Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to América Latina Logística's conference call about Brado Logística. Today with us we have Paulo Basílio, CEO, Rodrigo Campos, CFO and IRO for ALL, and José Luiz Demeterco, founder and current CEO of Standard, who will be Brado's CEO.

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 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 at www.all-logistica.com/ir.

The slide presentation may be downloaded from this website. Please feel free to flip through 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's 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 would like to turn the conference over to the Company to begin the presentation. Please, go ahead.

Paulo Basílio:

Good morning, ladies and gentlemen. We are opening this conference to present the creation of Brado Logística, which will be the company that ALL created to explore the huge market of containers in Brazil.

We are very excited with this company and with this project that we are starting right now, and during this presentation we will try to present the main points and to present the main figures of this transaction for all shareholders of the Company.

Let us start in page five, in the market environment. The container market environment in Brazil is a very huge market, we can say that just in the region where ALL operates, the figures are 2.6 million containers per year, which is equivalent to more than 60 million tons per year, in a market where ALL has less than 2% of market share.

And when you think about the containers market in Brazil, as it is happening all around the world, it is a market that is increasing a lot the volumes year by year.

Going to page six, we are going to explain here, to comment the creation of Brado Logística, this new company that we created to explore this opportunity. The first thing here, it is interesting to understand the market of containers in Brazil. ALL is used to explore or to provide services to big clients, a very standard way to provide logistics.

And when you look to this containers market, it is more retail market, so it is a market formed by medium and small clients, with small volumes, and they need more customized services. So, we need to specialize these services in order to capture and to concentrate these volumes, to increase these volumes in the railroad.

That being said, we are creating Brado Logística, which is a completely independent company, with the retail focus, and this company will be focused on import, export, and refrigerated cargo operation. Of course, the thing is that this company will have two main strategies to capture and concentrate this container volume. Here we are thinking about a huge mix of services, complementary to the railroad in order to consolidate these volumes in the terminals to the clients and to offer these services to the clients; and completely customize the railroad intermodal operation.

So, this company will provide to the client a combination of these two things, which we think is a very good way to address to this market, to concentrate these huge volumes that we have.

Going to the next page, we can see the intermodality part of the business. So, the main idea of the business is to create terminals in the countryside, to consolidate the volumes of containers, and then send them to the port through the railroad, using the intermodality. So, here what is most important is to be able to provide to the clients, in all these terminals in the countryside, a huge mix of services in order to be able to consolidate and to aggregate value for these clients in this operation.

This is one part of the efficiency that this model brings to the market. The other part is the intermodality, so the use of the railroad will increase a lot the cost advantages of this company.

And the third important thing here I would like to say is that we are going to transfer the storage facilities to the countryside, and this will, of course, reduce the costs that the clients have in the ports, because it is a very expensive area to keep the containers waiting for the vessels.

That being said, I would like to go to the next page, to talk about the agreement that Brado Logística made with ALL. ALL created this new company, Brado Logística, and signed a contract with this company. The main thing that the contract explains in this agreement, the first thing is the capacity that Brado has in ALL's rail network. Brado Logística will have the option to invest and receive a specific capacity to transport containers in the railroad.

And, more important than that, we discussed a lot this contract during this year, we are guaranteeing a lot of specific levels of services to give to Brado the opportunity to capture these volumes in the containers, because the clients of the containers need some specific level of services, like transit time, and the specific characteristics of the railcar, like a double stack railcar, the characteristics of the train, regular trains; all of this stuff that we negotiated in the contract will Brado Logística.

We are expecting Brado Logística to invest R$1 billion in the next five years. This is not an obligation, it is an option, and as soon as Brado Logística realizes this investment, they receive a capacity in relation to the investment that they made in the ALL rail network. So, it is a modular investment, and we are expecting to invest R$1 billion in the next five years.

In this R$1 billion we are talking about R$800 million in double stack railcars and locomotives, R$100 million in terminals in the countryside, and R$100 million in other adjustments in the permanent way to link these terminals and to increase the productivity of this container trend that we are going to have.

