Annual Report 2007

“The way we relate to all of our stakeholders is a Rossi registered trademark.”

João Rossi

Identidade Visual

Rossi is adopting a new brand logo beginning in 2008. This is yet another stage in the Rossi Identity Project initiated in 2006 to strengthen our corporate identity. Long-term relationships, innovation, the appreciation of human beings, client satisfaction and high quality are some of the brand's desired attributes.

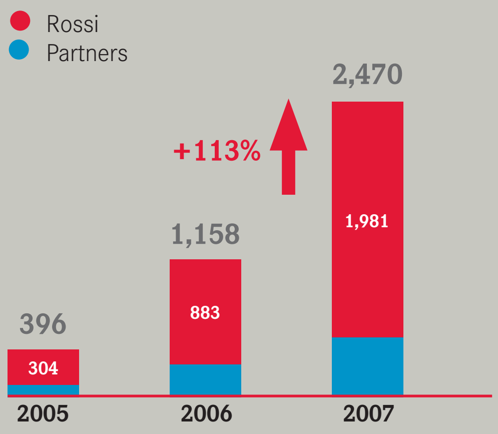
More than just a marketing tool, the Rossi brand logo represents a strategic asset, based on the organization's philosophy and culture. Among other things, the Rossi Identity Project resulted in a stakeholder relationship policy that seeks to increase the value of the brand and its capacity to generate business.

Main Indicators

The 52 real estate projects launched by Rossi in 2007 represented a General Sales Value of R$ 2.47 billion. Of this total, R$ 1.981 billion is exclusive to Rossi (80.2%). The result was 113% higher than the GSV in 2006 (R$ 1.158 billion). The charts show these and other important indicators for the year.

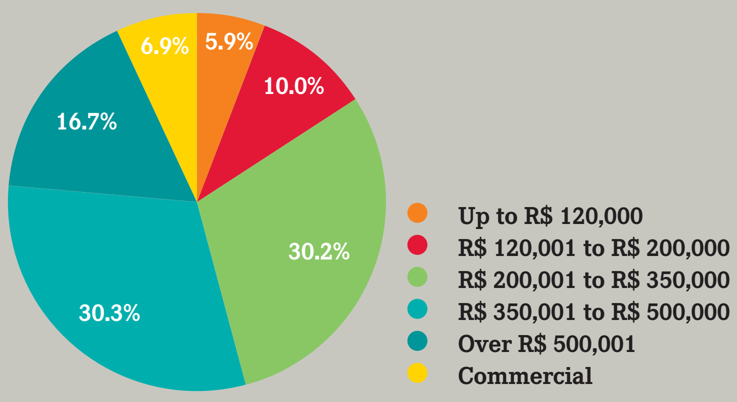
Launches 2007

R$ million



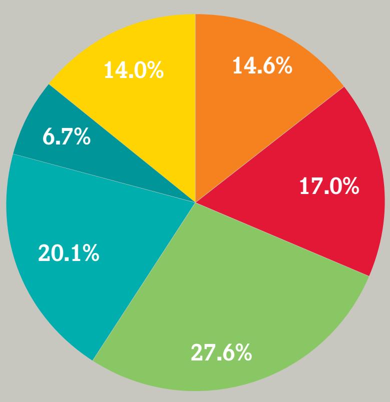
Launches 2007

In R$ – per price segment



Launches 2007

In units – per price segment



General Volume Launched in 2007

Projects	52
Towers	174
Vertical Condominiums	42
Horizontal Condominiums	9
Units	9,648
Total Area in m²	921,890

Projects under Construction in December 2007

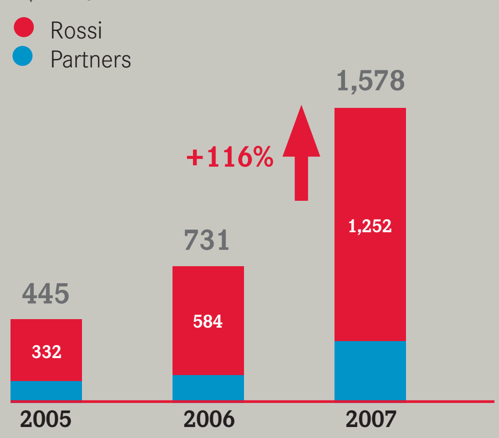
Construction sites	75
Projects	106
Units	15,878
Total Area in m²	2,105,912

Projects Delivered in December 2007

Units	1,981
Total Area in m²	310,704

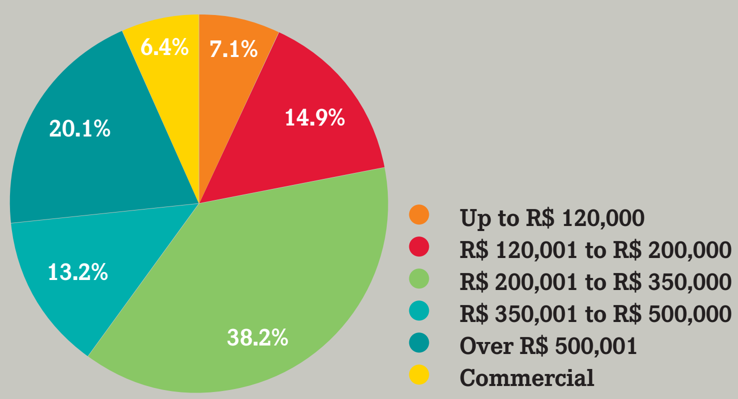
Contracted sales in 2007

R$ million



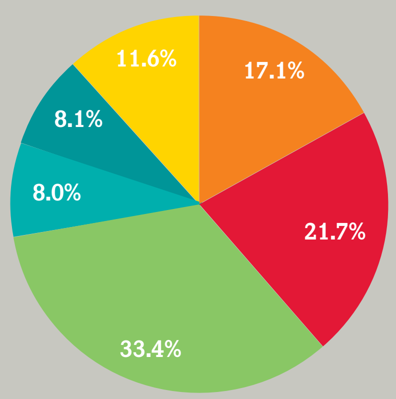
Contracted sales in 2007

In R$ – per price segment



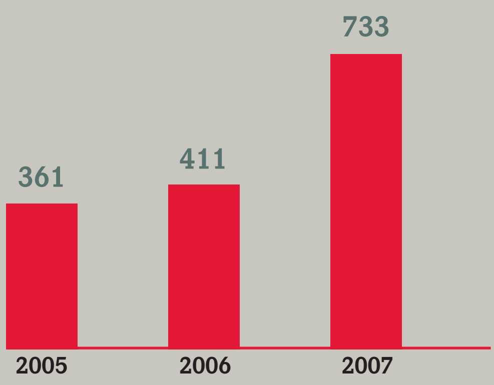
Contracted sales in 2007

In units – per price segment



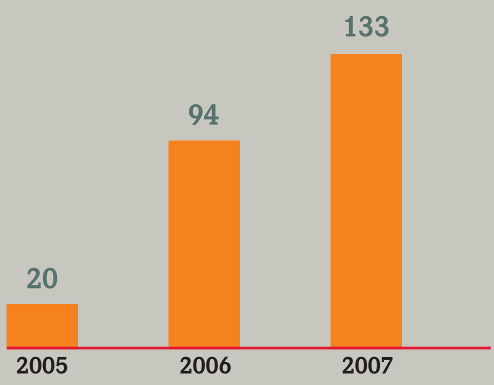
Net Revenues

R$ million



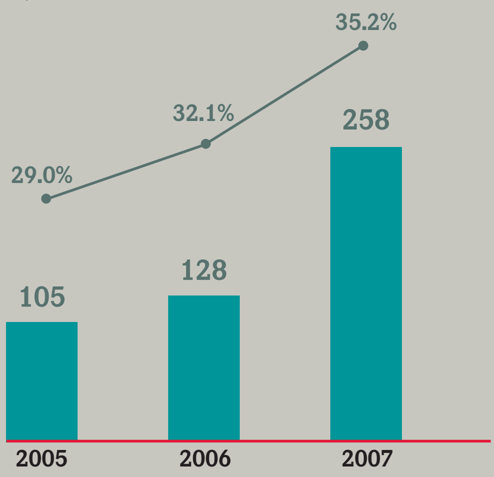
Net Income (adjusted)

R$ million



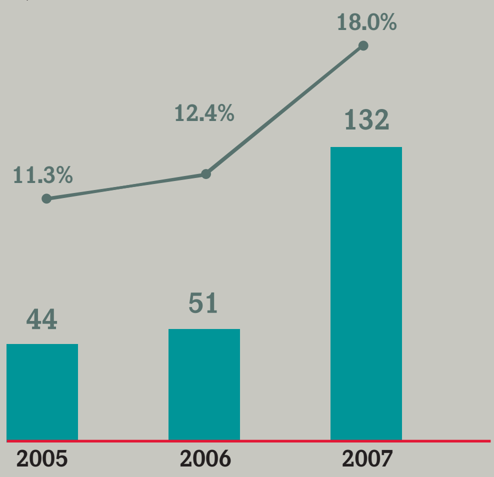
Gross Income and Gross Margin

R$ million



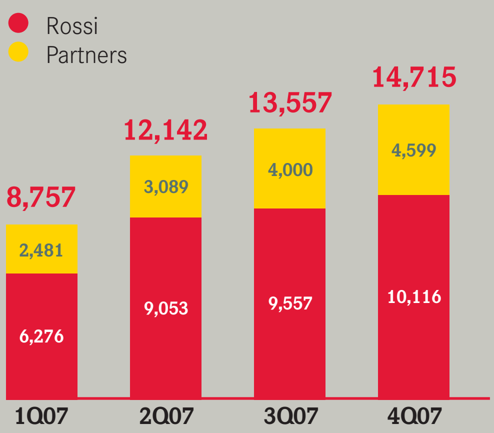
EBITDA x EBITDA Margin

R$ million



Land Bank

R$ million



Contents

The Rossi Essence

Vision

We believe that people, as they strive for happiness and quality of life, always have increasingly higher aspirations regarding housing, leisure and work.

Mission

To develop innovative real estate solutions of renowned quality, maintaining people, the community and the environment as points of reference, generating value for shareholders and seeking to perpetuate the Company.

Positioning

Rossi develops real estate solutions in tune with regional individuality throughout Brazil, seeking to satisfy people who aspire to innovative and high quality products and services and who appreciate a company that cultivates long-term relationships.

