

Operator:

Good morning, ladies and gentlemen. At this time, I would like to welcome everyone to America Latina Logística, ALL, 1Q10 earnings conference call. Today with us, we have Bernardo Hees, CEO, Paulo Basílio, COO, and Rodrigo Campos, CFO and IRO for ALL.

We would like to inform you that this event is being recorded and all participants will be in a 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.

We have a simultaneous webcast that may be accessed through ALL's IR website, www.all-logistica.com/ir. The slide presentation may be downloaded from this website. Please, feel free to refer to the slides during the conference call. 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. Paulo Basílio, who will start the presentation. Mr. Basílio, you may begin your conference.

Paulo Basílio:

OK, thank you. Good morning, ladies and gentlemen. Thank you, everybody. We are here to present our 1Q10 results. I will start presenting the main highlights of the quarter, then discuss a little bit about the main business units that we have. Then, I am going to pass to Rodrigo to explain the main financial figures of the quarter, and then I will summarize the quarter on our final slides. And after that we will be open for Q&A, for questions and answers.

Let us start on page two, we have the five highlights that we have in the quarter. The first one that we had, our Brazilian operation, ALL Brazil EBITDA increased 18% in the 1Q. And our consolidated EBITDA increased 19%, reaching R\$296 million in the quarter. This increase reflects mainly volume increasing 6% in Brazil and 9% increase in yields.

And when we talk about our Argentina operation, we have a positive perspective in the grain crops, starting in April, but we are still suffering in the 1Q reflecting last year's weak environment in the crop that we had in that country. Our net income reached almost R\$18 million on a consolidated basis.

Next, passing to slide three, I will start with the agricultural commodities business unit. Our agricultural commodities business volumes increased 4% in the quarter. We have to understand that this increase mainly has different months in the quarter. We have January, which was a weaker month when compared to last year because it reflects pretty much the volumes that we had in the last quarter of 2009, and we have a strong February and March, with the anticipation of the harvest.

When you take a look at our market share, we increased market share in almost all the ports we serve. We achieved almost 70% of market share in the consolidated of the ports. This reflects first, the increase volume the exportation of total volume that we had in the quarter and a weak market of corn and sugar, when you compare to the 1Q09.

Passing to slide four, we can see that still in the agricultural commodities business unit we can see our gross revenues increasing almost 14% when you compare to the 1Q09, and our yields increasing 9%. We are facing a much better market environment this year and we have an increase in drayage service that increased yields too.

Our EBITDA in agricultural commodities increased 15%, achieving R\$217 million, and our margin achieved almost 65% in this business unit. When you see the table, we can see the huge increase that we had in soy, soy mill and fertilizers, and we suffered a lot in sugar and corn when compared to the 1Q09, as I said in the last page.

Going to page five and discussing a little bit about the industrial production, we can see the industrial production reflecting the recovery of the industrial market in Brazil. The volume increased 11%. We can break down this volume into 20%, 22% in intermodal flows and 3% in the pure rail flows that we serve.

Here we can highlight the increase in volumes and in steel and wood products that we had an increase of 40% and 88% when compared to 2009, so it was a strong recovery in this segment. And our gross revenue increased 20%, and EBITDA increased 25% when compared to 2009.

Going to the next page, page six, you can see two of our business units, highway services in Argentina. In the highway services business unit, we can see that the recovery of this market soon in Brazil. We increased volumes 8%, gross revenue increasing almost 13%, achieving almost R\$25 million, with an increase in EBITDA of 49% when compared to 2009.

In Argentina, what we have is pretty much the same story that we had last quarter, because the harvest in Argentina starts in April, as in Rio Grande do Sul, in Brazil. We are suffering, the volumes went down 14% and EBITDA could recover a little bit, presenting a positive figure of R\$1 million in the quarter.