Going to the next slide, in the map you can see all the terminals that we want to build, that Brado Logística will construct. Some of them already exist in our rail network. Brado has the right to build intermodal terminals all over our rail network and explore all the opportunities that we have, in all the four ports that we serve.

Going to the next page, we created this logistics company to explore the container market. We signed an agreement with Brado guaranteeing level of service and capacity, as soon as Brado realizes some capital expenditures; here we are talking about locomotives, double stack rail cars, and terminals.

That is the first step that we did to capture the huge opportunity in the container market, and at the same time that we are creating Brado, we started to think of a way to increase, to speed up the growth of the company, and the best way that we could achieve that was a merger between Brado and Standard Logística, which is a very recognized logistics company in Brazil, and here we are going to explain a little bit about this company.

You can see in slide ten the map of the asset that Standard Logística has in the Country. Here we are talking about a company that is very specialized in refrigerated container logistics, they have more than 100 clients, with very high quality services, which is very important to accelerate the consolidation of the market that we need, they have more than 11 logistic basis; six logistic basis and five intermodal terminals, that are very strategically located in Brazil.

Actually, they are very complementary to our area; Standard has all these terminals and logistic complexes in the South region, the State of São Paulo, and the State of Mato Grosso. So, it is very close to our rail network and it is already an operational company, a ten-year-old company, with more than 1,000 employees operating in this company.

Going to the next page, we can see here some services that Standard Logística today provides to their clients. Here we are talking about multi-temperature storage, transportation and fractioned distribution; here, in fractioned distribution they provide distribution to the clients splitting, sharing many clients in the same truck, so it is a very specialized service that they provide. Container handling, customized services, they have a dry port in the interior of São Paulo, and other customized services like inventory management, product tracking, cargo sharing, interface for export authorization, and they have a huge system to consolidate, to be able to provide all these services that this specific market demands.

Going to the next page, we can see the client base that Standard Logística has. Here you can see huge names in Brazil that demand a lot of quality in the service. So, Standard Logística is providing services to good clients, and it is a good sign of the good job that they are doing in providing reliable services to these companies.

Going to slide 13, here I would like to present some of the assets that Standard Logística operates. We have the terminal, the dry port in Bauru, São Paulo; we have the warehouse in Esteio, Rio Grande do Sul.

Going to the next page we can see the Colombo facility, which is in Curitiba, in the South region of Brazil, a huge facility; in Cubatão, which is close to the port of Santos, actually it is one of the areas very close to the ports that we will be able to do import and exportation services. And Cambé, in Paraná, in the South too, and Itajaí, it is a huge port in Santa Catarina, very specialized in containers.

Before the next page, I think you need to understand that all of these assets that Standard has, they have connections with the railroad. So, they are doing all ramp up of the company during the last five, seven years; they are investing in facilities to be able to operate with intermodality. So, it is a very important thing, the mindset behind, the people that created the company, the value to think how to incorporate all intermodality and how to combine the intermodality services with the services that they already provide in the terminals that they already have.

That being said, I am going to ask Rodrigo to present some of the numbers of the company.

Rodrigo Campos:

Thank you, Paulo. When we go to the next slide, slide 16, we see the financial highlights of Standard. Standard is a company with net revenues close to R$100 million, actually R$97 million, with an important track record of net revenues growth, over 30% per year, and an EBITDA growth over 60%, with an EBITDA of R$18.5 million in 2009.

Last year, Standard had an additional capital increase on the Company from a Brazilian investor, BRZ, which acquired a 38% stake of the company post-money for R$80 million, which valued the company at R$210 million in 2009.

In the next slide, we see the reasons for the merger, and here we see clearly a very strong fit between Standard and this new business we are creating here, that we want to be the consolidator of containers around the rail network, that will integrate the containers to the rail networks, given differentiated services, customized services in a very retail kind of business.

So when you look to Standard you see, first, that Standard has a very large experience in the retail segment, in the container business, and also has a strong know-how in customized services and very complex services in the container supply chain, offering a large range of services for clients, more than 100 clients, a large portion of them small and medium size clients, which are completely non-addressable for the railroad, when you see the railroad separate from this structure that we are creating here.