Values

Knowledge

People transform information into knowledge. And knowledge is vital to understanding the dynamics of life, of society, of the market and to make correct decisions about our activities in the world. We must cultivate the capturing, processing and sharing of information in all of our relationships.

Humility

Humility is wisdom. Upon recognizing ourselves as imperfect beings that make mistakes, we have the opportunity to learn and to develop as persons, professionals and entrepreneurs. We should recognize the merit of those who admit their errors and share them with others so they are not repeated.

Innovation

Innovation is the result of our understanding of the evolution of society and a critical view of reality. It is the capacity to propose new and better solutions for the challenges we face.

Integrity

Integrity means to have values and to act with consciously, inspired and guided by these values. People with integrity have credible relationships.

Valuing People

We believe in the people who work with us and we encourage the personal and professional development of all who contribute their talent and efforts to build our brand and the circle of relationships that supports it.

Sustainability

We recognize that the solutions for our style of life in society must take into consideration the interdependence of human, financial and natural resources. Our future depends upon the large and small innovations that respect and are inspired by this balance.

Enthusiasm

People become enthusiastic when there is a purpose to and they make sense of what they do. Such people more easily overcome obstacles and live happier lives, with more pleasure and sense of humor. Enthusiasm derives from the Greek word theos, or “filled with God.”

Message of the Chairman

João Rossi
Chairman of the Board of Directors

"Companies are driven by results. They must present to the market numbers that attest to their financial health and capacity to carry out the mission they have proposed. Rossi has good numbers to report, as is shown later in this Annual Report. They are numbers that translate the efforts of a large team of professionals who each day put into practice the strategy that has been decided on by management, which leads the Company to continue to merit the trust of its shareholders, clients, partners and suppliers.

While they are important, numbers are cold and do not easily capture the essence of an organization – what makes it stand out from the others. And it is for this reason that this Report begins by highlighting Rossi's Vision, Mission and Values. Our Vision symbolizes everything that we believe and our Mission summarizes what we seek, always guided by knowledge, humility, innovation, integrity, believing in people, sustainability and enthusiasm. At Rossi, the Values determine the results.

The Values also guide our relationships. First with our employees, whose commitment to the Company's objectives is a stimulus to the execution of our projects and the rendering of good services. Similarly, suppliers and partners share our Values and shareholders offer their support, so we can put them into practice. We're all involved in the effort to make our relationship with clients, in every sense, the best that it possibly can be.

Upon choosing Rossi, clients establish a long-term relationship with us. This occurs because of the nature of the real estate activity, that involves a time interval between the decision to purchase and the delivery of the product. Clients wait for years to take possession of their properties, so they must believe in the name of the brand that sustains the project. For this reason, in 2006 we initiated a project to reposition the Rossi brand and strengthen our corporate identity. This process will continue during 2008 through the Implementation Plan of the Rossi Identity Project and the measurement of the brand's attractiveness to stakeholders.

The evolution of Rossi's brand demonstrates the vitality of a company with a long tradition of accomplishments, but that is also continuously reinventing itself. Rossi is innovative in urban planning of its real estate projects; continuously researches new construction materials and techniques; and adopts practices to preserve the environment and to guarantee quality of life. And, above all, develops creative solutions to convert the dreams of its clients into much more than mere bricks and mortar: rather, a space in which to dwell, to work and to live.

Abstract values lead to concrete results. The brand, which is an intangible asset, creates consistent relationships and contact with flesh-and-blood people. And that completes the cycle that makes dreams come true, transforming the emotional and financial investment of families into the reality of owning their own home.

This is how Rossi is contributing, with immense pride, to the evolution of people's hopes and aspirations for housing, work and leisure. ”

The CEO’s Message

Heitor Cantergiani
CEO

For Rossi, 2007 was an extraordinary year, one that surpassed what it had promised the market. This includes the total General Sales Value (GSV) of launches, which ended the year at R$2.47 billion. This number has grown over six times in two years, going from R$396 million in 2005 to R$1.15 billion in 2006. Contracted sales rose 116% compared to the previous year, from R$731 million in 2006 to R$1.57 billion in 2007.

The increase was due to a series of internal and external factors. The real estate market was benefited overall by the decline in interest rates and the population’s increased purchasing power. The greater supply of credit and more time to pay back loans increased demand for property and boosted the number of deals.

As always happens in these cases, those who were most prepared for a favorable scenario were able to take better advantage of the situation. This was Rossi’s case, one of the first companies in the sector to issue shares on the capital market. With a series of funding operations through the stock market, the Company has been able to diversify its products and open new fronts in a number of different regions of the country through alliances with local real estate developers.

In 2007, we commemorated the opening of new regional offices in Fortaleza and São José do Rio Preto and we created our own sales team. Our investments during the year served to reinforce our staffing situation, strengthen alliances with suppliers and partners and multiply our land inventory. We also concentrated on the development of a SAP integrated management system and the reduction of construction costs. This was done to ensure that the Company would grow in a safe and consistent manner.

And that is exactly what happened – with the assistance of our team of top professionals, whose capacity and engagement were encreased through management's wide experience and ability to concentrate resources. It was also due to the vote of confidence of our investors that Rossi was able to post the excellent results that are described as follows in this Report.

01

Introduction

Profile

One of the country's main developers and builders, Rossi develops high quality real estate products and services for all social classes. It is present in over 50 Brazilian cities, working through offices located in São Paulo, Campinas, Porto Alegre, Rio de Janeiro, Belo Horizonte, São José do Rio Preto and Fortaleza.

Rossi participates in all phases of a real estate project – from land prospecting to the project, from construction to sales, through to the delivery of well-finished products at competitive prices. Recognized in the market for its competence and creativity, Rossi is noteworthy for the creation of innovative products, such as is the case of Plano 100 and Villa Flora.

History

The heir of the tradition of the Rossi Group, founded in 1913, the Company accelerated its activities in the real estate market in 1980, through the creation of Rossi Residencial S.A. Ever since it has expanded through share issues on the Stock Exchange and partnerships in a number of regions around Brazil, turning commercial, residential and urbanizing projects into reality.

Rossi is one of the largest companies in the sector with an extensive portfolio of successful projects that contributes to the development of society.

Project
Giardino Paraíso,
São Paulo, SP

Timeline

1980 | Rossi Residencial is founded

1992 | Launch of Plan 100 (17,000 units delivered)

1996 | Inauguration of the Campinas Regional Office | Launch of Vida Nova (6,000 units delivered)

1997 | Going public through the São Paulo and New York Stock Exchanges (obtained US$100 million) | Pioneer in the securitization of real estate receivables

1999 | Launch of the Villa Flora planned community | Inauguration of the Porto Alegre Regional Office

2000 | Portfolio expanded through launch of high end products

2001 | Inauguration of the Rio de Janeiro Regional Office

2002 | Acquisition of America Properties, company aimed at high end commercial and residential segments

2003 | R$80 million obtained through share issue | Adhesion to Bovespa Corporate Governance Level 1

2006 | Joins the Bovespa Novo Mercado | New share issue, obtaining R$ 1.012 billion | Inauguration of the Belo Horizonte Regional Office | Establishment of joint ventures with other developers | Enter Urban Project segment

2007 | Inaugurates Northeast Regional Office and the West São Paulo Regional Office | Creation of own sales team

Business Model

Rossi develops vertical and horizontal projects for all social segments. Its business model includes the identification, evaluation and purchase of land; the planning and preparation of the real estate project; the obtaining of the governmental permits and approvals; the construction, incorporation and sales of the properties; and the rendering of services before, during and after sales to clients.

The Company is organized into seven regional offices, based on geographical borders of the areas in question: São Paulo Regional Office (metropolitan region of the capital, Vale do Paraíba and São Paulo coast), Rio de Janeiro Regional Office (the states of Rio de Janeiro, Espírito Santo, Bahia and the city of Juiz de Fora), the South Regional Office (Rio Grande do Sul, Santa Catarina and Paraná), the Campinas Regional Office (metropolitan region of Campinas and Sorocaba), Western São Paulo Regional Office (based in São José do Rio Preto, encompassing a number of cities in the western part of the state of São Paulo), the Belo Horizonte Regional Office (Minas Gerais, Federal District and Goiás) and the Northeast Regional Office (Pernambuco, Rio Grande do Norte and Ceará).

Each Regional Office has a local team that has been trained and prepared for the activities of prospecting and acquiring land, project development, sales and construction.

The head office contains three corporate areas, each with a Director and respective team that help the regional offices with project development and expertise in the economic segment, in commercial projects, land plots and urban development projects. The head office also centralizes the following areas: Personnel Management, Administration, Legal Affairs, Controlling, Finance, Supplies, Partner Relations, Investor Relations, Engineering and Institutional Marketing.

Mônica Vranjac e Crislei Costa,
Rossi's employees

The majority of the land is obtained through swap agreements with the owners. As a result, the Company obtains a significant improvement on the internal rate of return, reducing the need for cash disbursements.