In Argentina, we have pretty much the same political environment that we had last year, but with a good news, which is the huge increase in grain crop that we are expecting for 2010, and we are confirming right now in April. So, we are estimating an increase of more than 40% when we compare to 2009

I think that summarizes all the breakdown of the business units. And the numbers, the figures of the Company, I will pass to Rodrigo to better explain the financial figures of the Company.

Rodrigo Campos:

Thank you very much, Paulo. When we go to like slide seven, you can see that our consolidated revenues have been growing at 25% per year, on average from 1997 to 2009. And in the 1Q10, our revenues grew 14% compared to the 1Q09, pushed by a 6% volume growth in Brazil and a recovery of our average yield after a year of very pressured yields, like we had in 2009.

In the next slide, you can see that our EBITDA on average grew 49% historically per year, with a very important growth in margins, which increased in 1997 from 6% to 49%, and in the 1Q10 we increased margins at 2%, increasing an EBITDA margin of 45% in the 1Q09 to 47% in the 1Q10, with a total EBITDA increase of 19%.

When you see net income figures, you can see that we reverted a loss of R\$23 million in the 1Q09 to a net income of R\$17 million in the 1Q10. It is a result of better operational results we saw in the 1Q10 and also a reduction in our net financial expenses figures.

When you look to our leverage, in page ten, our net debt/EBITDA has decreased since 2006 to 2009 from 3.2x to 1.8x. In the 1Q, leverage reached 2.2x EBITDA, our net debt, and it reflects mainly the under season quarter and the additional CAPEX we are doing in order to construct the railway from Alto Araguaia to Rondonópolis, which is additional to our normal CAPEX plan; this is an infrastructural investment.

With that, I would like to ask Paulo to make the additional comments.

Paulo Basílio:

OK. Thank you, Rodrigo. I would say that the first thing is I think that at the beginning of this year it makes us very confident to accomplish our goals this year. We can see a very strong crop of soy, a very strong crop of corn, and a very good sugar season in the 2H of the year. We are talking here about 66 million tons of soybean, we are talking here about 12 million tons of corn, more than 30 million tons of sugar; so, we have a lot of products to report this year. What we are feeling is, we suffered in January; in February and in March we had a strong transportation and the commercialization of the crop was very strong.

And right in the second part of the months of April and May, we are seeing a weaker trading off of these commodities to the ports, which reflects mainly the prices of soy. And we are expecting these commercialization volumes to come back in the second part of June. We can see that the future price, which came in June, is increasing, so we are expecting to recover the commercialization of this harvest in June.

That being said, we are very confident that we are going to have, starting June to the end of the year, a strong volume coming back to our objectives for the year. The three long-term projects that we have, I am talking here about Rondonópolis, Rumo, containers, and

you can add here the mining projects that we have, all of them are doing very well. We are discussing with our clients, I am talking here about containers and mining segment, the project that we have in mining segment, are doing very well. We are discussing a lot with clients and we are pretty much confident that we are going to be able to close some of these projects in 2010.

I think that this summarizes the quarter and the expectations that we have for the year. And that being said, we will open to questions and answers.

Nick Sebrell, Morgan Stanley:

Good morning, Bernardo, Paulo, and Rodrigo. Two questions. The first, if you could talk a little bit more about the yields in 2Q and for the rest of the year, from your comments it was evident that 2Q yields might look a little different than what we saw in the 1Q. And as well listening to your first call, it seems like there was some color on that we might expect, maybe, a different trend in the 9% increase in the 1Q. So, the first question is if you could talk about that.

Second question is the outlook for 2011 harvest. I know that is far out and the visibility is still murky of course. But if we assume two things: first, the currency continues to strengthen, and that soy prices kind of stay where they are, maybe go down a little, which I have heard several times in commodity analysts view. That means that Mato Grosso harvest would probably be breakeven or maybe a little less. In that scenario, where the harvest is maybe flat or down a little bit from that region, can you still meet 10% volume growth through either market share gains or maybe a mix shift towards industrial? Just we are thinking about if 2011 turns out a little bit softer.