The third point is that the assets of Standard are in the same regions that we have, some of these assets are already around our rail network. So, it reduces the CAPEX that we will need to make in order to create the company and to create the terminal infrastructure on the countryside to make this model prevail. And also, the company brings all the operational structure they have, with more than 1,000 employees, and also they have a culture that is very similar to ALL's.

So, Standard creates all the basis to create this consolidator that we are creating here. It is important to understand that here we are not just putting the railway with the Standard business; we are creating a completely new business, which integrates a consolidator that will provide the sources for small, medium size, big size clients, that they will bring those clients very customized types of services and a wide range of services. They will consolidate in terminals on the countryside and they will create the scale and regularity that the railway needs to send those cargos to the ports and bring them back.

So, at the end we have the efficiency of the railroad and also you will have lower costs of taking the pressure of the container storage out of the ports to the countryside, where the land is cheaper and you have a lot of land available.

When you see the structure of the transaction, Standard incorporates all their shares in Brado Logística, so Brado has an agreement with the railroad, had no capital, I mean, R$500 in capital, which means no capital, and Standard merged all these businesses with this company, getting 20% of the whole company. ALL gets the other 80%, so a new company, where ALL has 80% and Standard shareholders have 20%.

There was no cash payment. This is a company with a completely independent structure, completely separate management structure. José Luiz Demeterco, who is the founder and CEO of Standard Logística, will be the CEO of this new company, and, it is good to mention, this transaction is still subject to the usual Government approval.

In the next slide, slide 20, we present here the consolidated company. Just to highlight, we created a business with a very strong competitive advantage, which comes from a strong competitive advantage from the rail, added to the high level of service of Standard, creating this new logistic model for Brazil, which succeeded very well in other countries.

Today in Brazil we have the trucks transporting the containers to the ports, and the containers get stored in the ports, where the land is more expensive, where the fares are more expensive. In the new model, we create this infrastructure in the countryside, we consolidate the cargo, we take the pressure out of the ports, we have cost savings in storage, and we have also cost savings in the rail transportation, and also we bring a completely new market for the railroad; container is marginal today in the railroad, and also all the growth in the rail segment will be added with all the kinds of services that Standard can provide in all other parts of the logistic chain.

So, now we have a company with a strong knowhow and a structure with more than 1,000 employees, and very results driven professional management. And some things that are important to stress here and to understand: Standard will invest and intend to invest R$1 billion in the next five years. When Standard does that, they will see a return on employed capital, what Brado is seeing is a return on employed capital over 30% on average on this period. I mean, when I say return on employed capital, which is known as ROCE, I mean it is not profit, EBIT divided by the employed capital of the company.

Sorry, let me just correct: this is operational income. This is EBIT divided by the employed capital of the company. And this R$1 billion of investment is targeting a market share of 12% in the container segment in the ports we serve, in ALL area. And more than that, this company should have a margin that should be between the existing margin of Standard, which is a little bit less than 20%, 19%, and the existing margin of ALL in the industrial business, which is over 40%. So, it should be in the middle when you look five years ahead.

One other thing that is important to stress here is that this company will have a completely separate capital structure from ALL. ALL will not put money in the new company; this new company will grow with its own money, its own resources. When we look at the size of the CAPEX we have ahead of us we see that it is a big number, and the company will, until the middle of next year, finance and also assess capital market, trying to address the capital structure needed in order to perform this CAPEX plan that the company expects to do in the next five years.

On that sense, we expect that the company will have leverage in terms of net debt/equity of 1x, to reach Reais in net debt we should have a Real in terms of equity.

So, that is what I would like to say here. We are creating here a completely new business. It is not a carve out of ALL. From a railroad point of view, what we are doing is keeping the rail having the same cash flow that they have, but they have additionally a huge potential of bringing containers to the company at no capital employed, once all the capital employed will come from Brado, and of course with margins that are lower than the margins we normally have in the railroad. When you look at margins we expect from the railroad of ALL, this should be a little bit the margins that we expect from Brado. I mean, in the range of 30%, the margins we will have in ALL are a little bit less than that but with no capital employed.

And Brado is a completely separate company; ALL has 80% stake of that in a separate business, which starts with the business that Standard has, and all the resources will come from sources other than ALL.