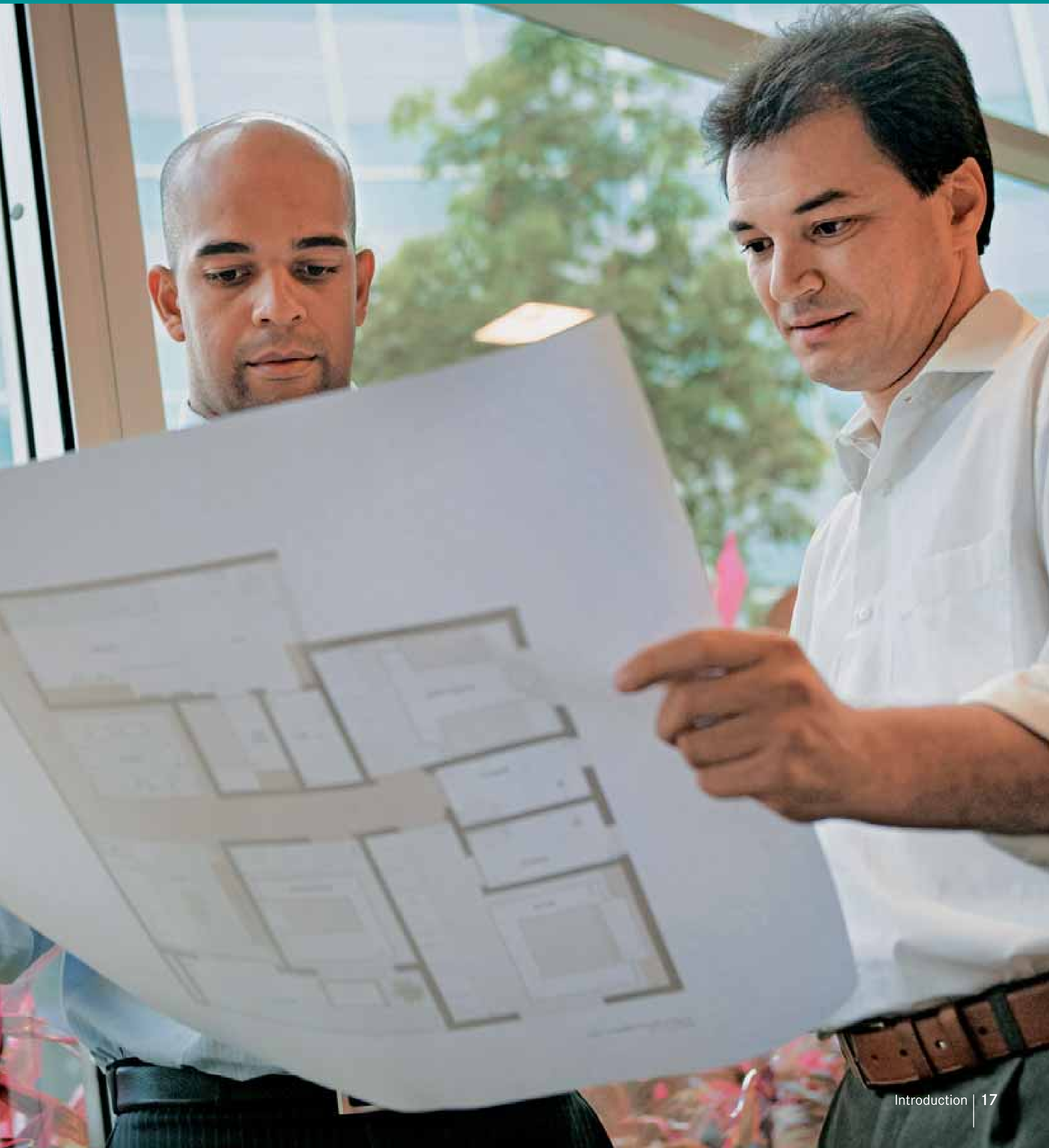
Because most of a project's units are sold before building begins, the construction is partially financed by the clients themselves. Unit sales contracts are corrected monthly by the National Construction Costs Index (INCC), thus avoiding a mismatch of indices between revenues and the main cost of the business, which is construction.

In general, our projects are financed through housing loans provided by commercial banks and Caixa Econômica Federal. The repayment of these loans is by pass-through of the receivables generated by the financed project. Sales are definitive, without the right to back out, and the flow of free cash is reinvested in new projects.

Through the Regional Office model, Rossi is capable of developing projects that are adjusted to the local characteristics and client tastes in each part of the country.

Walmir Cunha,
colaborador Rossi e
Fabricio Marques Moura,
corretor Lopes

Through the Regional Office model Rossi is able to develop products adjusted to local characteristics and the taste of clients in each part of the country.



Map of Activities

In December 2007, Rossi operated 7 Regional Offices. Its activities are extended into 52 municipalities in 12 Brazilian states, plus the Federal District.

Activities in 52 Cities

São Paulo Regional Office (RSP)

São Paulo

Cotia
Guarujá
Guarulhos
Jacareí
Mogi das Cruzes
Osasco
Praia Grande
Santana de Parnaíba
Santo André
Santos
São Bernardo do Campo
São Caetano do Sul
São José dos Campos
São Paulo

Campinas Regional Office (RCPS)

São Paulo

Campinas
Indaiatuba
Jaguariúna
Paulínia
Piracicaba
Sorocaba
Sumaré
Valinhos
Votorantim

South Regional Office (RSUL)

Paraná

Curitiba

Santa Catarina

Florianópolis
São José

Rio Grande do Sul

Canoas
Novo Hamburgo
Porto Alegre
São Leopoldo

Rio de Janeiro Regional Office (RRJ)

Rio de Janeiro

Búzios
Niterói
Nova Iguaçu
Rio de Janeiro
Volta Redonda

Espírito Santo

Serra
Vila Velha
Vitória

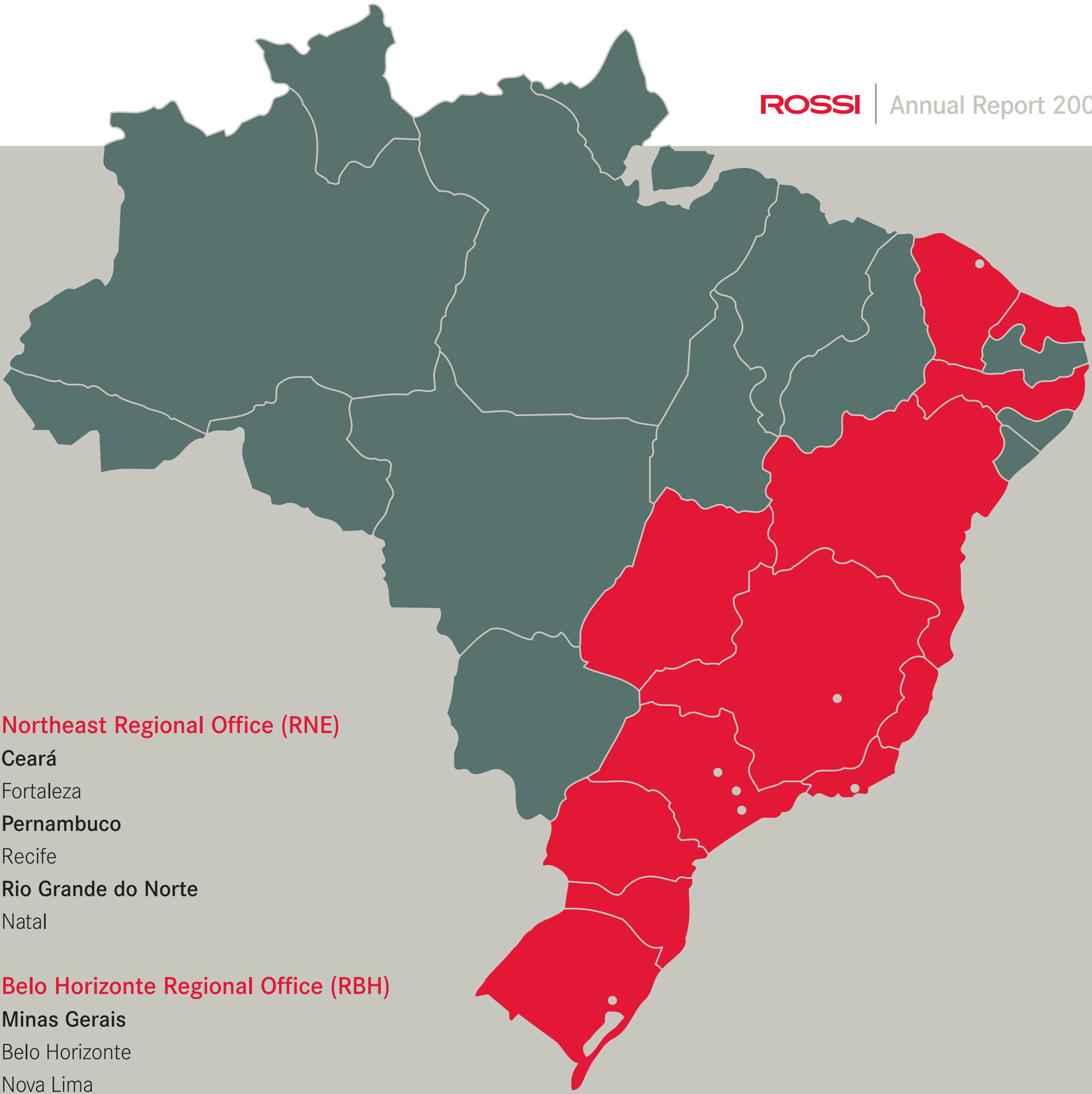
Minas Gerais

Juiz de Fora

Bahia

Lauro de Freitas
Salvador

The Atmosphère Project, São José dos Campos, SP



Northeast Regional Office (RNE)

Ceará

Fortaleza

Pernambuco

Recife

Rio Grande do Norte

Natal

Belo Horizonte Regional Office (RBH)

Minas Gerais

Belo Horizonte

Nova Lima

Distrito Federal

Brasília

Goiás

Goiânia

West São Paulo Regional Office (ROP)

