

Operator:

Good morning, ladies and gentlemen. At this time, we would like to welcome everyone to América Latina Logística - ALL's 1Q07 results conference call.

Today with us we have Bernardo Hees, the CEO, Sérgio Pedreiro, the CFO and Investor Relations Officer and Rodrigo Campos, Controller and Investor Relations Manager for the Company.

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

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of ALL 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 ALL, and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over to Mr. Bernardo Hees, who will start the presentation. Mr. Hees, you may begin your conference.

Bernardo Hees:

Good morning, ladies and gentlemen. Thank you for the interest in ALL. We are pleased to present the results from the 1Q07 and, as you can see, in chart two, I would like to highlight four main points that I think that summarize what has been the performance of ALL in the 1Q of this year.

First of all, it is the significant growth in our results where our EBITDAR increased almost 61%, reaching R\$195 million and our EBITDAR margin improved by 17 p.p. from 28% to over 45%. It is a very significant growth that may be driven by the continuing cutting cost that we implemented in the 2H06 and the right mix of volume and revenue.

The second point I would like to highlight is the growth in our operational standard, especially in the northern network, where we could see in this 1Q, improvement in safety and also in asset reliability, specially in the number of accidents, which were reduced from a 105 accidents per million train-kilometers to 64 accidents in the 1Q07. And also our average distance between failures of our locomotives increased by more than 60%, reaching already 6.7 km.

The third point to highlight is that we increased our volumes by 2% in this 1Q. That is, actually, not our normal historical growth, but here we need to mention that we eliminated completely the trucking connection that used to be done by Brasil Ferrovias, connecting Campinas to Santos. They used to move the cargo from the Central West region of Brazil to Santos, but they usually unload in Campinas, in a terminal that is called Finaga, and they would be moving by truck down the hill from Campinas to Santos.

They usually do that in order to turn faster the rail car and to bring more volumes in order not to pay the take or pay they (...). They sacrificed a lot the profitability of their operations. And we, as a commercial strategy, decided not to do it, so we sacrifice part of the volume, but we gain a lot in profitability, as I am going to show later on.

And the fourth point to highlight is the soybean crop, which had a more positive scenario than we expected at the end of the year, what is, actually, very positive in order for us to achieve the growth targets that we are planning to achieve in 2007.

That being said, I think that summarizes the results. I am going through the business units, as usual. Then I am going to turn on to Sergio, who is going to comment on the numbers.

On chart three, we can see the agricultural commodities numbers. As I already mentioned, we decreased 1.5% in the volume in the 1Q07. And that is due to three main... That is due to the connection between Campinas and Santos, that I have already commented, and also because the market grew significantly in the 1Q07, and that brought our market share from 48% in 1Q06 to 45% in 1Q07. Even growing positively, the market grew more rapidly than we did within the Company.

The second reason, not only the connection between Campinas and Santos, but another reason for our performance in the volume is that we interfered a lot in the permanent way in the 1Q07. Most of the investment that we are planning to do, we did between January and March of this year. So, this volume growth in the 1Q was something that we, internally, already expected not to grow properly in the northern part of our network, continuing to grow in the southern part of our network but getting the Company ready for the growth we are expecting in the 2Q and 3Q and that is already happening, as you already know by the numbers in April and May.

On chart four, we see that the profitability strategy that we took is paying off as we see our EBITDAR increasing over 50%, reaching R\$136 million in 1Q07, and our EBITDAR margin on agriculture reaching almost 55% in the 1Q07. On the yield growth, that decreased, actually, 5.6% in the 1Q, there are three mains reasons for that.

First of all, the reduction in drayage services, (...) stretching the connection of the Rio – Campinas – Santos that we have already mentioned.

The second, our return cargo increased 130% in the 1Q07. That is very positive for our margin, but when we see the average yield, because we had a lower yield, (...).

Third one: because of the mix, we are doing more the southern than the northern part in this 1Q, and that brings our yields to a lower level. All that being said, when you take our contracts that we signed from last year to this year, we increased between 5% and 6%. So, it is much more to understand where this average yield comes from, the news here are very positive.

On chart five, we discuss the industrial products that had a strong (...). We grew over 19% in intermodal flow, and then I would like to highlight the wood products that increased over 50% this quarter. Also the containers, that increased almost over 90%, and food and consumptions products, that were over 16% during this quarter.