Just to make that clear, and open to the question and answer session.

Debbie Bobovnikova, JPMorgan:

Good morning. I wanted to follow up on what you did say about the market share, I just wanted to confirm that you said that the R$1 billion in CAPEX will target 12% market share in the container business in your addressable market. Is that correct?

Rodrigo Campos:

That is correct, Debbie. This is only the beginning in a sense that when you look other countries that have a model like that, railroad should have more than 50% in terms of market share. When we think about the next five years and with a CAPEX of R$1 billion, we are thinking of a market share of 12%.

It is important to clarify and it is always good to say that the contract with ALL gives flexibility to Brado to accelerate this investment or even grow slower, depending on the speed that they are gaining market share. So, they have the flexibility to accelerate or reduce the investment as long as the scale of the company increases. So, it is an important characteristic of this deal.

Debbie Bobovnikova:

And just to follow up to just understand better: how should we be looking at the market so these 2.6 million full containers that result transported you are targeting 12% as 1.5 million out of that, because only 1.5 million is within your addressable market?

But what kind of average weight should we be assuming for these containers that ALL plans to transport?

Rodrigo Campos:

We mean 2.6 million containers as a market.

Debbie Bobovnikova:

As the addressable market?

Rodrigo Campos:

Yes.

Debbie Bobovnikova:

OK. I thought it was 1.5 million. Sorry about that. So, it is 2.6 million, OK? And in terms of the average distance that you expect to get an average tonnage per container that we can actually get to an RTK number?

Paulo Basílio:

Debbie, we see here an average distance of around 600 km, because Brado will operate in the long run and in the short run, so the average will be around 600 km.

Debbie Bobovnikova:

OK. And the average weight per container that we should be assuming?

Paulo Basílio:

25 tons to 27 tons. We can use 25 tons.

Debbie Bobovnikova:

25 tons per container. OK, great. And just one last question for now: can you give us a sense of what will be the mix of the front haul versus back haul on the container volume?

Paulo Basílio:

Debbie, this should be much more linked than we have in our agricultural volume. So, it is almost full of exportation and importation. It is a huge rate of return in this sense.

Debbie Bobovnikova:

It is almost balanced between front haul and back haul?

Paulo Basílio:

Almost balanced, yes.

Debbie Bobovnikova:

OK. And when can we start pricing all of this, then? When do you expect to have this funding completed for the project to start ramping up?

Rodrigo Campos:

Debbie, we expect to have all the capital structure of the company addressed until the 1H11, in the next six months.

Debbie Bobovnikova:

That is when the funding will be decided? And from the time that you finalize the funding to the time when the initial CAPEX is done and we can start to see the contribution to ALL, will that be another six months or is it intended to be quicker than that?

Rodrigo Campos:

No, when I say the capital structure addressed I mean completely put there to do all the CAPEX which is needed. The funding, if you take BNDES, for example, we follow the CAPEX plans. If you go to other sources of market probably they give in advance, but the capital structure addressed to the company to make that CAPEX and start to grow at the rates we believe this company can grow.

Debbie Bobovnikova:

So within six months you can start investing, and once you start investing it will be very quick in terms of starting to see the revenues from this project? Or will there be another —

Rodrigo Campos:

Could you repeat that?

Debbie Bobovnikova:

I am just trying to understand, so once you finalize the funding, which you expect to do at the end of the 1H of next year, from that point how much time do you expect to take before we start seeing the contribution from Brado to ALL's earnings?

Rodrigo Campos:

Debbie, one of the characteristics of this company is that the major part of the CAPEX that the company will be doing is railcars and locomotives, so on average in the 2H11 they could be operating and so on. We should have a ramp up or also have some investments in terminals, but 80% of the investments of this company are in railcars and locomotives, so it is something for the short term.

Debbie Bobovnikova:

I mean, we could see some of it in the 2H11 but probably we should see the biggest impact starting in 2012; is that correct, Rodrigo?

Rodrigo Campos:

That is correct. There is a ramp up, there is all the process of migrating market share to this new company, so you are right.