São Paulo

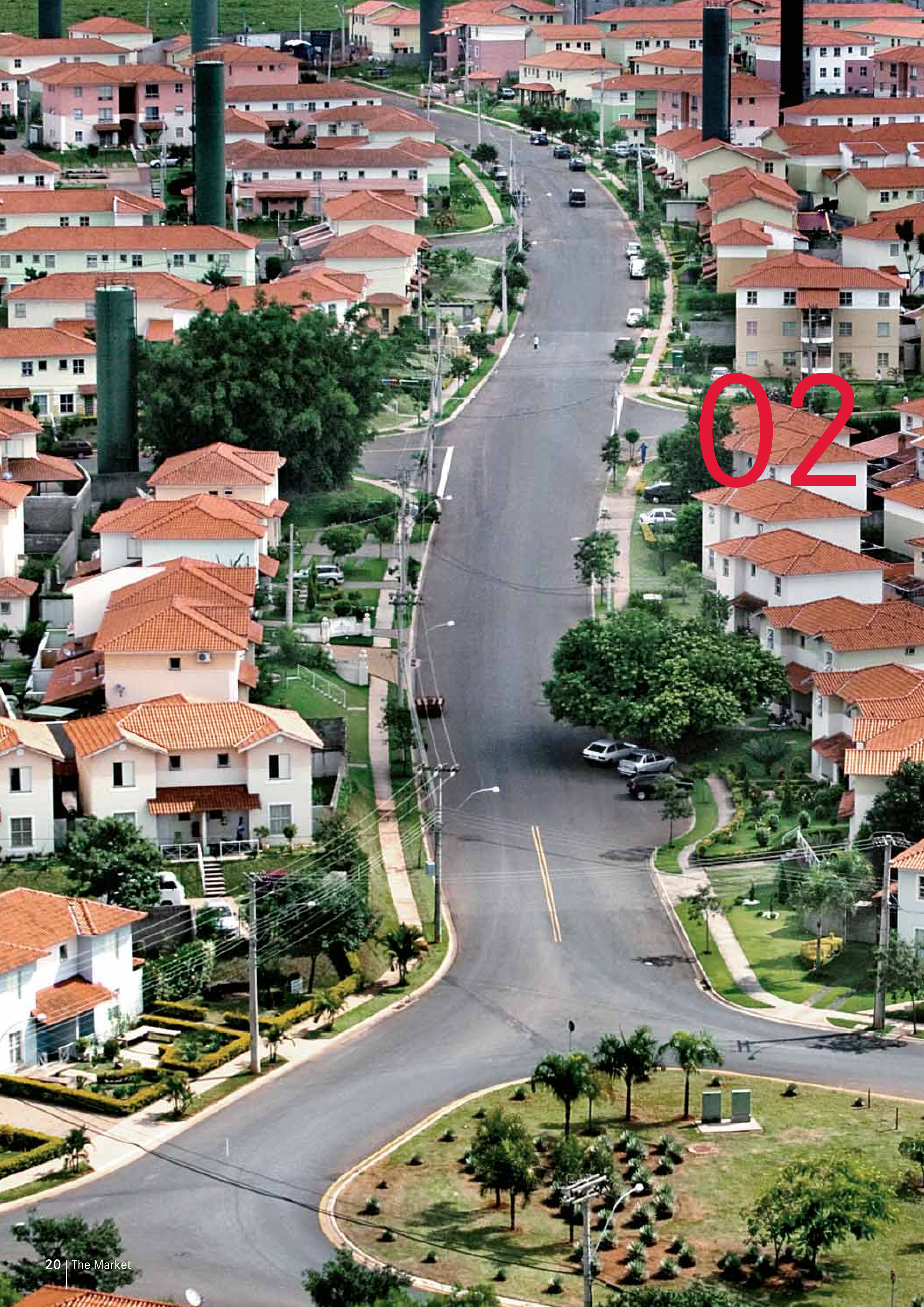
Marília

Ribeirão Preto

São Carlos

São José do Rio Preto

The Pantai Enseada Project, Guarujá, SP



02

The Market

Overview

The Brazilian real estate sector experienced significant growth in 2007. Contributing to this scenario was a number of different measures, including an increase in the supply of credit and longer loan contracts, stimulated by government's inflation targeting policy and reduction in interest rates.

Macroeconomic Outlook

The demand for residential real estate in Brazil will continue increasing over the upcoming decades, mainly in the economy housing segment market.

Among the factors that justify this statement are more accessible lines of financing and economic stability, which should continue during the next few years. As a result, a major portion of the population will increasingly be in a position to take on long-term debt to purchase real estate. The population growth, the large number of young people as a percentage of the total population, the reduction in the number of inhabitants per household, the increasing number of women in the workforce and the socio-cultural preference for home ownership are other factors that are expected to influence the fulfillment of this scenario.

Villa Flora Project,
Sumaré, SP

Real Estate Credit

According to data from the Brazilian Association of Real Estate Savings and Credit Enterprises (Abecip) and the Brazilian Central Bank, the amount of real estate credit in the Brazilian financial system increased 55% in 2007, rising to R$25.3 billion by the close of the year.

With regard to the financing of homes through savings funds, in 2007 Abecip registered R$18.302 billion for 195,981 units. These numbers are 96% and 72% higher than those from the previous year.

The information summarized above confirms the resumption of real estate credit, which began in 2003. The conditions for this process came about as a result of the decline in interest rates, economic stability and recovery of workers' purchasing power. Through the Real Estate Financial System Law (SFI), of 1997, financial institutions began to adopt the fiduciary transfer regimen as the guarantee for the loans that were granted. As a result, there was significant improvement in risk evaluation for mortgages, providing longer maturities and an increase in the percentage financed.

The expansion of the real estate market is expected to keep us leveraged over the next few years, mainly due to the high demand for residential properties for the economic housing segment.

Competitive Environment

The factors that, taken together, contributed to the current boom in the sector were:

- With the decline in rates of interest and the growth of the country, coupled with greater legal assurances for the sector, banks were motivated to significantly increase the amount of funds earmarked for real estate credit. This increase in volume, at lower interest rates and with longer maturities, created conditions for a major part of the population that previously had not been able to acquire a property to enter the market, contributing to a greater volume of launches and quicker sales.

- Through this change in the situation, the large companies in the industry went public for the first time, obtaining immense volumes of funds to expand their operations. As a result, the sector became more competitive.

- The consumer market is growing because of currency stability and greater supply of financing. Members of lower income classes began to be in a position to become homebuyers.

- Because the Brazilian housing deficit is strongly concentrated in the lower classes, this segment is certainly the one with the highest growth potential, and this has led many companies that previously were active in the high-end segment to return to developing for the lower class segments.

03

Competitive Advantages

Strategy

The year of 2007 was notable for the consolidation of the growth process that began when the Company went public, ten years ago. With the funds obtained through the issue of shares on the Bovespa, it was possible to proceed with expansion plans, hiring more employees and opening regional offices. Rossi's preparation for this great leap forward included the adoption of computerized management procedures through the use of a SAP management system.

As a result, Rossi grew approximately six times in size since 2005 – in a planned manner that was coherent with the behavior of the Brazilian real estate market.

In 2007, the strategy for launches and land acquisition was based on diversification, both in terms of products, as well as regionalization.

Rossi developed projects for different income classes and put into place a strategy for exploiting the strong growth of the economy housing segment, a sector in which it has vast experience.

By 2020, Brazil needs to build 27.7 million housing units to satisfy the growth of families, eliminate the housing deficit and do away with shantytowns and slums. This estimate comes from a study by FGV Projetos, prepared in partnership with the São Paulo State Civil Construction Industry Syndicate (Sinduscon), which also reports that about 70% to 75% of these units are for families that earn up to 10 minimum wages per month.

Santa Felicidade Project, Campinas, SP

The Company has extensive know-how in this segment, having already created new concepts, such as the Plano 100 and Villa Flora. In 2009, the economy housing segment is expected to represent for Rossi some 40% of the amount of its launches. For this to happen, three product lines were developed: the Villa Flora, the Residential Plazas and the Verticals. They are large-scale repetitive products, in partnership, developed throughout the chain of supply to rationalize costs and to guarantee the delivery of the volumes involved. The first projects launched were very successful, encouraging Rossi to move forward with the certainty of having a winning strategy.

Rossi is a company that originated in São Paulo which now seeks fast nationwide expansion. By opening up regional offices and signing partnerships in a number of different cities around the country, the Company is multiplying business opportunities.

Brazil today has a number of centers undergoing development in different states. Satisfying these markets that are avid for quality real estate projects at competitive prices means the realization of a strategy that compensates momentary slowdowns in the main cities, where competition is increasingly tougher.

Oceano Project, Guarujá, SP

Rossi serves **clients** from a **wide range** of income levels using a strategy involving the **diversification** of launches and acquisition of land.

Geographical Diversification

Rossi has been regionally diversifying its activities since 1992. In 2007, this strategy was further strengthened with the inauguration of the Northeast Regional Office in Fortaleza and the Regional Office in West São Paulo in São José do Rio Preto, together with the signing of ten partnerships with local real estate developers. By the end of 2007, the Company has seven Regional Offices that coordinate activities in 52 cities in 12 Brazilian states, plus the Federal District.

Opportunities around the country

Brazil today has medium sized cities (populations of 100,000-500,000 inhabitants) that present enormous growth potential. They are economic centers in their regions but have not yet experienced the real estate boom that is being felt in the country's capitals and large cities. In these locations, it is possible to find land at attractive prices and significant demand for good opportunities for housing in which to live or invest in.

Regional knowledge

The regionalization strategy practiced by Rossi is based on partnerships with local developers. The partners are selected due to their knowledge of the local customs and desires of the clients in the region, access to a bank of quality lands and local suppliers, as well as experience with municipal legislation. This attitude demonstrates the Company's concern about offering quality products that are adjusted to the style, culture, climate and all other characteristics of each city.

Partnership network

When it decides to enter a new city, Rossi studies the region and invites local partners whose profiles fit in with the Company's own way of working. They can be builders, developers, architectural offices, advertising agencies or legislative consultants; what is important is that they believe in the same values as does Rossi and practice them on a daily basis.

Partner	Regional Office	First Launch
Acre	São Paulo	June/07
AEL	Belo Horizonte	May/08
AEM	São Paulo	May/02
Alicerce	Belo Horizonte	September/08
Ambience	Campinas	December/07
Antonio Andrade	Campinas	February/08
Cadiz	Sul	April/08
CCalç/Newserrat	Rio de Janeiro	July/08
Cittá	Rio de Janeiro	July/08
Cosil	São Paulo	June/07
Costa Andrade	Rio de Janeiro	July/08
Cristais Prado	Campinas	April/08
Cristais Prado/Direcional	Campinas	October/07
Cyrela	Campinas	May/02
Cyrela Goldstein	Sul	December/07
Cyrela/Magick	São Paulo	October/06
Decta	Rio de Janeiro	March/08
Diagonal	Nordeste	February/08
Direcional	Campinas	December/07
Even	São Paulo	April/08
Faber Castell	Campinas	May/07
Fal2	Campinas	September/05
Fator	Rio de Janeiro	October/08
Fundo Euro	Sul	October/04
Fundo Manhatan	Sul	October/04
Gabriel Penteado	Campinas	July/08
Gabriel Bacelar	Nordeste	May/08
Gafisa	Rio de Janeiro	June/03

Long-term Partners

Rossi's relationship with its local partners goes well beyond just building properties. It begins with the choice of the land, continues with a study of the municipal legislation and proceeds through the launch and post-sale phases. Everything is dealt with transparency and a desire to obtain synergies between Rossi's expertise in efficient real estate development and the accumulated knowledge of local partners. The final result is mutual learning, that increases the productivity of the project and enhances client satisfaction.

