



**Conference Call Transcript  
1Q08 Results  
ALL – América Latina Logística  
May 14<sup>th</sup>, 2008**

**Operator:**

Good morning ladies and gentlemen. At this time we would like to welcome everyone to America Latina Logística 1Q08 results conference call. Today with us we have Bernardo Hees, the CEO; Sérgio Pedreiro, the CFO and Investor Relations Officer; and Rodrigo Campos, Controller for the Company.

We would like to inform you that this event is being 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, thanks for the interest in ALL. As usual we are going to split our presentation here, I am going to take the first part commenting the results of ALL, summarizing what happened in the 1Q and going through the business units of ALL. And then I am going to hand on to Sérgio that is going to cover the financial results and additional comments and then we are open for the question and answer session.

On chart two we summarize the 1Q of ALL. We are very positive on the performance in this 1Q and actually that was our plan to have a strong 1Q in order to face all the challenges we are going to face during the whole year in order to fulfill the guidances that we have, that are keeping, that grow volumes between 12% and 14% in 2008.

And summarizing the financial highlights, we can see that our EBITDAR increased over 23% in the 1Q08, reaching to R\$240 million and our EBITDA grew up to 34% pushed by a 41% growth in Brazil reaching an EBITDAR margin of over 47% in this 1Q08. And this positive result of profitability is pushed by two main reasons.



The first one is the increased in volumes that grew 14% in the 1Q08 reflecting specially a very strong performance of the Brazilian operation that grew volumes almost 18% over 7 billion RTK reflecting the turnaround in the operation performance, we gained in profitability in our asset base, we had a much better performance on safety standards and that has reflected in the availability for growing more volumes in our assets that we had in this 1Q08 when you compare to last year of 2007. That is the first force that supported the results.

The second one was our average yield increased over 4% reaching R\$68.5 per thousand RTK and that reflected the new tariffs that we agreed with our clients for 2008. Remember that we negotiated our contracts especially on the grain side at the end of 2007 and we have been said that our average yield would be growing with inflation and that is exactly what happened.

Part of this yield gain comes from these renegotiations of the contracts and part comes from a better mix that we had in the 1Q08. So that was very positive. The volume inside in Brazil was very positive. The average yield that we agreed that we obtained was positive.

The comments to highlight that was not positive in this quarter was the Argentine operation that had actually a good January a good February and then we faced in March, with the farmers' strike that actually blocked our highways, blocked the highways and all railroads routes for over 20 days and we could not operate. That actually impacted our results and our volume decreased by 8% in Argentina.

So I think the positive quarters that we are presenting, we have a best volume performed in Argentina from an external fact, and that keep us in line with our targets for the year. So, this positive quarter was planned in order to give fuel and to give us the operational performance that we need in order to fulfill our guidances for the year.

That being said I am going go through the business units. On chart three you can see that agricultural commodity results. Our volumes increased 19% reaching almost 5 million RTK and our market share in the port went from 45% to 60%. Remember that in the 1Q and 4Q are the low peak season from agricultural commodity business. So to have a 60% market share on the existing routes and existing segments that we serve was positive for this first part of the year.

Going to the chart four, we see that our EBITDAR increased almost 29% on the agricultural commodities and then EBITDA margin increased 7 p.p. reaching over 44% margin on an EBITDA agricultural commodities. Revenues increased over 24% and as you can see from the table chart that not only the soybean complex was very strong in growth but you have a positive quarter for sugar, for corn and also for wheat that returned cargo for us. That show a positive trend, Brazil is going to be importing not only wheat but we are going to be exporting sugar and corn throughout the whole year.

On chart five we go for industrial products that continued in the trend of growing in double-digit volumes. In ALL in Brazil we grew 14.8% in the 1Q and the difference in this quarter that was something that was not in the past, that that was pushed more from the rail flow than from the intermodal flow and that reflects the positive economic situation that Brazil is



facing. For fuel products and construction grew, what was not the case in quarters before, and we took advantage from that, as those are flows that you have high market share and high margins, so that was positive. Intermodal flows grew 13%, that was good but was less than the average growth of the industrial segment.

That being said, in chart six, we see the profitability that we achieved in industrial business units. We grew 23% EBITDAR, 24% EBITDA and our margin already over 40% is getting closer to what is the grain margin. This difference between industrial and grain has never been so narrow. Our revenues grew almost 20% in the 1Q reaching R\$165 million in the quarter.

On chart seven, I am going to comment the highway service and Argentina operation. Highway service continued the positive trend of focusing profitable flows, we grew volumes by 7% already reaching almost 12 million RK. Our EBITDA increased 51% in the 1Q already reaching almost R\$5 million in margin over 14%. So forth we are continuing to focus on the Mercosul corridor, especially in the auto parts flow. So far this strategy has paying off quite significantly.