Debbie Bobovnikova:

Great. Thanks so much.

Steven Trent, Citi:

Good morning, gentlemen. Just wanted to go through one or two things, as I could not hear you so well at one or two points. The first is just a kind of a dumb question here: looking at the flow chart you have in one of your slides it seems that your current container business is very small and I am guessing that these consolidation terminals that Standard has, you guys are not really big players there. And if I understand that correctly there is some sort of revenue generation from that side of the fence for ALL and Brado versus the current situation where maybe there is an opportunity cost for the company whenever you have port volumes there. Do I understand that correctly, that you get storage revenue, let us say, as the ports clear?

Rodrigo Campos:

Could you repeat your point, Steven? What was the question? I could not get your point, sorry.

Steven Trent:

No problem. Is it correct to say that looking at the flow chart here on one of your slides on Brado, that ALL is not currently a big player in the container business, as you mentioned?

Rodrigo Campos:

Perfect.

Steven Trent:

I think on slide seven you show this kind of flow chart plant road transport consolidation terminal railway and port. So, my question is: the consolidation terminal itself, this seems to be something that could help the company better manage the port bottleneck; is that correct?

Rodrigo Campos:

Yes, Steven. The most important thing, as you said, the container business on the railroad today is completely marginal. But I think there is too big a point here. The first one is the infrastructure of terminal on the countryside to bring all this trucking volume to the rail in order to take advantage of low cost of rail transportation.

The second thing that is clearly an issue for us is that the rail naturally works with very big clients in a kind of standardized service. I mean, we provide the same service for everyone. The container business demands other things. I mean, it a pretty fragmented business, a lot of small and medium-sized guys, which from a railroad point of view is very small and does not create the scale and regularity that the rail needs, and they demand customized services that the rail does not provide. But that is the DNA of Standard, which migrates with Brado, which provides this very kind of customized broad range of services in the supply chain, and this company will be the consolidator of all this market to send it to the port.

So, you mentioned the bottleneck from the port, but that is not the point behind all this opportunity. We are having a pretty new business model that prevails in other countries and which is very successful in other countries, and what we are doing is just bringing that to Brazil and applying that in our case.

Today, what happens is a distortion. You have almost 100% market share of trucks bringing the containers to the ports, containers get stored in the ports where it is more expensive, where there is no land available. So, what makes sense is to bring that capacity to the countryside with lower storage fees and also take advantage of a low-cost transportation. That is what we want to replicate in Brazil through Brado Logística.
Let me give the word to José Luiz Demeterco, who is the CEO of Brado and was the former CEO of Standard, who would like to comment on your question also.

José Luiz Demeterco:

Hi, Steven. Our mission is bringing a great knowhow to this new company, to Brado. We are specialized in organizing all the spread-out cargo that is in the countryside, which is a problem today, because as Paulo and Rodrigo tried to say it is a problem for the railway. So, we kind of organized all the spread-out cargo in the countryside to bring it to the right format to the railway to make the shipment to the port.

A lot of customers do not use the railway, especially customers who load the cargos on containers do not use the railway because of lack of service or lack of infrastructure for them to prepare the cargo to be loaded to the railway.

So, that is why we are coming with this specific mission of Brado, to destroy the myth that the railway only works with big clients and big cargo. This is what we are specialized in. Here in Brazil we are warehouses and distributors for Wal-Mart, Carrefour. We are very used to working with the retail market, with those suppliers. So, that is the expertise that we are bringing to Brado. And this, of course, will increase this very low market share of less than 2% right now that we can capture, we believe, around 50% of this market. This is the range that we can be working with.

Another thing is, while we do this, we know it is going to be more cost efficient. So, what we are addressing here is that we are now giving them this structure, the service, for them to have better cost, things that never happened before.

Steven Trent:

OK. I appreciate the color. Thanks for that. Just two more quick questions, if I may. The first thing from the ALL side: you talked about the smaller customers, you talked about, let us say, Standard's terminals already situated within the same locations generally where ALL already has its rail network. What were the pros and cons for ALL creating Brado, as opposed to building this business internally, for example?