Partner	Regional Office	First Launch
GNO	Campinas	October/07
GNO/Forn	Campinas	November/07
Gulf	Rio de Janeiro	May/06
J.Bianchi	São Paulo	April/08
JL Construtora	Sul	November/05
Kallas Eng.	São Paulo	September/07
Klabin Segall	São Paulo	December/06
Klabin Segall/Cymbal	Rio de Janeiro	November/07
Lindercorp	São Paulo	December/06
MB Engenharia	Campinas	April/08
Melnick	Sul	May/06
Metron	Rio de Janeiro	February/08
Montante	São Paulo	October/04
MZM	São Paulo	August/08
Nilo/Melnick	Sul	December/06
Paiquerê/Madia	Campinas	June/07
Panico	Oeste Paulista	June/08
Paulo Mauro	São Paulo	February/04
Paulo Mauro/Splice	São Paulo	April/08
PDG	São Paulo	October/04
PDG/Cymbal	Rio de Janeiro	November/06
Scon	Rio de Janeiro	July/04
Splice	Campinas	August/07
Tarraf	Oeste Paulista	May/08
Tedesco	Porto Alegre	February/06
Thá	Porto Alegre	August/07
Tropical/Toctal-Mauá	Belo Horizonte	August/08

Land Bank

At the end of 2007, Rossi had 129 plots of land in inventory for future projects. This portfolio has a potential sales value of R$14.7 billion, of which Rossi's part represents approximately 69% of the overall amount (R$10.1 billion).

The Company has been investing in the formation of a high quality land bank capable of supporting the launches that are planned over the next five years. In 2007, this policy took into consideration the regional diversification and product per income segment strategy. The majority of the land, about 66%, was acquired through swap agreements.

Investment over time

The cycle of a real estate project consumes, on average, five years as of the decision to acquire the land until the property is ready, passing through the project design, project approval, launch, sales, construction and delivery phases. Because of this, the Company invests in its capacity for planning the formation of a consistent land bank.

Partners

Specific Purpose Companies

For each project that is launched, Rossi makes use of a legal structure in the Specific Purpose Company (SPE) format. As legal entities that are distinct from the partner companies, the SPEs are created for a given project and operate for a restricted period of time. Currently, Rossi has about 370 SPEs in operation.

Supply agreements

In 2007, Rossi increased the number of agreements with suppliers and for strategic alliances. At a regional or national level, today it has signed 33 agreements with construction material suppliers for products such as steel, ceramics, elevators, equipment, installations, foundations, door and window frames, concrete and metals, among others. Centralizing purchases increases bargaining power, with gains in economy of scale that contribute to the overall cost of the projects.

Empreendimento Oceano
Guarujá, SP

The mutual learning relationship established between Rossi and its partners results in greater productivity for the business and higher client satisfaction.

Juliana Bordin and Andrea Maron,
Rossi's employees

Solid relationship with suppliers

It is a Rossi principle to value solid, long-term, transparent and ethical relationships with its suppliers. For this, the Supplies teams in our Regional Offices use a manual that details the qualifications processes for suppliers of materials and services. The Company has agreements for supplies and strategic alliances with key suppliers and it regularly monitors the construction industry's key indicators. Besides expanding its supply and strategic alliance agreements, Rossi will continue surveying and developing new products and services, both domestic and international, seeking better construction processes along with improved quality and competitiveness.

Technology

Rossi is certified under ISO 9001:2000 and belongs to Level A of the Brazilian federal government's Habitat and Productivity Program (PBQP-H), one of the main quality certificates in the country's building sector.

The use of information technology tools has been of fundamental importance to support Rossi's growth of the past few years. In 2000, the Company was a pioneer among real estate developers in the acquisition of the SAP Enterprise Resourcing Planning (ERP) System for the sector. Through the integration and automating of the processes, it has been possible to maintain control of building projects scattered around the country.

Total integration

All of its projects are connected through a high-speed data transmission system. The information is securely stored at an outside datacenter. A videoconference center is now being used by the São Paulo, Rio de Janeiro, Porto Alegre and Campinas Regional Offices and soon will be extended to Natal and Salvador, seeking to modernize internal communications. Furthermore, an instantaneous corporate communicator is currently undergoing testing.

Our suppliers have the same business opportunities, always based on clear and transparent criteria. And that is why some suppliers have been with us for many years.

Sales Teams

In 2007, Rossi's exclusive sales team expanded significantly. In December, we had 120 of our own real estate consultants in the cities of São Paulo, Rio de Janeiro and Porto Alegre.

Rossi Vendas strengthens client relationships

Created in 2006 to bring the client and the Company closer together, Rossi Vendas is active mainly in selling units that remain unsold after the launch period of a project. This contact is very important in order to understand the needs of buyers and to make eventual adjustments in the sales strategy for following launches. A client that is serviced by Rossi Vendas receives quality information because the consultant is a specialist in the Company's products. As a result, the client counts on a professional who can provide support during the post-sale phase.

Specialized brokers

Besides its own teams, Rossi maintains partnerships with top-tier real estate brokers, mainly at the moment of a commercial launch. The professionals are trained to present the Company's products and offer services to clients reflecting Rossi's standards, both through telephone answering centers as well as personally at sales stands.

Innovation

The first developer to participate in a real estate securitization operation, the first to implement an SAP integrated management system, the first to launch concepts such as the Parque Clube Condominium and one of the first to use the capital markets to obtain funding. These are a number of examples in which Rossi has been in the forefront seeking solutions that expand the frontiers of the construction industry in Brazil.

Leondardo Lobo, Camila Pavlovsky, Milena Soares e Alex Barbalho, colaboradores Rossi

Multidisciplinary teams

Rossi's projects are the result of the work of teams that combine the knowledge and skills of professionals from many different fields. Architects, Engineers, Urbanists, Landscapists and Decorators add their competencies to the work of specialists in structural calculations and building installations in order to develop innovative products. This was how the Residential Plazas concept emerged, one of Rossi's most successful current projects.

Partnership with universities

Agreements for the development and transfer of technology have been established with some of the main universities in the country, including the Federal University of Rio Grande do Sul and Unicamp. Masters Degree candidates at these institutions receive research grants and in exchange contribute to the effort to find new solutions for construction, planning, production control and own workforce control issues. One example is the creation of production management training program, which is working as a forum for the exchange of experiences between professors, their Masters candidates and the so-called "factory floor" (in our case, the construction site).

The breaking of paradigms

Products such as the Plano 100, Vida Nova and Residential Plazas, designed for the economy housing segment, are synonym of quality, because the best available construction techniques are employed in them along with the use of construction materials from the best brands in the market. As a result of all of these guarantees, the property presents durability that is perceived by the client throughout its useful life.

Creativity that benefits the client

Rossi strives to anticipate trends and discover the desires of its target publics. To this end, it develops novel solutions, going beyond the conventions of the market. The Villa Flora concept is just one of the examples of how creativity is employed to boost client satisfaction and generate returns for shareholders. Events such as the "Construction Site Visit Day" and the "Measurement Day" have emerged to reassure clients through speedier internal processes.

Bricks, mortar and dreams

Rossi is convinced that a residence is more than the materials that keep it standing. More than a place to live or to work, people want to feel good in such a place and be proud of it. Through technical knowledge and an innovative spirit, we create solutions to make people happy in their chosen residence.

Construction Techniques

Working to make its products increasingly more efficient and better finished, Rossi is constantly conducting research into the most modern techniques and materials that have been introduced to the market. The leading edge technology it uses in its construction sites fosters greater productivity and savings.

Economy of scale

Through the SAP system, it is possible to consolidate the demands for materials and manpower at regional and national levels, making large-scale acquisitions and contracting possible and, thus, increasing the operating competitiveness and efficiency of our projects. Using these elements, Rossi is able to offer its clients competitive products in the segments in which it is active.

New construction materials and systems

Rossi has been conducting tests using Glass Fiber Reinforced Concrete (GFRC) technology, applied in Canada and European countries. This technique, which mixes concrete and fiber glass in structural walls, could offer savings in time and money in the near future. Also being researched are other innovative solutions, such as pipes made of spoliated polypropylene. Furthermore, studies are being conducted for allowing conventional masonry walls to be pre-fabricated, taking advantage of industrial economies of scale while rationalizing the use of manpower and equipment. Another example is Rossi's commitment to developing products that do not degrade nature, such as ecological roofing materials, reforestation wood of proven origin and the reutilization of water, among others.

Oceano Project,
Guarujá, SP

Research with partners

Industry in general and, specifically, the automobile industry serve as a model for the new type of relationship we want with suppliers. Rossi offers strategic alliances and agreements for the supplier of items, whether materials or services, over the long-term, with the development of specific products and services to satisfy the requirements and new demands of the market. One example of this is the joint development with Atlas Schindler of lower-cost elevators for 4-story towers.

Client Relationship

Rossi invests in the relationship with its clients. As a supplier of a product that implies great financial and emotional involvement, the Company wants its clients to feel pleasure and pride to live or work in a property with its brand name. Thus, we seek to get closer to our clients to identify their needs and increase their level of satisfaction.

The Client Relationship area today is the Company's "thermometer," strengthening links with clients through continuous actions and programs. Thus, Rossi demonstrates that credibility and trust are won through transparent actions and solutions that satisfy and even astound clients. Understanding the degree of satisfaction of its customers makes it possible for Rossi to establish an intelligent and long-lasting relationship that is in line with a solid growth strategy.

Revision upon the delivery of a unit

Besides minutely checking all items during construction, Rossi also is concerned about testing them with the client at the moment the unit is delivered. This is an attitude that reflects the Company's respect for the well-being of the client. For this follow-up, we created "Inspection Day," when the client is invited to inspect the unit, accompanied by a technical team from the builder.

Tuiuti Project,
São Paulo, SP

Contacts during and after construction

As part of the relationship programs, some actions occur during the construction period, such as the post-sale survey, e-marketing, reporting about the beginning of the project, and different events including “Construction Site Visiting Day”, “Measurements Day” and “Inspection Day”. On their birthdays, clients are congratulated through letters and, every two months, receive a copy of the Rossi Magazine, which, besides general interest articles, also reports on the project timetables. After the condominium installation event, during a period of six months to one year, the Company conducts a post-delivery survey to evaluate client satisfaction with the purchase process and Rossi’s products and services. All contacts during and following the project are concentrated through the Client Service Call Center, which keeps a record of all contracts for assuring continuous follow-up of the processes, seeking total client satisfaction.

Call center

It is a quick and efficient communication channel between the client and Rossi. The attendants are prepared to conduct a number of operations by telephone, seeking to resolve client needs on the first call. Moreover, clients can evaluate the service they have received at the end of their call. In situations when it is necessary to intervene in one of the areas of the Company, the client notes the request number and receives an answer within 48 hours.