Paulo Basílio:

OK, Nick. Starting with your second question, I would say yes, because when you take into account the volume that Mato Grosso produced this year and the market share that we have, I would be very confident to accomplish the target that we have in the long term, increasing volumes in that region, especially because of the corn and of course the soybean, which is a huge crop that we have this year.

Talking about the yields, in the 1Q we had a huge increase in the yield. This is normal because of the seasonality of the business, the starting of the harvest. But of course from now on we are going to see normal yields for the rest of the year. We will still be able to keep our real gains when we consider the full year compared to last year. So, we still are going to have margin on excess yield when compared to last year considering inflation.

Nick Sebrell:

OK. So, when you say normal yields for the rest of the year, should we expect yields that are more in line with, well, I guess you also said we are going to see an increase. So, normal yields should be taken to mean that we have a small real increase over the last year?

Rodrigo Campos:

We do not give guidance about the yields, but what I can tell is that we are going to have a real gain when you consider 2009.

Nick Sebrell:

OK. So, the question is, the next three quarters versus the 1Q, will there be a meaningful change in what we see in terms of either the change year over year or the absolute level, however you prefer to think about it?

Rodrigo Campos:

Nick, I think it is always hard to talk about yields quarter by quarter. I really do not know. I mean, 1Q we have a peak in spot price, that is what we really saw and that is what we have actually. And also we have real gains in our pass through on the contracts. In the 1Q we also have the change in mix with higher drayage service volumes, which favored yields. So, it is always hard to look quarter by quarter to say it will be better or it will be worse.

What we have in our hands and what we can say is that in our contracts we have real tariff increases, and it is true that there was a peak in the 1Q. We have more normal freight prices in spot market, but of course in markets much better than the markets we had in 2009. So, it means that you should expect a recovery in yields in real terms, in terms of the number, or if it is higher or lower it is hard to say.

Nick Sebrell:

OK. Thank you.

Debbie Bobovnikova, JPMorgan:

Good morning, everyone. I just wanted to continue that train of thought about your stock prices. In the 1Q, what percentage of your volumes was on a contract basis and what was spot? And how will that change in the 2Q and also in the 2H?

Paulo Basílio:

Hi, Debbie. I think the mix between the spot market and the contract that we have will be pretty much different, so it is something around 73% to 75% of contracts.

Debbie Bobovnikova:

This is for your agribusiness?

Paulo Basílio:

Yes, agribusiness.

Debbie Bobovnikova:

So, on total basis it is about 50%?

Paulo Basílio:

No, because in the industrial part, you have something around 80%. So, the average is something around 73% to 75%.

Debbie Bobovnikova:

For the total business consolidated?

Paulo Basílio:

I think it is right.

Debbie Bobovnikova:

OK. You do not see that changing back quarter by quarter? That is pretty stable throughout the year?

Paulo Basílio:

Yeah. It is pretty much stable during the year.

Debbie Bobovnikova:

OK. And then, to try to understand your comments on the spot prices declining, in terms of the lack of commercialization in the 2Q so far, do you think that that is more risk to further declines in spot prices, or is that a risk to actually your volumes on your network? How do you see that risk playing out for ALL's numbers?

Paulo Basílio:

Debbie, when you take into consideration the year, I do not see any change. But we should expect, as I said, a weaker commercialization during the 2Q. So, I think all the volumes, all the commercialization of the volumes will be held for us in the 2H of the year. When you consider the year, we will be pretty much able to achieve our objectives. So, I do not think, and of course we do not give guidance for the 2Q and quarters specifically, but when you consider the year I do not think anything has changed in our perspectives.

Debbie Bobovnikova:

And can you remind us what your objectives are for the year?

Paulo Basílio:

Sorry.

Debbie Bobovnikova:

Can just remind us what your objectives are for the year?

Rodrigo Campos:

Debbie, our long-term volume objective is around 10% to 12% for five years. We do not have guidance for the year, so year by year it can be better or worse, it should range around this long-term average growth.