Rodrigo Campos:

Steven, this is the most important point behind all this transaction here. What happens is that in the rail the focus of the business is turning around your asset. So, you are always focused on scale, large clients, and standardized services.

It is not from the DNA of the railroad to capture cargo, for example, in soybean in every farm. It does not work for the rail. Bungee does that, they concentrate, they get the very spread-out cargo and concentrate it in the railroad. Bungee, Cargil, COSAN does that in sugar, and creates the scale and regularity that the rail needs.

When you look to the container business, it is the same: pretty fragmented business, a lot of very small clients, and more than just being a fragmented market, normally this kind of client needs a very customized type of service, which is not the service that is in the DNA of the railroad.

So, we are creating a new company with a completely different management focus, a management focus on retail, on very spread and fragmented market, and to provide this customized service, to consolidate this cargo. And when you consolidate this cargo, when you have a terminal full of containers, you have the regularity and the scale that the rail needs to perform, to turn around the assets. So, completely different management focus, completely different management teams. When you put those things together, it just does not work.

Paulo Basílio:

Steven, just to complete what Rodrigo is saying, for us it is completely additional volume. When you see ALL in the next three or five years of increase in volumes, all the volumes that we could capture through Brado, because today Brado will be a client, is additional to the volumes that we expect to realize in our rail network.

Steven Trent:

That makes perfect sense. Thank you. And just one more really quick question and I will let somebody else ask a question. Just on slide 16, and this might be beyond the scope somewhat of this presentation, but I am just looking at Standard's financials, they seem to have a huge jump in their cash balance from 2008 to 2009. And I am just wondering if you might know what might have driven that; no big deal if you do not, but I just though I would check. And that is it for me. Thank you.

Rodrigo Campos:

I know, yes. If you see the second bullet point, BRZ, which is a Brazilian investment fund, aported like R$800 million on the company. So, there was a capital increase from BRZ of R$80 million in the company for 38% of the company. So, valuing the company at R$210 million in 2009. So, that was the operation which increased Standard's cash position at that point.

Steven Trent:

That is perfect. And that is all for me. Thank you very much, guys.

Debbie Bobovnikova, JPMorgan:

Hi, guys. Everybody else just had a chance to ask questions, so I am back. I just wanted to follow up on the market share in the container business, and also how we should think about it in terms of the growth of the business. So, first question is: what are you assuming is the inherent growth in the addressable market for containers on an annual basis? Historically it is growing above 10% for the past few years, and it has been slowing down recently. But in your projections, what are you assuming for the annual growth in the addressable market?

Rodrigo Campos:

Debbie, our projections in terms of container growth are very conservative in the container market growth. We are assuming a growth in total market of 5% per year.

Debbie Bobovnikova:

OK. So, when you are targeting 12% market share within five years, that is off of a growing pie; that is not off of this 65 million tons that you are talking about now, but of the market that you see in five years somehow.

Rodrigo Campos:

Perfect. You are right.

Debbie Bobovnikova:

OK. And can we relate that to the CAPEX that is being done? Can you give us a little bit of color how many railcars you are buying and whether those railcars are intended to meet 100% of that 12% market share, or if it is giving a little bit of spare capacity, giving some room for the market to grow more? Just to kind of relate the CAPEX to that targeted volume.

Paulo Basílio:

Debbie, we are talking here about R$800 million in railcars and locomotives, we are talking here about 85 locomotives and 3,500 railcars. Most part of that are double stack railcars. When you consider all this investment and the volumes that we are talking here.

Debbie Bobovnikova:

I am sorry, can you repeat that Paulo? Is it 85 locomotives and how many railcars?

Paulo Basílio:

85 locomotives and 3,500 railcars approximately, to address the volumes that we are talking here, this 12% market in five years.

Debbie Bobovnikova:

OK. And the railcars you said are all going to be double stack?

Paulo Basílio:

Most part of them, because we will need some single stacks because we are not going to refurbish the tunnels. We are going to operate double stacks very close to the port and then we are going to have single stacks feeding the port. We are not going to transform the tunnels, Brado is not going to pay for this construction and the risk of stopping the lines of ALL. So, all the operational structure that we set in this contract we are not considering any tunnel refurbishment in the project.