04

2007's Projects

Incentive measures for the sector, inflation control policy, reduction of interest rates and longer loan maturities led to a very favorable environment for the real estate industry in 2007.

Within this scenario, Rossi implemented a plan for sustained growth through geographical diversification and products for specific income brackets. As a result, in 2007 the Company significantly increased the number of launches, contracted sales, land bank, revenues and net profit.

During 2007, Rossi continued to act in a serious, transparent and innovative manner and intends to establish solid and long-lasting relationships with all of its stakeholders.

Below, we present the main results of this effort:

Parigi Residence Service, Porto Alegre, RS

Pátio das Alamedas, Campinas, SP

Lauches 2007

LAUNCH	REGIONAL	CITY	PROJECT	UNITS	VGV 100% (R$ 000)
January	Rio de Janeiro	Vitória	Victoria Bay	269	89,249
February	Campinas	Campinas	Ruas da Villa – Res. Original	52	12,299
February	São Paulo	São Paulo	Brooklin to Live	112	55,328
February	São Paulo	São Paulo	Mont Serrat	220	151,867
March	Campinas	Campinas	Avalon I	118	14,107
March	Sul	Porto Alegre	Autentique	224	82,556
March	Rio de Janeiro	Rio de Janeiro	Liberty Green	270	54,317
April	Campinas	Campinas	Avalon II	136	16,594
April	Campinas	Campinas	Avalon III	110	14,771
May	São Paulo	São Carlos	Orizzonte di San Carlo	150	20,817
June	Campinas	Campinas	Cond. dos Papiros	66	5,544
June	São Paulo	Guarujá	Pantai Península	86	62,455
June	Oeste Paulista	Ribeirão Preto	Vila Trópicos	64	23,756
June	Rio de Janeiro	Rio de Janeiro	Aquagreen	372	96,150
June	São Paulo	Santos	Passeio Embaré	96	49,510
June	São Paulo	São Paulo	Massimo Alto da Mooca	212	67,592
June	Campinas	Valinhos	Vértice I	94	9,509
June	Campinas	Valinhos	Vértice II	73	7,519
June	Campinas	Valinhos	Vértice III	99	9,781
June	Rio de Janeiro	Vitória	Privilege	192	108,957
August	Sul	Curitiba	Boulevard Rebouças	280	63,634
August	Campinas	Sorocaba	Reserva Campolim	102	35,543
September	Sul	Porto Alegre	Verdi I	339	38,921
September	Sul	Porto Alegre	Flora	379	42,865
September	Rio de Janeiro	Rio de Janeiro	Vila Imperial	304	48,930
September	São Paulo	São Caetano do Sul	Pateo Catalunya	700	255,784
September	São Paulo	São Paulo	Jardim Leopoldina	396	141,078

LAUNCH	REGIONAL	CITY	PROJECT	UNITS	VGV 100% (R$ 000)
October	Campinas	Campinas	Avalon Parque das Praças	137	18,289
October	Campinas	Campinas	Avalon Praças Residenciais	116	14,717
October	Campinas	Campinas	Cond. Jaboticabeiras	102	6,653
October	Campinas	Campinas	Cond. dos Alecrins	150	12,404
October	Campinas	Campinas	Cond. dos Alamandas	150	13,653
October	Campinas	Campinas	Residencial Caapuã	132	32,796
November	Campinas	Campinas	Praça Maior	263	24,621
November	Campinas	Campinas	Residencial Pasárgada	52	16,769
November	Campinas	Campinas	Shine	96	20,090
November	Rio de Janeiro	Rio de Janeiro	Villaggio Praças Residenciais	360	55,643
November	Rio de Janeiro	Rio de Janeiro	Ventanas Resort	286	105,154
December	Campinas	Campinas	Spot Galleria	198	30,597
December	Campinas	Campinas	L'Office Cond. de Escritórios	152	22,179
December	Campinas	Campinas	My Home Prime	55	38,739
December	Campinas	Campinas	Tríade I	81	10,966
December	Campinas	Campinas	Tríade II	90	12,200
December	Campinas	Campinas	Tríade III	99	12,926
December	Nordeste	Recife	The Plaza	199	29,613
December	Sul	Porto Alegre	Vintage	146	71,614
December	Sul	Porto Alegre	Vivenda do Ecoville	316	87,828
December	Sul	Porto Alegre	Jardim do Lago	164	27,698
December	Sul	Porto Alegre	Vivendas do Lago	167	29,973
December	Rio de Janeiro	Rio de Janeiro	Celebrity Enseada	294	117,474
December	São Paulo	São Paulo	Brisa Neo Residence	220	65,322
December	São Paulo	São Paulo	Allegra	108	12,580
Total				**9,648**	**2,469,931**

Delivered Projects 2007

DELIVERED	REGIONAL	CITY	PROJECT	UNITS	VGV 100% (R$ 000)
February	São Paulo	Guarujá	Pantaí Enseada	113	22,779
February	São Paulo	São Paulo	Eternity	26	33,946
March	São Paulo	São Paulo	California Gardens Torre 06	64	14,254
May	Rio de Janeiro	Rio de Janeiro	Residencial Gaia	82	14,582
May	São Paulo	S. José dos Campos	Athmosphere	152	31,372
May	Campinas	Sumaré	Villa Flora – Cond. das Gardênias	78	5,827
July	São Paulo	São Paulo	Image	56	27,967
August	São Paulo	São Paulo	Club Tuiuti	312	106,094
August	São Paulo	São Paulo	Landscape	86	35,528
August	Campinas	Sumaré	Villa Flora – Cond. dos Sândalos	82	5,128
September	Sul	Porto Alegre	Bosque do Rio Branco	112	39,230
September	Campinas	Sumaré	Villa Flora – Cond. das Laranjeiras	38	4,548
September	Campinas	Sumaré	Villa Flora – Cond. das Violetas	58	3,708
October	São Paulo	Jacareí	Cond. das Palmeiras	118	16,343
December	Campinas	Campinas	Parnaso Eco Residenza	60	14,678
December	Sul	Curitiba	North York	32	10,428
December	Rio de Janeiro	Niterói	Porto Central	88	9,041
December	Sul	Porto Alegre	Reserva Petrópolis	144	21,979
December	São Paulo	São Paulo	Vivanti Ipiranga	112	32,864
December	Campinas	Sumaré	Villa Flora – Cond. das Amendoeiras	70	5,858
December	Campinas	Sumaré	Villa Flora – Cond. dos Jatobás	98	6,170
Total				**1,981**	**462,323**

Terra Brasilis, Campinas, SP

Jardins de Londres, Rio de Janeiro, RJ

05

Financial Performance 2007

Economic–financial Performance

In 2007, Rossi posted significant increases in launches, contracted sales, land bank, revenues and net income. Some of the year's operating and financial highlights were:

- 52 projects launched, totaling a GSV of R$2.47 billion, of which R$1.98 billion was Rossi's part and R$489 million belonged to its partners.

- R$1.58 billion in contracted sales, of which 79.3% was Rossi's share in the amount of R$1.25 billion, and R$732.9 million in net revenues (78.2% higher than 2006's revenues).

- R$132.1 million Ebitda (159.2% over 2006), with an Ebitda margin of 18.0%, 5.6 percentage points above 2006's margin.

- R$131.3 million net income, 200.5% higher than the net income of 2006. Adjusted net income for the year was R$133.2 million.

- R$14.7 billion in potential land bank GSV, of which 68.7% was Rossi's share, encompassing 129 plots of land at the end of 2007.

Gross operating revenues

Gross operating revenues were up 81.1% over the previous year, going from R$425.0 million in 2006 to R$769.7 million in 2007. In the real estate development sector, sales revenues are allocated to income using the percentage of conclusion of each project method. The rise in revenues came about mainly as a result of the increase in the number of projects under construction and the sale of inventory.

America Business Park Project,
São Paulo, SP

Oceano Project,
Guarujá, SP

Net operating revenues

Net operating revenues rose by 78.2%, going from R$411.3 million in 2006 to R$732.9 million in 2007.

Cost of real estate and services sold

The cost of real estate and services sold grew by 67.8%, from R$282.9 million in 2006 to R$474.6 million in 2007.

Gross income

The gross income was 101.3% higher, rising from R$128.3 million in 2006 to R$258.3 million in 2007. Gross margin in 2007 was 35.2%, representing an increase of 4.0 p.p. over the 31.2% obtained in 2006.

Administrative expenses

Administrative expenses rose 58.3% in nominal terms, up from R$38.6 million in 2006 to R$61.2 million in 2007. Compared to net operating revenues, the administrative expenses declined, from 9.4% in 2006 to 8.3% in 2007.

Selling expenses

Selling expenses rose 33.1% in nominal terms, going from R$45.7 million in 2006 to R$60.8 million in 2007. Selling expenses represented 11.1% of net revenues in 2006 and 8.3% in 2007, a decline of 2.8 p.p.

Ebitda

The Ebitda totaled R$132.1 million, a gain of 159.2% over 2006. The Ebitda margin in 2007 was 18.0%, an increase of 5.6 p.p. over 2006. This increase was a result of the combination of an increase of the revenues allocated with the rise in gross margin and dilution of operating expenses.

Depreciation and amortization

The depreciation and amortization expense presented an annual increase of 53.1%, going from R$0.9 million in 2006 to R$1.3 million in 2007. This rise came about mainly as a result of assets that were acquired for the geographical expansion of the Company and the amortization of investments to improve information systems.

Net financial revenues (expenses)

Net financial revenues declined 33.7%, from R$47.4 million in 2006 to R$31.5 million in 2007. This was mainly a result of a reduction in financial investments due to the use of cash for operating activities, as well as an increase in financial expenses for the issue of debentures.

Client loan revenues

Revenues from client loans remained stable, totaling R$7.4 million, an amount that was not particularly significant due to the Company's policy of not offering financing after the delivery of units.

Other operating income (expenses)

On a conservative basis, during the fourth quarter of 2007 a supplement was made to the provision for several labor lawsuit contingencies in the amount of R$1.5 million and the constitution of a provision for delinquent accounts of R$0.8 million, totaling R$2.3 million for the year.