Debbie Bobovnikova:

So, when you mention objectives for the year, those are your internal targets, that is not something you are sharing with the market?

Rodrigo Campos:

Yes, exactly.

Debbie Bobovnikova:

OK. And to come back to this idea that commercializations are decreasing, I mean, the back safra (...) your contracts as 75% of your volumes are contracted, then worst-case scenario, if there is no movement in soybeans or corn, then basically you get the pay part of your take-or-pay contracts? Is that kind of a scenario we should expect for the 2Q, given how you are seeing commercialization?

Paulo Basílio:

No, when we are talking here about this weaker commercialization, we are taking into consideration the 2Q09 commercialization that we had, which was a strong commercialization. But no, we are not talking here to have zero volumes in the most part of our business.

Rodrigo Campos:

There are two things that are important to consider here: our contracts are yearly contracts. So, even if you can have better months and worst months that can compensate in a circumstance month by month. But another thing to take into consideration is that neither ALL nor the clients set all the volumes they have in take-or-pay contracts. I mean, the clients have part of their volumes in take-or-pay contracts and also I have only part of my capacity in take-or-pay contracts, exactly to be able to compensate in an event that can happen that can change a little bit the initial expectation.

That is just to explain how the take-or-pay agreement works. So, we do not have any expectations to receive take-or-pay revenues or to pay take-or-pay revenues or anything. We will have a clear view on that only at the end of the year, depending on the performance we have and the volumes our clients give us during the year.

Debbie Bobovnikova:

Great. If I can just switch a little bit on the efficiency. We saw your diesel usage per RTK increased a little bit in the quarter versus a year ago. Just trying to understand if that is more of a normal level or is that by any means impacted by the rainfall that we saw in the beginning of the year that was pretty heavy rainfall? So, in terms of the efficiencies, was that kind of the impact of the rainfall in terms of increasing your diesel usage or is that more of a return to normal pattern, so how should we think about it going forward?

Rodrigo Campos:

Debbie, it is returning to normal. I mean, there was not an impact we saw in the 1Q related to the rain. I think that the change in volumes was more related with the change in mix, which can change a lot in the consumption than any change in efficiency. I think we started again our path of gaining efficiency in diesel as we always had. So, even having figures in the quarter that can show some increase, it is much more related to changing in transported freight mix.

Debbie Bobovnikova:

OK, great. Thank you.

Eduardo Couto, Goldman Sachs:

Hi, Paulo and Rodrigo. I have another question related to the outlook going forward. Do you think that this year could be, in a certain way, similar to what we saw in 2008, when the record crop had a positive impact not only in 2008 but also in 2009? So, in other words, do you think that the record crop this year will also have an impact in 2011, especially in the 1Q11 and 2Q11? This is my first question.

Bernardo Hees:

Hi, Eduardo. This is hard to say right now, but what we can see that we have a lot of products, we do not have, as far as storage for all I do not have terminals, I do not have storage for all these products in the countryside. So, we are expecting a strong commercialization starting in June, as I said. But it is hard to say right now if you depend on the prices at the end of the year, so I do not know. What we know for sure that considering the 2H of the year and the 1Q11 all these products should be exported. So, I do not know what will be the mix right now. It is just too early to say.

Eduardo Couto:

OK. And the second question is in relation to yields, you mentioned that the yields in the 1Q were positively impacted by the anticipation of harvest. But looking at yields for the industrial segment, they also grew a lot in the 1Q. So, my question is, what were the reasons for this strong rebound on the industrial yields in the 1Q? That is the question.

Bernardo Hees:

Eduardo, in the trucking segment, it happened last year and it always happens to us. There is a lot of interchangeability between the trucks in industrial and agricultural sectors. So, when you have a peak during the crop season, it also pushes the freight in other industrial parts, because the trucks can leave and go to transport the crops. So, these things tend to walk together.

Eduardo Couto:

So if see, as you said, some slowdown in the spot market in the 2Q in the agricultural side, we could also see an impact on the industrial segment. Is that correct?