In the Argentine operations, I already commented, we had a positive beginning of the year and then we were very affected by the blockage and the strike of the farmers on major roads and railroad lines that did not allow us to operate for almost the complete month of March.

And that being said, it brought us to a loss in volumes of 8% in the quarter. Our EBITDA decreased by 86% in the 1Q and that I would say is the negative part of our results. We had a positive April. They are already back on strike now in May, so they are blocking again our main routes and the main road routes. The difference now and what they did in March is that they are blocking only the grain exports. They are not blocking another cargo, so that affects about 45% of our volumes.

In March they blocked the whole system of transportation in the country. Now they are blocking only the grain site and that is something that is better but still we are going to face a difficult scenario in Argentina I think for the whole year.

That being said, that summarizes what has been this positive 1Q for ALL. I am going to turn on to Sérgio, who is going to comment the financial results. Please, Sérgio.

**Sérgio Pedreiro:**

Thank you, Bernardo. Good morning to everyone. On page number eight we see consolidated gross revenue increasing 19% year over year to R\$580 million. This 19% increase is 14% volumes and 4% yield gain. Yield is consolidated and supported by very good strong growth in the Brazilian operation of 17% volume rise and a decrease of 8% volume in Argentina, as Bernardo explained, mainly driven by the strike and the interruption in the railroads and in the highways that happened during the month of March.

The 17% volume growth in Brazil, it is important to mention also that it is in part due to the favorable comparison base of the 1Q07, as you remember 1Q07 was weaker in terms of



growth and that has created space in the comparison base for the 1Q08, allowing it a very good consolidated growth.

On page number nine we see EBITDAR growing at a 23% and EBITDAR margin extending from 46% to 47%, we should continue to see that the margin expansion reflect the operational leverage in the business and you should continue to see that throughout the year.

Next page we see consolidated EBITDA growing at 34%, growing faster than the EBITDAR and the difference there is because of renting the rail cars from our clients. As you remember last year, we acquired rail cars that were owned by our clients and this is part of our renegotiation of some agreements that we received, with the acquisition of Brasil Ferrovias, we do not agree on the rental cost and ended up buying some of the rail cars last year, which had a negative impact in our CAPEX for 2007. However, it is having a positive and benefiting our results this year in the reduction in the rental cars expenses and that is how you can see a stronger growth in EBITDA already in this 1Q.

On page 11, we see in terms of net income R\$22 million of net profit compared to a net loss of close to R\$20 million last year.

And in page 12, we continue to reduce the leverage in terms of net debt/EBITDA reaching 2.7x and continue to gradually reduce towards our target of 2x.

In page 13, before we open up for questions, just some final remarks. We are facing a very favorable scenario marketwise soybean crop growing expected 4% for the year, 8% for corn and sugar. So a very strong market with probably another record year in terms of crop volumes in Brazil. It should support our expected growth.

And also the fact that we have already made the investments, acquiring locomotives and railcars in preparation for that, with strong confidence to achieve our guidances of 12% to 14% of volume growth in 2008. With that I would like to open up for questions. Thank you.

**Ivan Fadel, Credit Suisse:**

Hi, gentlemen. In the press release you mentioned that ALL has been more selective in the truck operations, setting minimum return to evaluate what services ALL would get into. So could you share what is this minimum return? And what is the current return that you are getting in the truck business? And how would that compare with the return in the railway operations that you currently are operating? Thank you.

**Sérgio Pedreiro:**

Good morning. You are right, as we have been saying actually in the last three years, we dropped out from no profitable operations that just gave us revenue but no profitability in the targets we wanted to, and we focused in more profitable, in an operation that relies more on an intelligent and logistic operations. That is when we consolidated cargo, intermodal flow, door-to-door operations and so on.



And we got out of what is called the spot market for truckers, that we have been contracting independent truckers, but we do not want to participate on an asset base on that market. And that being said, the margins we are looking for are the margin we are getting now that is something between 12% and 15% EBITDA margin for the trucking operations.

And we are only focusing in contracts with large clients like auto parts, auto makers and in main corridors between São Paulo–Buenos Aires, São Paulo–Porto Alegre, São Paulo–Curitiba, and so on where we can make a difference by being a logistic provider. So, the type of margin we are expecting for the quarters,- for the trucking part of our business. We are getting there, that is close to 50%, we achieved 40% this quarter. We should continue to grow on main corridors like the Mercosul corridor and getting out from operations that the profitability is below 10%.

**Ivan Fadel:**

Right, so you are basically looking at margins, at least you have a ballpark of return on capital employed perhaps or it is basically a margin difference.

