluding non-recurring relevant factors.

We lost R$130 million in the 1Q with two projects in Rio and two other launches in April with a PSV, a good performance of sales. We are keeping it close, monitoring on both macro environment and still working with growth in the horizon in terms of launches for 2014 when compared to 2013, more launches this year.

We delivered something close to 4.000 units of occupancy permits, which generated a reduction and cost of work of R$3.7 billion, which reduced the risk of our legacy prior to 2013. We reduced 28% G&A when compared to the previous period, which met efficiency gains in administrative aspects. Lastly, we hired a finance of R$320 million with Banco do Brasil in April, right up to the close of the quarter.

Moving on with our boiling process. In summary, we have advanced significantly in several fronts in terms of restructuring the Company in the quarter. We are focused in executing our plan and we hope with the actions currently in action and place we will advance even more in the future quarters and produce a positive cash generation starting in the second half of the year.

I will now give the floor over to Guedes, who will comment on our operating results.

Antonio Guedes:

Good morning, everyone. We will start talking about the results on the 1Q on slide number three. We launched two products in the 2Q with a total PSV of R$93 million. The first launch was the second tower of DOM offices, a very successful development. The first phase has been launched in the 4Q13, with 100% units sold in the first weekend.

This year we opened a second commercial Residencial Meridiano in the second half of February and we could increase prices. The second development was the Meridian, a high income project located in the Arpoador area, which was launched in March. Both projects have been 40% sold.

In the next slide we show launches with took place in April, the headup of R$274 million in PSV for PDG. Niemeyer Monumental located in Rio is a project of high income located on Ipiranga in São Paulo. For May we expect to launch new projects, both in São Paulo, in Perdizes along with Tecnisa and a fourth phase of the Vila Nova Sabará.

The pipeline is still robust for the coming months, and we will continue to monitor the macroeconomic scenario for us to be able to identify the best moment to launch those projects. We are still working with an annual growth for launches.

Now let us talk about sales on slide number six. Baring in mind a few sales that took place in the quarter, and our effort to generate short term cash, we focus on the sales of inventory, which amounted to 91% of our net sales in the quarter. As we have been signaling, cancellations are coming to a normal level after our work in the 2Q13 and 3Q13. In this quarter net rescissions reached R$145 million.

On the next slide we are going to be focusing on cancelled sales and re-sale of units, we saw the re-sale which took place on the last 12 months. We have been showing them in the past quarters. The main reason for cancelations has due to a mismatch between buyers income with financing programs on the banks.

These are not result from the satisfaction on the final of our products. That can be shown by that chart on the left side, showing the 80% of the capital units are concentrated in development, which have been sold mostly. So you reach 53% of cancelations for the last 12 months where we sold, with an increase of 14% in price.

On the next slide we show the re-sale curve of our capital units, which reached 89% until 12 months after the cancelation, a spee-up when compared to the 85% registered in the last quarter.

On slide number nine we will be talking about our inventory. As we said before, besides a few launches that occurred in the 1Q, we have focused our efforts on monetizing our inventory, especially the ones that generate immediate cash for the Company. In other words, inventory which is concluded and to be delivered in 2014, and that is very important for a Company started this year. The sale of that inventory amounted 55% of our net sales in the quarter.

On the next slide, slide number ten, we will be talking about works. We are focused in reducing the Company's operating risks, concluding all works within the term. In the 1Q we sped up our works and obtained occupancy permit for 17 projects and closed the quarter with 166 projects in place, out of which 148 were started before 2013.

Despite isolated delays and occupancy permits we are still maintaining our target of closing the year with 50 the projects from the legacy inventory.

Now Kheirallah will take over to talk about the financial numbers.

Marco Kheirallah:

Moving now to slide number 11, we will talk about mortgage transfer. As results of our internal processes last year, we manage to transfer 3,803 units last year, in line with our internal targets. Our expectation is to speed that process up reaching between 18.000 to 20.000 units in the year, triggering the process of deleveraging of the Company.

On the next slide, number 12, about G&A, the result of our new strategies focusing on cost control and profitability, we implemented several initiatives in the past year, which allows the Company to reduce our G&A significantly, quarter on quarter.

As you can see, we reached a total G&A of R$91 million in the 1Q, which represents an annualized level of R$365 million, that is 15% lower than last year. Remember that last year's number included a reversal of something close to R$50 million consuming older stock option plans. If we exclude that effect we will have an even more expressive result.