Income tax and social contribution

The provision for income tax and social contributions went from R$2.1 million in 2006 (R$3.7 million in current year expenses and R$1.6 million for the realization of deferred taxes) to R$25.9 million in 2007, represented by a R$4.8 million provision for current year expenses and a R$21.1 million provision for deferred taxes referring to temporary differences. The provision for income tax and social contributions follows Brazilian Corporate Law, both for the companies taxed under the real profit regimen as well as for presumed profit, and differs from the tax legislation.

Net income

Net income went from R$43.7 million in 2006 to R$131.3 million in 2007. The net margin increased from 10.6% in 2006 to 17.9%, a 7.3 p.p. rise.

Adjusted net income

The adjusted net income was up 42.4%, going from R$93.6 million in 2006 to R$133.2 million in 2007. The adjusted net margin declined from 22.8% in 2006 to 18.2% in 2007, due to the provisions for deferred taxes and employee profit sharing.

Oceano Project,
Guarujá, SP

Capital Market

Entry into the São Paulo and New York Stock Exchanges represented an important decision for the growth of the Company.

Shareholders have access to all information of interest to them through the Investor Relations site (www.rossiresidencial.com.br/ir). Regular earnings reports, presentations, conference calls, an events calendar, share prices and analyses are some of the items that are available. The transparent disclosure of relevant data is a demonstration of Rossi's respect for investors.

Shares and Investments Realized

In the past few years, Rossi made investments designed to prepare the Company for the increase in the demand from the real estate market, including the adoption of a computerized management system and the training of a competent and motivated staff. This sustained growth strategy proved to be successful in view of the results that were obtained as of 2006.

New Regional Offices

Proceeding with its policy of geographical diversification, in 2007 Rossi inaugurated two Regional Offices: the Northeast Office, located in Fortaleza; and the West São Paulo Office, in São José do Rio Preto. With the new structures, the Company improved its ability to provide services in these regions, moving closer to clients and local partners.

New partners

During the year, ten new partnerships were established with real estate developers in different parts of Brazil to support future projects in the cities where Rossi has activities.

One of Rossi's most important values is transparency towards the market, to which we provide full disclosure of relevant information. This means to deal with investors with respect.

(Interview with João Ricardo Ferreira)

More land

New cities were added to the land bank in 2007, increasing the inventory available for new projects. At the end of the year, the Company had 129 plots of land in its portfolio for future projects. This land inventory is the equivalent to a potential GSV of R$14.71 billion, and Rossi's portion is R$10.1 billion (69%). The Company has consistently invested in the constitution of a quality land bank that can offer a five-year horizon for future launches.

Personnel management

The Personnel Management Department was restructured and expanded to adjust to the Company's current requirements. Among other initiatives, the Company invested in training and improved benefits for employees. The Hay Group consulting company was contracted to survey positions and salaries and adjust them to the market. For 2008, a management development program will be run along with preparation courses for trainees.

Jason Franca, Rossi's employees.

Ivan Piffer, Rossi's employees.

Corporate Governance

Rossi strives to improve its corporate governance model, with shareholders, family and executives in ideal synchronization while satisfying the requirement for transparency in the rendering of accounts, the equal treatment of shareholders and the continuous professionalizing of management. The most important decisions are taken collectively, based on detailed studies. In 2007, a number of important actions were adopted to enhance the Company's good corporate practices.

Board reformulation

The Board of Directors, which currently has two independent members, is being reformulated. This work includes the implementation of Internal Board Rules, the definition of the new in-company and independent members, the follow-up of Board meetings with the definition of critical topics for discussion and the creation of a system to monitor performance and risks for shareholders. Herbert Steinberg's MESA Corporate Governance consulting firm is conducting the process.

Family succession

Family succession has been under planning since 2004 by the Renê Werner e Associados company. This project, currently in a final phase, is designed to create a company structure that ensures stable rules regarding family transition, obeying the principle of the perpetuity of the businesses.

Rossi Head Office,
São Paulo, SP

The **internal committees** carefully examine all relevant aspects of the projects, supplying data for **strategic decisions**, which are always made collectively.

Succession plan and evaluation of management

Also foreseen as part of the scope of the work by MESA Consultoria is the introduction of a backup system for directors and managers who occupy key positions, through the definition of the necessary competencies for each top manager's job description. A differentiated assessment system also will be designed to permit the Board to be able to evaluate the adjustment of each executive to his or her position and, through this, propose individual development plans.

Executive Business Committee

This Committee was created to approve land purchases. It analyzes strategic information such as the feasibility study of a project, expected profitability and the risks that are involved. It is made up of members of the Corporate Executive Board, some members of the Board of Directors and representatives from the Regional Offices who are for proposing the acquisitions.

Executive Financial Committee

The Financial Committee's job is to manage the Company's cash flow, assessing the impact of the new land investments approved by the Business Committee and evaluating funding alternatives that are available. Members of the Executive Board, the Board of Directors, the Director of Finance, the financial manager and the controller sit on this committee. It holds monthly meetings.

Executive Legal Committee

Meets weekly and is made up of representatives of the Legal Department, the Sales Director and a member of the Board of Directors. Its job is to examine proposals for the purchase of land, to check the legal and property ownership situation of the properties and to analyze the risks that are involved. As a result, it can approve or veto the acquisition of land, based on legal criteria.

Executive Project Launch Committee

Through the use of a feasibility study for the launch of each project, the marketing budget, the construction budget and the proposed sales price list, this Committee reviews the assumptions that had been used by the Business Committee to confirm the project profitability expectations. This Committee meets on a weekly basis.

Mônica Vranjac and Juliana Bordin,
Rossi's employees

Project follow-up meetings

The Corporate Executive Board holds monthly meetings with each Regional Office to evaluate compliance with sales targets, launches and results. It also analyzes the performance of each project, comparing the forecasts to actual results, the inventory of finished units, any payment defaults and the overall construction operation, among other indicators. These meetings supply data for the general meeting attended also by members of the Board, during which the Company's consolidated indicators are analyzed.

Accounting standards

As one of the first companies in the Brazilian real estate sector to go public, Rossi has accumulated substantial experience regarding the adopting of accounting practices that are in line with the regulations of the Securities and Exchange Commission (CVM). Rossi was also one of the first real estate companies to make its accounting statements available in compliance with international standards (USGAAP), and satisfying the regulations of the Novo Mercado (New Market), the highest corporate governance level of the São Paulo Stock Exchange (Bovespa).

Stock Option Plan

Rossi's executive compensation strategy includes a long-term incentive program designed to retain its professionals, seeking their commitment to future results and rewarding them for good long-term corporate performance.

A specialized consulting company was hired, the Hay Group, which surveyed market practices and proposed alternatives for designing long-term incentives.

Profit Sharing Program

The Company's Profit Sharing Program is related to the performance of each area, regarding meeting targets and results established for the year.

The Company distributes a percentage of its net accounting profit to all employees, except for trainees, temporary workers, specific-period contract employees, autonomous workers and outsourced workers.

07

Risk Management

Rossi uses a series of tools to evaluate and minimize risks, with the objective being to preserve its capacity to comply with commitments signed with clients and suppliers and to create value for its shareholders.

Cash flow management

Characterized by the intensive use of capital, the real estate business depends upon good management of the inflows and outflows of funds for each phase of the projects in a company's portfolio. Rossi uses the management system developed by the SAP company to precisely and accurately calculate cash flow at any moment. Thus, it is possible to quickly and dynamically evaluate the Company's future cash position. More than an attribution of the Board of Directors and Executive Management, the concern about the flow of funds is shared by all managers and employees and is part of the Company's culture.

Engineering risks

Each project's budget, including direct and indirect construction costs, is established and approved before construction begins. The engineering area's work is based on budget reports and detailed projects to prevent possible cost differences during the construction phase.

Giardino Paraíso Project,
São Paulo, SP

Workplace safety

Rossi's business model is based on the outsourcing of construction manpower. Almost all teams are outsourced, which reinforces the need for strict workplace safety controls. The Company constantly reinforces training, using printed materials and audiovisual presentations. The use and other measures seek to reduce the number of workplace accidents, leading fill a decline in the number of hours lost due to accidents from 3.26% in 2005 to only 0.04% in 2007.

Legal risks

The Legal Department is centralized, which facilitates decision-making, regarding the acquisition of land. Problems regarding ownership and the approval of projects by government agencies are foreseen, increasing the safe conclusion of deals and assuring control of legal issues arising from investments to form our land bank.

Giardino Paraíso Project,
São Paulo, SP

08

Rossi Employees

The people who work for Rossi are committed to the Company's future. Despite the heating up of the job market in 2007, our employees appreciated the solidity of the institution and the opportunities we offer for their professional growth.

Above average compensation

In May 2007, the Hay Group specialized consulting company was hired to establish internal balance of jobs within the Company, according to Rossi's size, the complexity of the position, freedom of action, challenges and impact on the bottom line. Hay verified that total compensation (base salary) practiced by Rossi was 84% higher than the market average. Rossi adopted a compensation policy that maintains equitable appreciation criteria, seeking a competitive internal and external balance regarding job and salary structures, along with a benefit plan. Regularly, are conducted market surveys that make it possible to maintain a competitive salary structure as well as diagnose and correct eventual distortions.

Talent retention

The Talent Retention Program was kicked off with the improvement of the professional training and development schedule and the upgrading of benefits offered to all employees, designed to augment their degree of satisfaction and motivation. Among the benefits offered are: health insurance, 100% covered by the Company and extended to dependents; life insurance, with co-participation of 30% and inclusion of coverage of spouses; dental assistance, with co-participation of 50% of the value of the plan; vehicle parking; supply of a Nextel device; and a discount in the acquisition of a house or apartment. The educational support benefit consists of the payment, on the part of the Company, of up to 50% of the amount related to undergraduate and postgraduate courses for employees who work for us for more than six months.

Camila Pavlovsky,
Rossi's employees

Manpower training

In partnership with Senai, Rossi maintains schools, called Bom Pedreiro (The Good Stonemason), to train professionals in the field of construction, such as stonemasons and carpenters. These schools are already in operation in the Campinas and South regions and others will be created in the future.

Professional development

Employees have access to the training schedule offered by each Regional Office, both for technical and behavioral courses. Institutions selected by the Personnel Management Department teach the classes. Employees themselves register through the Company Intranet. The objective is to allow the professional to identify himself with the course, whether for technical or behavioral knowledge. Besides learning, the employee will have the opportunity to evaluate his requirements and manage his time. During 2007, some 2,043 employees were trained.