Total industrial products had a strong quarter, increasing over 11%, reaching R\$1.9 billion RTK in this 1Q07. Our EBITDAR increased almost 90%, reaching, already, almost R\$50 million. And our margin increased significantly to over 40% in 1Q07. The average yield increased only 1.1%, but that is due to the mix of intermodal flow. We did more than pure rail, but it is a very positive scenario also for industrial products, especially in Brazil.

On page seven, we discuss the highway services and Argentina. Highway services continue the profitability growth that they have been showing since 2006, specially the 1Q when we grew our EBITDAR by 130%, reaching R\$3.2 million, and our margin improved from 4.6% in 1Q06 to over 11% in 1Q07. We have been adding new services, especially in our Mercosul flow, where we are focusing on the auto part. We gained the Renault operation in the 1Q06, now we are having new operations from General Motors and Volkswagen.

In our operation in Argentina, it was a very positive quarter. Our EBITDAR increased over 50%, reaching P12.3 million, and our revenue increased by 20%, mainly driven by an increase in yield. And our volume in Argentina was in line with 1Q06, but here we decided to concentrate in shorter flows with better margin, especially on the grain side. So, we shifted part of our capacity from the industrial side and industrial cars to the grain side, focusing on flows with shorter distance, but much better EBITDAR return. So that was the strategy in Argentina, which had a positive quarter.

(...) we had in this 1Q. I am going to turn over to Sergio and then we come back at the end for questions. Sergio, please.

Sérgio Pedreiro:

Thank you, Bernardo. Good morning, everybody.

Starting on page number eight, we see our historical performance, first looking at consolidated gross revenues. We see historical performance and, also 1Q07 compared to 1Q06, where we can see a reduction in gross revenues of 1%, reflecting a lower volume in the northern portion of the network, which is a result of, as Bernardo commented, a change in our strategy in commercial and operational side. Different from what Brasil Ferrovias was doing in the past, we are offering a full rail origin to destination to the Mato Grosso clients, meaning that the train will go from Mato Grosso to Santos and unload in Santos.

Brasil Ferrovias was unloading in Campinas. That has a benefit: if you unload in Campinas, there is the benefit of shortening the average time for the trip, especially because from Mato Grosso to Campinas, it is a very much flat land, and as you go from Campinas to the port, there is a change in altitude, so you do benefit in shortening the average trip increasing your capacity, but you lose in margin.

The trucking connection from Campinas to Santos is a very expensive one, the decision we took, back in 2006, and we continue, is to offer full rail origin to destination, which does impact volume but, on the other hand, has a strong benefit in terms of reduction in variable costs and improvement in margin.

The other reason for the lower revenue is the lower average yield in terms of revenues per RTK, reflecting less the drayage services. As the integrated network of Brasil Ferrovias and the original ALL reached further into this production areas, we use much less the trucking connections to load the terminal, and that reflects in lower average yield and also in better margins. And the increase of return cargo, mainly moving fertilizers, in the import flow, has also reflected on lower average yield and better margin for the 1Q.

As we move on to page number nine, you can see the historical performance of EBITDAR and also the year over year for the 1Q. 61% increase in EBITDAR, a very strong growth. On the bottom of the chart, you see a very strong expansion in margin from 28% to 46% EBITDAR margin for the 1Q, which is normally an off season quarter, it is a very strong margin, again, reflecting the cost reduction implemented last year and the measures that we have commented, that do benefit the margin.

On page number ten, we see a very similar dynamics when we analyze the EBITDA growth, also a very strong growth year over year. And when you look at the EBITDA margin, we do not see a very high, at least not as high as the EBITDAR margin, 35% vis-à-vis the 46% EBITDAR. And the reason for that is because the rental expenses also increased year over year, as we inherited from Brasil Ferrovias 750 rails cars on a rental agreement, which increased our fleet of rental cars.

On page number 11, in terms of net income, we improved from a net loss of R\$80 million in the 1Q06, compared to R\$16 million this quarter, a R\$64 million improvement, which comes from the gain in EBITDAR, partially offset by higher financial expenses.

On page 12, in terms of leverage, we maintained net debt/EBITDA ratio of 3.8 times, which is also a good performance. If you consider that in the 1Q as a low season for the, normally, this ratio would increase, we are maintaining the ratio and we expect it to go down as we go forward. In 2007, mainly driven by the growth of EBITDA, and after that, by a combination of higher EBITDA and lower net debt.

On page 13, we summarize our perspectives, as we look forward for the year. A very positive harvest season and very good results in terms of improving the northern network operation, bridging the gap in terms of safety, reliability and a better overall performance, supporting our guidance for a volume growth in 2007 in the range of 10% to 12%.

Thank you, and with that, we open for questions.