Bernardo Hees:

Yeah. It is always important to remember that when we are talking about slowdown, we are talking about the peak we have the 1Q. But we are coming from a very pressured base of comparison. And so, just to make that clear to say that we keep expecting real increase in average yields in the next quarters.

Eduardo Couto:

Looking on average, do you think the spot market in the 2Q is going to be stronger or weaker than the 1Q?

Bernardo Hees:

You mean freight?

Eduardo Couto:

Yes, on yields.

Bernardo Hees:

It is hard to say, Eduardo, I do not have this figure here. It is always better to compare quarter with the quarter last year in order to comprise the different mixes that we will transport each quarter. So, I do not know.

Paulo Basílio:

In agricultural business, Eduardo, we can see that when compared to March, I would say that it would be weaker. And when you compare to the full quarter, including January, I do not know. But when you compare just with March, which was the peak that we had, the commercialization of the crop, I would say that it would be weaker, but comparing to the full quarter it is hard to say.

Eduardo Couto:

OK. Thank you guys.

Nick Sebrell, Morgan Stanley:

Thanks for taking my follow-up. Just two follow-up questions: first, could you discuss a little bit about progress potentially moving to Novo Mercado? And the second was about sugar. I think in your presentation you mentioned that increase in sugar market share helped increase your total market share through the ports. But I also noticed that the amount of sugar shipped was down about 18% from the year-ago quarter. I was wondering if you just could explain that.

Rodrigo Campos:

Nick, starting from the second question, actually what happened in the 1Q is that total export of sugar and corn went down a lot. So, even with that we were able to increase market share through soybean and sugar and corn. So, we grew market share due to the three commodities; our market share increased from 59% to 69% on the ports. But this is true that exports of sugar and mainly corn went down a lot; that is what it means and we would like to give in our report.

Nick Sebrell:

OK.

Rodrigo Campos:

The perspective of entering in Novo Mercado, we keep looking at that. I mean, it is more something that is on the hands of the regulator, the AMPC. The news that there was some public audience to reach this team, but now all this timetable, all the schedule depends on the regulator, on the discussions they have during the public audience in order to be able or not to go to Novo Mercado. It is something that we are looking at, we are optimistic about that, but still it does not depend on ourselves.

Nick Sebrell:

Is it likely you will see more movement on that next year after the elections, or do you think it is something that is subject to pausing for the elections?

Rodrigo Campos:

It is hard to say, I do not know. I do not have a feel on that thing.

Nick Sebrell:

OK. And can you run, just also, what is your long-term net debt to EBITDA target?

Rodrigo Campos:

2x, 2.5x, more or less.

Nick Sebrell:

OK. Great. Thank you.

Operator:

There are no further questions at this time. I will turn the floor over to Mr. Bernardo Hees for final consideration. Mr. Hees, you may give your final considerations.

Bernardo Hees:

I just want to thank you all for listen to the call. All the comments Paulo and Rodrigo did during this last hour. Just commenting on how glad we are with the results of the 1Q, returning to profitability and growing the business results. And the expectations for the year, not only on the industrial side but also on the grain side continue to be very positive.

We have a slowdown in the harvest commercialization in the 2Q but that is completely normal. And that is going to give us even more cargo in the 2H of corn, soybean, sugar, fertilizer, and so on. So, that being said, Paulo and Rodrigo also mentioned about the long-term project that we are focusing. I naturally focus the most part of my time and I think we are doing a good job in running those. And we hope to have some positive news still this year.

So that being said, I think the results were achieved, and the perspective we have for Brazil and even for Argentina that had a much tougher quarter, continue to be very positive and excite us in order to fulfill all these opportunities that are happening for the business.

We are always welcome to new questions and comments you may have in the near future. Please, do not hesitate, contact us here. Thank you very much. Have all a very nice day.

Operator:

Thank you. This concludes today's ALL's 1Q10 earnings conference call. You may disconnect your lines at this time.

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