Debbie Bobovnikova:

And in terms of the market share gains, do you think that they might happen on a regular basis, by gaining 2% to 3% per annum? Or do you think that it will be more front loaded or maybe back loaded within that five-year timeframe?

Rodrigo Campos:

Debbie, the characteristic of the company is a more distributed CAPEX, as you have acquisition of railcars and locomotives. So, you acquire and start to transport, Brado will do that following the volume growth.

But you have some initial investments in terminals that should ramp up a little bit slower in the first two years and faster after that. But the major part of the CAPEX is distributed.

Debbie Bobovnikova:

Great. And do you have any sense of how this might impact the rest of ALL's business? Is there any ability to use some of the railcars?

Rodrigo Campos:

Sure. Debbie, when we look at ALL's business that is a good question because Brado is completely separated. This is a new business, separated from ALL. So, the existing railroad business, this is not a carve out of ALL. This is something different that we are developing here.

When you look at the existing business of ALL, what this project means is a large additional volume of containers, no capital employed in these additional volumes of containers, and additional margins to the business, which of course are margins that are lower than the normal margins that we have, because ALL will give a discount to Brado for the CAPEX they are putting, they are investing in our business. But margins should be around a little bit less than Brado's margins. Brado's margins should be around 30% in a five-year time or something, and ALL's margins should be a little bit less than that.

Debbie Bobovnikova:

Actually my question was also on the capacity for transporting volumes outside of the containers; so, is there any kind of positive externality from this project? Because maybe you can bring some fertilizer or some other things using the same flatbed railcars that you will be investing in?

My question is more because of Rumo; when Rumo is investing in capacity, there is some externality part for the rest of ALL's business outside of the sugar transport. Is there any similar effect from this container project?

Rodrigo Campos:

Sure. That is not the case here, Debbie. This is the case where railcars would be dedicated to this container operation in a way that Brado will have a certain number of loads per day and they will be deciding which containers they will ship everyday. But there will be regular express trains everyday in a fixed capacity.

So, it is a more kind of dedicated type of service. All the capacity is additional to the capacity that we have, but it does not create positive or even negative externality for the other cargos we haul. It will be completely additional and dedicated fleet.

Debbie Bobovnikova:

If I can just ask two more quick questions, one is on Standard Logística's volumes today: how much of their volumes go on rails versus trucks today? And also, on a different note, on these terminals that you will be building, do you already have the land secured to build them? Do you have at least a state in mind? And how long is usually the process for gaining the licenses to be able to build the new terminals on that land?

Rodrigo Campos:

Debbie, José Luiz Demeterco will answer.

José Luiz Demeterco:

Hi, Debbie. Your first question was how much of our business is railway. It is around 50%. We do handling; we do not do the shipment. Who does that right now is ALL and that is the beauty of this project. We are going to have a profile of service that will provide everything now for the customer to make it feasible for them to use the railway.

Paulo Basílio:

Debbie, just to give you an idea here: what happens today is that Standard has a lot of intermodal terminals and they provide a lot of services in the terminals to the clients, but they cannot negotiate intermodal freight with the clients because ALL does that.

So, when we do the merger between Brado and Standard, we will allow this company to provide all of the services that in the past was not possible to provide.

Debbie Bobovnikova:

Great. And the question on the new terminals that you will be building?

José Luiz Demeterco:

OK. The new terminals, we have a project to build more than 10 new terminals. The licenses are not a problem, because they are in areas that are not protected by environment. So, we do not see problems to implement those terminals at all; just the regular process as usual.

Debbie Bobovnikova:

So you already have all the leases in place for the land, yes?

José Luiz Demeterco:

We will use a lot of bases that ALL already has with them. We do not see much that we will have to buy land to build. So, most of them we have the land to build the infrastructure.

Rodrigo Campos:

Debbie, the license for this kind of terminal is very easy. It is not an issue.

Debbie Bobovnikova:

I have one more question but I am going to get back in line to let other people ask. So, thank you.

Eduardo Couto, Goldman Sachs:

Hi, good morning guys. Just one quick question in relation to Brado: is there a maximum dilution in the stake of the company that you guys would accept? In other words, as long as ALL does not want to put money on the company, can we see ALL having less than 50% of Brado in the future if we have an aport from other investors?