Nick Sebrell, Morgan Stanley:

Hi, gentleman. Two questions, first, could you discuss a little more the bottlenecks between Campinas and Santos? The decision behind shutting down the truck link before you are able to deliver as much volume, in terms of tons delivered to Santos via Campinas. What is required to improve that? How long do you think it will take before whatever improvements in the rail network are complete? And then you can recover to the kind of volume that BF was doing.

(...) the lower margin, and using trucks as a stop gap, but (...) a higher base that now you have decreased network now for lower base, that is a concern there.

The second thing, I am just curious to get a little more color on the next nine months, next three quarters. What kind of (...) growth do you foresee in order to get to the 10% or 12%? Do you see another quarter of fairly moderate growth, and then accelerating in the 2H? Or you think that the next three quarters will be somewhat even in terms of year over year performance?

Bernardo Hees:

Hi, Nick. On the first part of your question, actually, what Brasil Ferrovias used to do, they had two objectives: the first one was, as I said, the take-or-pay agreements they had in their clients. So, they would be unloading in Campinas, getting the rail car back to the Central West region of Brazil, loading again and

turning the rail car cycle faster, but they would be paying the truck to go down the hill to unload at the clients' terminal. That was the first objective.

The second objectives were the targets that they had with the government. So they are not taking, actually, a finance decision. They saw that for those two objectives, it would be better not to do the volume until Port of Santos. But when you take the finance and the economics of the flow, you are going to see that the EBITDA margin that we get by having the rail car down the hill and unloading at the client terminal is much higher than paying the truck, which is very expensive.

So, as we are already doing that since the beginning of the year, and as we are already investing a lot in the permanent way, especially in the northern part of our rail network, we can expect growth in the 2Q and so on. So, you are already going to see...

Nick Sebrell:

The margin argument is clear. What I was asking, or trying to ask, is: for how long do you think, before you will be able to replicate the kind of volume that Brasil Ferrovias, will be able to deliver on that link, by rail, 100% rail, which they were doing, of course, by truck.

Bernardo Hees:

We think we are going to see already in the 2Q.

Nick Sebrell:

OK, so you think there will be improvements beyond that in the 2Q, so that is a fairly temporary condition.

Bernardo Hees:

Yes.

Nick Sebrell:

OK. And then the second question in terms of (...) projections.

Sergio Pedreiro:

In terms of average yield projections, we negotiated the contract with an average tariff increase in the range of 5% to 6%. The type of mix changed, that we saw in the 1Q, that resulted in a lower average yield, part of that will continue throughout the year, which is mainly the lower level of trucking connection. That will continue the increase in return cargo as part of the total.

That will be less relevant, as in the 2Q and 3Q we have higher volumes and, therefore, the return cargo will represent a smaller share of the total.

And the net effect, especially in the 2H of the year, as we have acceleration in volumes, would be to (...) average yields more in line with inflation in the range of 3% to 4% for the total of the year.

Nick Sebrell:

OK. So, in terms of volume growth, do you feel more year over year acceleration in the 2H, or do you see it spread over the next three quarters?

Sergio Pedreiro:

More in the 2H. I mean, even though the numbers for April already show a significant improvement in the higher volumes when you compare with the previous years, as Bernardo have commented.

Nick Sebrell:

OK, so April we saw a pretty healthy month year over year. Double digits year over years or just better than the 1Q?

Sergio Pedreiro:

Not double digits. Much better than 1Q.

Nick Sebrell:

Thank you.

Fernando Ferreira, Merrill Lynch:

Good afternoon. I have two questions.

First, I would like to know if there is any specific reason why the tariff rate on the return cargo is so much lower than the regular cargo.

And my second question is regarding sugar volume. Sugar volumes were also impacted by the adjustments done in the Campinas to the port connection and if you are already seeing a pick up in sugar volumes, even though a large number of mills are already starting to harvest.

Sergio Pedreiro:

Fernando, on the first part, on the tariff on the return cargo, they are normally cheaper because of the market. There is a part of the year when we have (...) export in more return cargo. That is the opposite. But normally, the market has

a better price (...) trucks, they can get back to the fuel by charging the diesel with a small margin. That is normal, but that is much related to the volume fall.

The volume comes from export and you have a much lower volume to return, and that is why (...). If it changes, it is going to change the market conditions as well, and that is why it is so different. But that being said, it is very positive, because the EBITDAR margin we get from having the return cargo is very high. That is the first part.