On slide 13, indebtedness, our net debt closed the year at R$7,1 billion. That compared to last year, you can see the numbers, the total net debt including debentures remain stable, which reflects our success in rolling out our debts in the short term.

As we said said before, we had two important events to reconcile with a market flow in 1Q adding up R$320 million. Out of that amount we managed to roll about the third. As a subsequent event of this quarter, we concluded the funding of R$220 million with Banco do Brasil with the term of three years.

The 2H maturity is concentrated at R$250 million. Having already obtained authorization from two banks of credit line,to face that we may not be able to reconcile with the market. Besides that we have just approved the rolling out of R$200 million debt, which will mature in the 2H.

As we said in the past calls, we believe all those negotiations are in place, showing the support received from partner banks who are confident in our measures that we took along the past 18 months. We hope very soon be able to start a deleveraging of the Company through generating operating cash, which will leave the Company at a more free environment structure.

On slide 14, still on the leveraging, we show a proxy of our operating performance, showing a variation of the net debt throughout the quarters. If we put together the last two quarters, we achieve less than R$100 million in terms of operating cash. Even if we exclude the Domo Corporate sales, we have a clear evolution of that indicator throughout time. As we accelerate the transfer process and the increase in number of projects in place, we expect to generate operating cash in the 2H and even more so next year.

On the right hand side of the slide, we show an expanded debt concept, considering not only the financial debt but also the cost to be incurred in construction. PDG has been consistently decreasing its balance with about R$3 billion since we started.

On slide 15 we show the evolution of the receivables. Our assets have been growing consistently, reaching R$8.5 billion at the end of the 1Q.

On slide 16, back log results, moving up as we finish lower margin works. 27% in the 1Q13 to 29.5% in this quarter, this means this number will increase as new projects are concluded and new projects, again, more important in our processes.

And in the final slide, income statements, that is the summary, no relevant non-recurring event and with that we close the presentation and we can start the Q&A session.

David Lawant, Itaú BBA:

Good morning, everyone. Thanks for the presentation. I have two questions, the first has to do with the landbank. I am looking at the table from the earning release for the 1Q and comparing with the one on the 4Q13 and I can see that there was a down trend of more than R$3.3 billion in PSV and in the number of units. That number also dropped by 22.000.

That seems to be coming from the middle income records, but that also might have being some sales of land, if you confirm that and if so, what kind of impact that may have had in the cash burn for the quarter. So, that is the first question.

The second question has to do with G&A, still dropping consistently. I would like to know if you believe that 1Q level is a level that you should be working with throughout the year or do you expect to capture some more gain in the upcoming quarters. Thank you.

Carlos Piani:

I will start then Guedes will jump in. In terms of landbank, we have been doing two different things: cancellations and sales. The variation of landbank balance quarter on quarter is a result of that. We can try and make this clear going forward, but this is something which is going. We are using that landbank that is part of our strategy which is established in the bank.

So that is the net variation for sales, plus cancelations minus new acquired brands. As for the G&A, for G&A as we said, we are still looking for efficiencies as we reduce the size of the Company, we have a higher degree of liberty to structure our Company, so yes, that level that we have here today is not established for the whole year. We are still seeking more efficiency gain for the upcoming quarters, so we do expect to have an even higher reduction, as we reduce legacy as well.

David Lawant:

Thank you. If I could make a follow up, just to make sure I got it right, Piani, of course landbank variation takes several facts into account, but am I right in saying that were more cancelations than sales?

Carlos Piani:

Sure, you are right in concluding that.

David Lawant:

OK, thank you.

Rafael Pinho, Morgan Stanley:

Good morning. Piani, I would like to understand a little better your negotiation with Banco do Brasil. Could you tell us what kind of cost in that negotiation did you manage to get? Open the cost. Thank you.

Marco Kheirallah:

They asked us not to reveal, but I can tell you it is a very close level to a SFI level, which is a low cost in our opinion, a lot closer to the debt that we contract throughout when compared to corporate. But I would like to respect their request, not to reveal that number.

Rafael Pinho:

OK. Moving forward, Kheirallah, you mentioned in the release more R$ 250 million in July, any indication of that?

Marco Kheirallah:

Once again, we are in the process of renegotiating CRI R$250 million that we offered a year and once 25% of the CDI, which was the right we agreed upon in the 1Q. We have been acquiring lines of credit which are more favorable than that and the two lines that we have already been approving for even cheaper than that.