**Sérgio Pedreiro:**

Return on capital employed, even on the trucking because of the finance we have on the trucks, should not to be less than 20%.

**Ivan Fadel:**

Great. And if you allow just another question, besides the Alto Araguaia project, could you remind us of what other projects you might be looking at either expanding the railway operations or other segments of business or sectors you are looking at into the investments?

**Sérgio Pedreiro:**

You are probably commenting on the Northeast project, right?

**Ivan Fadel:**

Right, right.

**Sergio Pedreiro:**

From Alto Araguaia to Rondonópolis. That is actually the main one that we are focusing now, there are other projects, but we are trying to make a model here, that will work for those types of projects. Rondonópolis we are trying, as you already mentioned, we are talking with investors in order them to build the line and we operate. And we pay a total for that, so that will not affect our balance sheet as we are not responsible for the CAPEX and they have a return on the CAPEX they are providing in order to construct the line.



If this financial model works, then we can apply that in other expansion projects. But I think the Company should be focusing right now in order to develop this idea, in order to see if it works, if there are investors willing to provide the capital and perhaps return on the construction of the rail line. If this happens, it is going to be very positive for us, but we are going to be having new lines with a very positive margin and not having to have CAPEX on that.

**Ivan Fadel:**

Right. Fine. If I understand correctly, you can basically arrange a pool of investors to form a kind of a special purpose company and these pool investors will invest in the railway and you would pay concession fees and get the profit on the goods transported right.

**Sérgio Pedreiro:**

That is it.

**Ivan Fadel:**

OK. And any other segments that you are looking at, maybe ports or other logistics operations or you are focusing on railway and trucks.

**Sérgio Pedreiro:**

We actually have been open to see that, but it should be very attractive the opportunity in order to us focus on that, because the return we are going to have on our rails existing lines and the assets we have, by doing more on our existing opportunities that we have on the table within the Company are pretty high. And that being said we are not seeing many opportunities with the kind of return we have internally.

**Ivan Fadel:**

OK. Great. Very clear and thank you very much.

**Sabastian Rodriguez, Morgan Stanley:**

Hello, gentlemen, how is it going? I was just wondering you said April was a normal month and now May has been impacted in Argentina by the current strike that is blocking only grains. What do you think the negative impact is going to be for the 2Q08 in Argentina?

**Sérgio Pedreiro:**

It is hard to tell, because we really do not know how long it is going to take this strike. They are going through conversations right now and I just came from Argentina yesterday night. It is hard for us to tell anything and we do not feel comfortable in giving an idea so far. We hope it stabilizes the routes, not only the railroads but also the road routes, as soon as possible, that is the only thing I can tell.



**Sabastian Rodriguez:**

OK. Thank you.

**André Ribeiro, Fama Investimentos:**

Hi. I have one question regarding diesel prices. Have you already passed through the diesel price increases to customers? Is it correct that because of diesel prices, your costs will increase around 2.5% whereas your average yield increases around 3.5% from May on, which will positively affect your top line growths and margins?

**Rodrigo Campos:**

Yeah, what we expect in terms of diesel impact is around 1% annualized effect on our EBITDA at the end of the year, 1% positive effect.

**André Ribeiro:**

On EBITDA margins or on EBITDA, the final number?

**Rodrigo Campos:**

No, on the absolute EBITDA.

**André Ribeiro:**

OK. And could you also give us some color on the 2Q, if the pace of growth being the same as in the 1Q?

**Bernardo Hees:**

André, we do not like to comment on a quarter-base, what we can say is that we continue positive on the guidances we gave for the year. As I said, there are challenges ahead but the operation performance we achieved in the 1Q and there are some things that should be continuing to gain on safety standards, on cycles of the rail cars. We are positive that we should, as we have in this 1Q, have a positive year achieving the guidance of growing between 12% to 14%, not less and not over.

**André Ribeiro:**

OK. Another question regarding CAPEX. If you expect to reach the R\$700 million level in this year, given the 1Q spend.

**Sérgio Pedreiro:**

Yes, when we look at the 1Q it is pretty much in line with the R\$700 million trend for the year and that is what we are expecting.



**André Ribeiro:**

All right. Thank you and congratulations on the results.

**Operator:**

There 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 interest in ALL and to say that Sérgio, Rodrigo and I are available for further questions or comments you may have. Thank you very much. Have a good day.

**Sérgio Pedreiro:**

Thank you.

**Operator:**

Thank you this does concludes today's America Latina Logistical conference call. You may now disconnect, and have a wonderful day.



**AMÉRICA LATINA LOGÍSTICA**

*We are always on the move.*

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