The second part, on sugar, we are seeing the market for sugar and alcohol growing, not only in São Paulo, but also in Mato Grosso do Sul, Mato Grosso and even Goiás. It is already happening. I think that is a trend that is going to continue, but remember that our market share, especially, in the sugar part, is still very small. So, we are not really related to what is happening to the market, as we are going to grow and we are going to serve the clients. But that (...), in the sugar part, especially because most of it is in São Paulo, there is no sense to do the Campinas option that Brasil Ferrovias used to do. We are going to be providing the service until Santos.

Fernando Ferreira:

Ok. Thank you very much.

Bernardo Hees:

Thank you.

Bernardo Carneiro, Deutsche Bank:

Good morning. Following up the previous question, I would like to see that, if after the 1Q results, you have updated your volume growth of guidance. I heard that it remains between 10% and 12% volume growth for 2007. But is it, now, closer to 10%, or closer to 12%, in the low end and the high end? Thank you

Sergio Pedreiro:

Bernardo, we maintain the guidance in the range of 10% to 12%. If it is going to be closer to 10% or to 12%, it is very difficult to say.

Bernardo Carneiro:

But based on the 1Q results, you do not have a sense if it is going to be close to 10%?

Sergio Pedreiro:

Well, it is a very narrow range. It is hard to say where it is going to be, that is why we give guidance in a range.

Bernardo Carneiro:

The other question, I would like to have some color on the PAC projects from the Federal Government, particularly the Rodoanel, in São Paulo, the Guarapuava track and the Alto Araguaia track, those PPPs, and the timing for such projects, if you expected these PPPs to be auctioned and to be held (...) in 2007 or just for mid 2008? Which would be the ones you are most interested? Thanks.

Bernardo Hees:

Thank you, Bernardo. We are actually discussing, right now, with the Government, two main PPPs projects: one is the Rondonopolis project that continues the construction of Alto Araguaia, where our lines stop today, until Rondonopolis, that is about 200 km.

The other one is the west of Paraná connection, connecting Guarapuava to Ipiranga. Those are the two main projects that are, actually, written in the PAC program, and we are trying to build a finance framework that actually makes them work.

Your question is very good. It is hard to tell when those discussions are going to end, if we are going to be able to conclude that until the end of this year. What we can say is that there is a very positive scenario for investments and infrastructure on these discussions with the Government. We are, Sergio and I, leading those, but that is the most I can say today. We do not know if those projects are going to be ready, on financial terms, in order to go ahead.

Bernardo Carneiro:

Ok. Thank you.

Andrew West, Harding Loevner:

Hello, gentleman. Could you talk a little bit more about the long term trend on your return cargoes, your back (...)? Not just on a quarterly basis which, I think, you have explained, but on a multi-year basis. Do you see that your return cargoes could grow faster or slower than your primary cargoes? Where do you see sort of empty kilometers trending, on a multi-year basis? And what is driving that?

Bernardo Hees:

Andrew, thanks for the question. I think the return cargo should be growing faster than our export, and the reason for that... Actually there are two: first, I have the capacity, my grain cars are already getting to the port, so I do not need to provide additional capacity, I need additional locomotive power in order to push them, but that is much more in line with our plan. The second, as our market share in return cargo, especially in Santos, is still small, so we have plenty of room in order to grow and to provide the service.

And third one, after two, almost three years of very poor performance of the fertilizing industry, (...) a terrific year in growing very much the market, what is a great sign for the crop for the forthcoming years.

The fertilizing market is always a good sign of what is the expectation of the traders and the producers in Brazil for the forthcoming years and they have been taking advantage of this exchange rate. They have been using much more fertilizers (...) and gaining in productivity.

So, Andrew, I would say that this trend of fertilizers for the coming years should be stable and the market should be growing for return cargo on the grains side. On the industrial side, you are going continue to grow the return cargo as we establish the flow between the cities and get more of those intermodal flows, as that they said, not only wooden paper but, especially, consumer and food products.

Those are the types of products that connect the big cities of Brazil, like Porto Alegre and São Paulo, São Paulo and Campo Grande, São Paulo and Curitiba, São Paulo and Buenos Aires and so on.

So, I would say the return cargo should be growing faster than our export flow and that should be a trend that is going to be consistent.

Andrew West:

Do you think that is going to be a significant driver of future margin improvement?

Bernardo Hees:

It is already happening. The changes started happening in the South of Brazil. Especially the grain, it used to have, in 1997, 1998, about 10% to 12% of return cargo, we have today about 27% to 28%. I think this shift you are going to see in the northern part, and you are going to see in the industrial part. So, that is going to be one of the drivers for profitability.