One of them is already confirmed, the other one is in the pipeline, so the strategy is to work with commercial banks and still remain open to the market. I am talking about that with commercial banks, with very similar structures to those that we get for production.

Rafael Pinho:

OK. Kheirallah, on top of that 600 anything else in the short term and at what amount?

Marco Kheirallah:

Actually we will have another R$92 million in September if I am not mistaken, and debt with investment banks of around R$120 million in December.

The challenge to roll out those debts are marginal now, with those lines that we now have exceeding those maturities, so we can stop thinking about risk and start talking about the leveraging.

Rafael Pinho:

Thank you, have a nice day.

Luis Maurício Garcia, Bradesco:

Good morning, everyone. I have two questions. The first is a follow up from the first question which was asked today. If you could give us some more color on how much was the benefit on the free cash flow from the sale of land and the net impact on the income statement, if it was a lot, a process, gain in terms of sale of land. I would imagine that resale was an important factor.

The second question, we see that the risk is being well administered and we see a volume to be executed still dropping. On the other hand, when we look at the REF, which is a level of R$3 billion, and stock still to be sold also at a level of R$3 billion, that shows that the operational and 62% of the REF is going to be appropriate this year, so moving forward the operation will be very much dependent on new launches.

Given that we are working with the REF in the short term and that event is not that relevant any longer, I would like to understand what is on your mind in terms of the size of the Company. I know you have been rediscussing that in terms of strategic planning last April.

What can you tell us about that, what is on your mind? Are you going to work as a smaller company and focus on cost reduction or do you have in mind, trying to recover a level of R$3 billion or R$4 billion? And then in this case we would not see a drop in revenue that would be expressive, but could you comment a little bit on that strategy within the Company?

Again, what do you have in mind considering the current scenario in the market?

Marco Kheirallah:

I will address the first question. That sales flash cancelation had a very little impact on cash generation. I can give you the exact number later, but we are talking about a R$1 million or R$2 million, non-recurring.

I think that land bank information, and we have this for next quarter, we would like to improve that information. Part of that information is linked to outdated figures, so we need to improve those numbers. We will try to work on a more useful type of information.

I'll give you a third piece of information which is important. Today, as you know, we have consolidated the REP balance sheet, 100% of our results. The results for the 1Q, when we talk about R$75 million, R$30 million came from REP, a shopping mall in Botucatu, and you know that the process of building properties, we have an increase in debt. If we exclude that effect, and moving forward to make this clearer, the impact was below the R$75 million, without any recurring events in the quarter.

Concerning the second question, for this year are we seeking any kind of growth? We are seeking growth as compared to last year, we are more robust in operating terms than last year, and the market, despite all this apprehension concerning the future, and we are closely monitoring that, we think there is still some resilience in the development market, and we could grow more than last year.

Looking more in the long run, we are still working inside the Company, our expectation is to have this growth level to continue, but we have to pay attention to what is going to happen to the country in the coming months. Any decision concerning the future now would have to depend on how the market behaves in the 2H.

Growth for this year is something we are seeking. The size of that growth, starting 2015, we need to associate with the visibility. We are trying to convey to the market that we are also dependent on the macro political scenario.

One final remark concerning your question, despite the accounting side having specific issues, I would say our number one concern is profitability and cash. We will not launch simply to report revenues or profit, that is not our objective. If we have an opportunity to make good investments, launches, with good returns, we will do or pursue that. But if those opportunities do not emerge, if we see a negative impact coming up, we will be careful to make those decisions when the need arises.

In summary, I think, starting in 2015, as I said in the previous call, we will be better prepared, we will know what the political scenario will look like, the market will have a clear picture and we will be more objective with our numbers moving forward.

Luis Maurício Garcia:

Just one more question, if I may, concerning the work scheduled for the year, has there been any major change? Anything changed from what you announced in the beginning of the year? Does it have something to do with the occupancy permit?

PDG:

Concerning works, conclusion, completion, we have not changed anything, we are in schedule. We depend on occupancy permits, individualization processes, but that is part of the environment where we operate. No major changes in terms of conclusion for works, we are maintaining our construction schedule.

So, as I said, we have isolated cases where occupancy permits were changed. No changes in the budget.

Marcelo Motta, JPMorgan:

Good morning everyone. Quick question about the financial results, we saw some monetary variation of the revenues, with strong growth. I would like to understand that a little better, so I can make a forecast moving forward.