Professional hiring

In 2007, 240 new professionals were hired in a number of different segments, sustaining the Company's growth as a result of the expansion of areas of activity through the regional offices. The recruitment and selection process seeks to attract in-company or outside candidates who are potentially qualified to occupy positions in Rossi. The selection involves interviews and tests to find the candidate who best fits the job profile. The objective is to take advantage of Rossi's own talents, encouraging professional development as well as bringing into the Company skills and knowledge that have been tested with success in other organizations and that will add to Rossi's expertise.


Rosemeire Araujo e Keilla Lima, colaboradoras Rossi


Mônica Vranjac e Juliana Bordin, colaboradoras Rossi

Oceano Project, Guarujá, SP

Integration of the new employees

Those who are hired undergo a two-day orientation program that includes an introduction to the history of the Company, presents its Vision, Mission and Values and the main responsibilities of each area. Visits to the regional offices, ongoing projects and sales stands complement the orientation activity.

Interns and trainees

Future professionals selected in universities have had the opportunity to train inside Rossi, complying with a program that initiates them in a number of different activities. The purpose of the engineering intern program is to invest in the formation of professionals who are studying Civil Engineering in the country's main universities. The challenge is to train these professionals in management and planning of the construction of the projects, permitting the practical application of the knowledge that is being learned at the university. There are 3,114 intern hours distributed in the Engineering, Real Estate Development, Architecture, Marketing, Client Relationship and Personnel Management areas. In 2008, it will be the trainees' turn to participate in a two-year program in a number of our departments to understand the Company's business in greater detail.

Stock Options

Rossi developed an executive compensation strategy through a long-term incentive program as an element of its effort at retention, commitment to future results and reward for long-term corporate performance. The Hay Group consulting company was hired to survey the alternatives for designing long-term incentives and current market practices.

Felipe P. A. Joseph and Elizabeth Hironka, Rossi's employees

Profit Sharing Program (PPR)

The Profit Sharing Program invested R$9 million in payments referring to 2007. The payout in March 2008 was earmarked for compensating all Rossi employees. Every department was evaluated according to individual criteria and employee bonus percentages were awarded linked to performance.

Endomarketing

A number of instruments were used to enhance in-house communication developed and implemented during 2007. Among them were:

- **The Communication Committee**
  Its objective is to facilitate the flow of communication and obtain news for the in-house communication outlets: a newspaper, two bulletin boards (corporate and projects) and the Intranet. It is made up of employees from both headquarters and regional offices. It meets monthly to decide upon upcoming editorial content. Based on the assumption that communication must be a two-way street, the objective is to report about what is going on and to listen to what employees' expect and want from this tool.

- **E-mail presenting newly hired employees**
  This is a channel that disseminates news about the arrival of the new employees. This is being used to support the faster pace of new hires. It is sent out every other week to all employees in the head and Regional Offices.

- **A conversation with management**
  This event is designed to disseminate information to all employees. It is an opportunity for each employee to acquire deeper understanding of the business and get to know what other departments do, what is the overall structure, the targets and the results, among others. It is an informal conversation focused on spreading in-company information.

Oceano Project,
Guarujá, SP

- **Monitored visits of employees to sales stands**
  The objective is to encourage employees to understand Rossi's business. It is an event during which a Rossi bus takes employees and respective family members to visit Rossi sales stands.

- **Sport sponsorship**
  Rossi encourages the practice of sports on the part of its employees through the sponsorship of registration of those who are interested in street runs and races as well as the rental of fields for men's and women's soccer. This action seeks to foster better quality of life and promote a balance between our employees' personal and professional lives.

- **Quality of life program**
  The program, called "Rossi Well-being," was run in all Regional Offices, focused on stimulating physical activities. The objective is to take care of the mind, with special attention to health, through moments of leisure and through commemorative events. The program's benefits include greater integration between employees, seeking a balance between a healthy, lifestyle and work and creating higher disposition, satisfaction and motivation.

Antonio César
Santos and Aline Silva,
Rossi's employees

09

Socio-environmental Performance

Rossi is aware of its social responsibility. More than just to satisfy clients and investors, its products are planned to contribute to the development of society as a whole and to the preservation of the environment.

Preservation of the environment

The Company uses reforestation wood for construction purposes and its reinforced concrete slabs are preferentially molded in iron and fiber, a procedure that reduces the use of wood in the construction of its projects.

Urbanism and coexistence

Villa Flora also is an example of a project that goes beyond basic function. Besides quality construction, it contains urbanistic solutions that favor good quality of life, encouraging contact with and respect for nature. The Gira Sonhos NGO was hired to integrate residents through artistic and cultural activities such as dance workshops, music and information technology classes.

Water savings and care about waste disposal

Solutions that lead to the reutilization of water and subsequent reduction in losses are present in many of Rossi's projects. On the construction sites, the Company's concerns range from careful management of waste disposal to cleaning up of the outer areas and the minimizing of noise that could disturb neighbors.

New technologies

A team of technicians and engineers is dedicated to finding solutions that reduce environmental impacts. Some of the answers being examined by the group include heating water and generating electricity through solar panels and research in both Brazil and abroad into new materials introduced into the market and innovative construction techniques.

Aware of its responsibility to the progress of society, Rossi develops projects that respect the environment and foster the good coexistence of their residents.

Sustainability

Rossi is a platinum founding member of the Green Building Council, an organization linked to the most important international organization for sustainable construction criteria and evaluation, the World Green Building Council. One of the Company's objectives is to adjust itself to international socio-environmental responsibility guidelines leading to sustainable construction practices based on the Brazilian reality.

Durability

Rossi's projects help residents facilitate the maintenance of their units, guaranteeing the functionality of the construction for many years. After a unit has been delivered, the Company places a qualified maintenance team at their disposal to conduct eventual repairs.

Paper reduction and the outsourcing of printing

Through a printing outsourcing project, equipment was installed in the Company's offices with the capacity to print up to 42 pages a minute in black and white on both sides of a sheet of paper, with separators per department. Moreover, the offices were equipped with multifunction machines, with printing capacity of up to 44 pages per minute, that also can scan documents and send and receive faxes directly from a computer and make copies. The printing environment is now managed and controlled. A campaign was prepared to assure the rational use of the new equipment and foster a conscientious printing mentality, together with a project to selectively collect waste materials (paper and inputs) in collaboration with the Reciclar NGO; this organization collects the discarded materials and uses them in its social benefit programs. The project so far has generated savings of 39% compared to the previous model.

Recognition

The many awards Rossi has received throughout its history demonstrate that real estate industry organizations and the specialized press have recognized the quality of its projects. Some of the awards obtained 2007 were the following:

Marketing Top

The most important prize in the sector, awarded by the Association of Sales and Marketing Directors of Brazil (ADVB), given to organizations that are judged to best sustain their product, service or brand through innovative and consistent tactics.

- The ADVB-SP award went to the **Galleria Boulevard** project (Campinas, SP).

- The ADVB-PR award went to the case study, “Curitiba’s first urban resort – marketing in action”, in the real estate market category, for the **Boulevard Rebouças** project (Curitiba, PR).

Real Estate Top

An award promoted by the O Estado de S. Paulo newspaper that is based on a survey conducted by the Empresa Brasileira de Estudos de Patrimônio (Embraesp) organization, which selects the ten best companies in the fields of real estate sales, construction and development. The Embraesp list is specific for projects (residential and commercial) launched in the Greater São Paulo Metropolitan area.

- The Association of Real Estate Market Managers (Ademi-RJ) awarded a prize to the **Orizzonte Self Living** project in the Means of Accommodation category (Niterói, RJ).

Planeta Casa

The Planeta Casa 2007 Prize, awarded by the *Casa Claudia* magazine, seeks to recognize companies, professionals and students in the fields of architecture, construction and decoration focused on sustainable development, highlighting actions, products, real estate, architectural and interior decoration projects that foster environmental conservation.

- Editora Abril's *Casa Claudia* magazine awarded the **Villa Flora** planned community an honorable mention in the Real Estate Project category (Sumaré, SP).

Real Estate Master

This award is made annually by the São Paulo Syndicate for Real Estate Purchase, Sale and Rental (Secovi-SP) in the Professional, Project and Hors-Concours categories. The prize identifies the best professionals and most notable and fastest-selling projects during the preceding 12 months.

- The Real Estate Market Company Managers Association (Ademi-RJ) awarded its prize to the **Liberty Garden** Project (Rio de Janeiro RJ), in the Mid-Size Project Marketing/Sales category.

- The International Real Estate Professions Federation (Fiabci-Brasil) and the São Paulo Housing Syndicate (Secovi-SP) named the **Victoria Bay** project (Vitória, ES) the winner of their awards in the Professionals and Sales categories.

Outlook for 2008

A wide range of actions currently is underway to ensure Rossi's continued permanence as one of the largest and best real estate companies in the country. The target is to continue on the path of growth the Company has been following over the past few years.

Launches in the economy housing segment

By the end of 2008, Rossi will launch R$750 million in GSV aimed at the economic housing segment. The Company believes there will be a substancial increase in the demand for properties in this bracket due to a combination of favorable macroeconomic factors. And it also believes that the experience it has accumulated in over a decade of activities in this segment places it in a privileged position to exploit this particular opportunity.

Increase in land inventory

The Company will continue to invest consistently in a high quality land bank so that it can offer a horizon of future launches during a period of four or five years.

Regional consolidation

The recently opened Regional Offices are now better structured, focused on long-term activities in their respective regions and emphasizing quality and sustained result-based growth. The success achieved in the first launches in cities such as Fortaleza, Natal and Recife proves that the strategy adopted has been a correct one.

Oceano Project,
Guarujá, SP

Planned communities

In the first half of 2008, a new Villa Flora condominium will be launched. The first project was launched eight years ago in Sumaré-SP, with the planned neighborhood concept, integrating urbanism, architecture and landscaping. Even with such distinguishing characteristics as green areas, shops and community services, the price of the Villa Flora residences are accessible to economy housing segment clients.

Personnel management

Some of the focal points of the Personnel Management area in 2008 include manager development training, a review of the employee evaluation process, investment in in-company sports events and social programs and the conducting of an organizational climate survey. The Company also intends to invest R$315,000 in specific training courses such as Financial Mathematics, Negotiation, Teamwork, Time Management and Client Service, among others.

The Rossi brand

After the introduction of the new brand logo, the work to strengthen the Rossi corporate identity will proceed. Workshops to train partners and suppliers already have been scheduled to ensure the correct application of the new language.

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