Andrew West :

Speaking of non-traditional volumes, what is driving a container growth now? Is it more exports or imports? Which are you growing faster these days?

Bernardo Hees:

Today, actually, in our flows, it is exports, and I think we are taking advantage, you gentlemen are going to remember, that last year we talked for several times about establishing the infrastructure, establishing the terminals in several of places in Brazil, in order to serve the port. I think we did that very well in Southern Brazil and now we are taking advantage of those flows, especially to Paranaguá and Rio Grande. This trend, I think it is going to happen in Santos as we establish the infrastructure ready. But today, we are mainly taking advantage for exports .

Andrew West:

OK. Trying not to take much of your time, but could you... I think that what you have explained, you were saying that on yield, that pricing, your contracts on a same products basis were up 5% to 6%, and then I thought I heard that something about 3% or 4% for the full year was the expectation. Longer term, where do you see, sort of your primary pricing going, not talking about back hall or change of mix, but for comparable sort of shipments, where do you see pricing going and what are the key drivers of that longer term?

Bernardo Hees:

Andrew, that should go up in line with inflation. When you look at our historic, price increases, there were periods where we were able to (...) ahead of inflation, reflecting higher diesel prices., which is always a automatic pass-through. If you see that scenario going forward, then it is possible that we suspend a little bit higher than inflation, but normally, when we do our own projections, we use the assumption that prices will go up in line with inflation.

Andrew West:

But also, do you see much more potential for your mix changes to be positive or negative, in terms of affective yield?

Bernardo Hees:

Not really. What we see this year is a reflection of structural change in the network. With the acquisition of Brazil Ferrovias, we have a network that reaches much further into the production areas which, therefore, reduce significantly the need to use trucks to pick up the cargoes, load and feed the terminals. That reduces the average yield, but with no impact on the margin, actually, sometimes benefiting the margin.

But this type of large change in mix, as we see in the 1Q07 vis-à-vis 2006, reflects a lot this transaction. And when you compare 2007 with 2006, you may have some of that, but going forward, they should not..

Andrew West:

Thank you very much.

Nick Sebrell, Morgan Stanley:

Thank you for the follow up. A little more on container (...), which you have mentioned briefly.

Here, market share into Santos, as I understand, is very small. What kind of opportunity do you see, in relation to your current market share, do you think you could grow that meaningfully, would it be a meaningful driver for RTK growth?

The second is, if you could go over your CAPEX expectations.

The third, just briefly, what is your percentage return cargo, you said that it is, today, 27% to 28% return cargo, is that in the South network or is that overall (...) or is it a different number in the northern network?

Bernardo Hees:

On the container part of your question, we actually... Our market share today, in Santos, for container, is zero. We do not do container at all in Santos. And, I think that is a great opportunity for future growth, especially when we establish the infrastructure of loading and unloading, following the same strategy we did in Southern Brazil, and I think it is very positive.

But remember, in the industrial side, in another network, you have some industrial products, that are not containers that we can get first before getting to the container cargo, especially (...) wooden paper and consumer products that use mainly box cards.

That is important, but you are definitely right, there is a huge potential, especially in the forthcoming years. That is the first part. I am going to let Sergio go through the CAPEX part.

Sérgio Pedreiro:

In terms of the CAPEX, we expect to invest R\$500 million to R\$600 million per year, in the next five years, on average. That is for the entire network. You asked about the return cargo. For the entire network, looking at the percentage of total volume, it is much lower, it is in the range of 15%.

Bernardo Hees:

The number of 28% it was in the Southern part.

Nick Sebrell:

OK, so 15% is the Northern network, or 15% is consolidated?

Sérgio Pedreiro:

Consolidated.

Nick Sebrell:

Perfect. Thank you.

Andrew West, Harding Loevner:

Hi. I just thought of something. Do you have any idea of what sort of normalized long term tax rate you will be paying?

Bernardo Hees:

Andrew, you can use 24%.

Andrew West:

OK. Thanks a lot.

Operator:

There are appear to be no further questions, I would now like to turn the floor back to Mr. Bernardo Hees, for any closing remarks.

Bernardo Hees:

I just want to thank for the interest in ALL. As I said, we are pleased with the results we are showing in this 1Q and the trends ahead we have for all businesses, and to say that Sergio, Rodrigo and I are ready for future questions or comments you may ask. Thank you very much, and have a good day.

Operator:

Thank you. This thus concludes today's America Latina Logística – ALL' s 1Q07 results conference call. You may disconnect your lines at this time, and have a wonderful day.