PDG:

Can you please repeat your question? We lost your connection.

Marcelo Mota:

When you talk about financial results, we see a strong growth in terms of other financial revenues, when compared to 1Q13. Is there any one-off event impacting those figures?

PDG:

There are two effects, actually. The first is that we have delivered units and then we started using IGPM+12. There is an asset, which is not well measured, which is R$12 million. The problem is that if you do not deliver the work, you do not have that. Only after that the results reflect in the bottom line. I would say this will increase as work is completed and we will start charging IGPM+12.

Other financial revenues, when we have a cancelation, that part of the contract, which was not returned to the client, comes under this account. The most relevant item here to have in mind is that there is a financial revenue be it monetary correction, or interest and monetary correction within PDG assets, which is very relevant.

Marcelo Motta:

OK. Thank you.

Pablo Barroso, GPM:

Thank you for taking my call. I have three questions, the first one is which management tariff would short-term cash generation you have. My second question is the end of the year cost of debt, and my third question is launches and pre-sale guidance.

PDG:

The last question he asked about the cost of debt at the end of the year, and the other question is if we have any guidance for launches and sales. I will tackle the last one, then you tackle the other one and we try to understand the first question.

Concerning launches, we have not launches, but we have been stating that we are seeking to launch more than we launched last year, which was in the area of R$2 billion. The final amount will depend, as we said, on the macro scenario, and also on our capacity to execute, which is improving day by day.

So, the final number will depend on those two variables, and we have to wait to see the level of freedom we will have, and this will depend on the macroeconomic scenario to grow more or less. The same goes for sale, we do not have a guidance, we have not been announcing guidance for sales either.

The first question has to do with the expectation of cash generation. Along the same lines, we do not have a guidance for that either, but we have been having very seriously in saying that we have an expectation to generate operating cash, which is positive for 2014, negative, debt variation, to be more precise.

Concerning cost of debt, our debt includes production debt and corporate debt, production debt has not increased. We are at around TR+9,5%, and corporate debt varies a lot. It is difficult to talk about an average that depends on the structure of the debt, the terms, the counterparties, so it is difficult to make a general statement, and on top of that, some of those structures had to obey confidentiality, not only in terms of the figures, but in terms of the structure as a whole. I think we have tackled the three questions.

Eduardo Silveira, Banco Espírito Santo:

Good morning everyone. I have two questions. The first is about inventory, I would like to know if at the end of the year the concluding inventory will be very relevant, we are getting to half of the total inventory. What is the Company's strategy to provide possible discounts for the complete inventory, something like that?

The second question is if you could, concerning the financial results in this quarter, could you tell us if there was an impact coming from the debentures, or we are talking just about the effect mentioned by Kheirallah, which is the financial correction from the previous period.

PDG:

Regarding the second question, the effect of the debentures was R$2 million positive, which can be left aside.

Concerning the first question, the completed inventory, we have not mentioned that, but it is in the release, one of our targets, of course, remains in sales, with a Strong focus on the completed inventory.

The market has been very regarding that, and I think that in some cases the policy is different in different areas of the countries. In some cases, completed inventories helps us sale more, the sector in general had many delays, in some areas, some cities, the clients want to see the units ready before they buy. So, the completed inventory is a trigger, because the client can be sure of the delivery date.

Concerning the discounts, that also varies from city to city, we have different realities in Brazil. We operate in the entire country and we have areas with higher imbalance in terms of supply and demand, and others when we have a wider gap between supply and demand.

So, we are talking about 5% cancelation rate, as compared to the previous period. Nothing really significant.

PDG 2:

Just to complement, every month we are hands-on with marketing initiatives, going after clients, going after real estates, professional, that is how our day to day works.

Eduardo Silveira:

OK, thank you. Have a good day.

Operator:

Thank you. the Q&A session is now over. I would like to give the floor back to Mr. Piani for his final remarks.

Carlos Piani:

We are in the second year in our restructuring phase, and we are very excited with our partial results and with the expectation of being a success story. Since we arrived, we have had the privilege to find and recruit distinguished people, people who think as owners, people who are committed to results ethically and working hard.

I am sure that with this group we will reach our objective and we will be once again sales leaders in the areas where we work, with higher profitability and generating value for our shareholders. Once again, thank you for participating in our call for the 1Q. Have a nice day.

Operator:

This concludes the conference for PDG 1Q results. Have a good day everyone.