Rodrigo Campos:

Eduardo, we do not have any restrictions about that. But, I mean, in the beginning I see no reason to remove the control of the company in the kind of volume ramp up that we are talking about.

Maybe if this company grows and has acquisitions that could accelerate the growth along the time we could split with other companies, we could add new partners to the business. That is not a big restriction about us.

Eduardo Couto:

So, even without putting money on the company we do not expect to lose control, right?

Rodrigo Campos:

No, not for the organic growth on the short term.

Paulo Basílio:

We have a huge agreement with Standard's shareholders that give total independency to Brado. So, we see Brado as a completely separated company and have an 80% stake in the company. So, there is no reason, even with a dilution, that we lose stake with less than 50% of the company.

Eduardo Couto:

OK. Thank you.

Debbie Bobovnikova, JPMorgan:

My last question is actually for José Luiz: if you could just help us understand a little bit about the way that your customers are thinking about rail versus truck transport for their products. Only half of your customers right now were using rails and the other half is still going by truck, I guess I am wondering if there is maybe more reliability in the rail service but at the same time a lot of times the rail service can be slower. Just to give us a little bit of flavor of the pros and cons that the customer sees and the way that ALL would be trying to gain new customers and increase their market share. Brado instead of ALL. Thank you.

José Luiz Demeterco:

OK. First Brado is going to have a main focus on this. ALL has a lot of other cargos that they ship and that is much more important for them. Brado is, I would say, not only but very important these contracts with the railways, so we are going to have a lot of focus on this.

Before, the way we were trying to approach the market was separately, the customer did not see much the gains of it – or they saw the gains, they could realize that they were going to have savings using the railways against trucks, but it was difficult for them to understand our proposal, because we were talking about them buying the railway wagons and buying locomotives. This kind of client does not understand those things.

Brado is coming with all these assets, the management is going to talk with just one provider of service that is already working with them, with warehousing, with distribution, with other services that we do related to those. Plus, using the railway.

So, all this talking with just one service provider will make a lot of difference in bringing more cargo with the ones who already work with us plus the ones that do not work with us because of all the barriers that we have, will come. And that is very easy to see in the market. And it is incredible today, with the announcement that we made yesterday, our customers are going really crazy with this.

Debbie Bobovnikova:

Good. Thank you for that color. And just to understand: is there any type of customer that you think will not be likely to transfer? I mean, customers who are either too small or maybe are carrying value-added goods? Are those the customers that are outside of Brado's target audience?

José Luiz Demeterco:

Sorry, Debbie. I think I did not understand your question. Could you please repeat?

Debbie Bobovnikova:

Yes. I am just trying to figure out the addressable market for Brado. One way of doing that is figuring out what is not the addressable market. Are there any customers that you have right now that will not be a good fit for transporting their products over rail because it is either very small volumes or maybe it is very value-added products that needs to have "the time is of the essence" so they need faster delivery? What kind of customers do you think will not be targeted by the new rail JV?

José Luiz Demeterco:

OK. I got it now. Brado will be able to ship even a customer that has only one container, because we will do all this service before we ship to the port or even for the domestic market. Brazil is a very wide country, so a lot of the industries, especially agribusiness, are now moving west, up to the center-west of Brazil, far away from the port.

So this makes it more interesting for the railway to start working with them. They are already doing something, but in a very small scale, and now we can give them more credibility on the service because there is only one company with wide focus managing them.

And these customers think they understand the service that we already do for them, more complicated services, such as temperature control, which we have to do for smaller packages. So, if we can do that, we can really take better care of their cargo when they think about moving their strategy from trucks going to railway.

Debbie Bobovnikova:

OK, great. Thank you for that.

Operator:

At this time there are no further questions. I will now turn the floor back over to the Company for any final considerations.

Rodrigo Campos:

OK. Thank you, ladies and gentlemen, for the interest in the Company. We are very excited with this new project, and we expect to soon announce another step in the Brado project to all investors of ALL. Thank you very much.

Operator:

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