



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

Operator:

Good morning, ladies and gentlemen. At this time we would like to welcome everyone to América Latina Logística, ALL, 1Q13 earnings conference call. Today with us we have: Eduardo Peleissone, CEO; Rodrigo Campos, CFO and IRO; and Felipe Guimarães, IR Superintendent for ALL.

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 section. 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 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 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 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. Rodrigo Campos, CFO and IRO for the Company for a brief explanation of how ALL's figures are presented, and then, Mr. Eduardo Peleissone, CEO, who will start the presentation. Mr. Campos, you may begin the conference, sir.

Rodrigo Campos:

Thank you, everyone, for participating on our ALL conference. First of all I would like to make some brief comments about the numbers we will release along this presentation and particularly about adjusted EBITDA numbers which we already reported according to the CVM's instruction 527-12, and this CVM's instruction aims to standardize EBITDA reporting among all companies in Brazil.

So, our adjusted EBITDA is exactly the operational results plus amortization and depreciation less the equity earnings in order to represent the operational results.

So, these reported numbers are comparable in 2013 to the same methodology for 2012, so the numbers of 2012 may defer from the numbers we released last year.

With that I would like to turn the presentation over to Eduardo.



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

Eduardo Peleissone:

Thank you, Rodrigo. Good morning you all. I will start with the 1Q13 highlights. Our consolidated EBITDA grew 13,3% in a better market scenario, especially in agriculture business in the corridors from Mato Grosso to the port of Santos, from Paraná to the port of Paranaguá and São Francisco, pushed by higher inventory levels of corn and sugar, and by the soy bean crop, which harvest began in the end of January in the state of Mato Grosso and in the end of March in the states of Paraná and Mato Grosso do Sul. In the state of Rio Grande do Sul the soy bean harvest happens only in April.

It is important to mention that we lost almost five days of operation in the corridor from Mato Grosso to Santos caused by the truckers strike in the port of Santos, and a three day interruption in this rail track from Mato Grosso to Santos as the permanent railroad damage as a result of excessive rainfalls in the region.

In the industrial business the market environment was challenging as the steel products demand decreased between Corumbá in the state of São Paulo and in the wood products we have the stoppage of an important client plant due to a fire incident in October and the interruption of five days in the corridor from Mato Grosso to Santos, interrupted the flow of Fibria for the same period.

The Company had its first positive net income in the 1Q and a substantial improvement in its free cash flow almost R\$250 million better than the 1Q12 in our rail business. The rail volumes increased 7.3% in Brazil pushed by a 13.3% growth in agriculture segment. Our average yield grew 8.2% reflecting the inflation and diesel pass through in our take-or-pay contract and a better freight price in spot market.

Brado's EBITDA increased 18.5% to R\$10.3 million and in Ritmo our EBITDA increased 13.4% to R\$8.4 million pushed by good growth in intermodal volumes, which changed from 2 million to 4.5 million driven kilometers in the 1Q13. As we concluded the investment on the extension on our large gate rail network to Rondonópolis in the end of 2012, we expect to get the operational license from Ibama and start the operation in Rondonópolis in June, an important step to ALL's rail operation to become free cash positive.

Going to slide five, talking about our consolidated results, our EBITDA increased 13.3% in the 1Q13 to almost R\$391 million. As it has been said, for the first time, in the 1Q13 our net income has positively reached R\$33.9 million in the 1Q13, against the loss of R\$2.4 million in the 1Q12.

On slide number six, talking about Brazil's rail operation, as I mentioned, we had a good agricultural market in the states of Mato Grosso, Mato Grosso do Sul and Paraná. The volumes increased 7.3% in the 1Q pushed by a 13.3% growth in commodities driven by productivity improvements and partially offset by the interruption of the rail line, which connects the state of



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

Mato Grosso to the port of Santos and the truckers strike in the port of Santos. Our average yield increased 8.2% and our EBITDA grew 15.9% to R\$382.4 million in the 1Q.

Going to slide number seven, talking about our agriculture business, we faced in the 1Q13 a good market in the corridors of Mato Grosso to Santos and Paraná to Paranaguá and a very good market in the state of Rio Grande do Sul. In that scenario our volumes grew 13.3% in the 1Q13 and our market share decreased from 36% to 7%, as exports increased 39% in the 1Q at the port reserves.

Going to slide number eight, our net revenues grew 23.3% in the 1Q, driven by a 13.3% volumes growth and a 8.8% increase in yields. Our EBITDA grew 23.8% to R\$320.4 million and our EBITDA margin increased from 56.4% to 56.7%.

Going to slide number nine, talking about the industrial segment. In the industrial segment, our volumes decreased 8.6% in the 1Q13 and intermodal flow volumes were down 16.9%, impacted by lower still products volumes as the demand decreased between Corumbá in the state of São Paulo and by the problems in wood products that I mentioned before. In pure rail flows our volumes are pretty much the same as we had in the 1Q12, decreased 1.4% driven by weak volumes in construction segment.

Going to slide number ten, our net revenues went down 4.9% in the 1Q driven by the decreasing volumes and partially offset by a 4% increase in yields. Our EBITDA decreased 13.1% to R\$62 million when we compare to the 1Q12. It is important to mention that when we compare to 4Q12, our EBITDA increased from R\$60 million to R\$62 million in the industrial segment.

Going to slide number 11, talking about Argentina rail operation. In Argentina, as we have been explaining, we are still facing a very tuff market as 2012 soy bean production in ALL coverage area decreased 15% when we compare to 2011 and 2013 soy bean harvest in Argentina as happened in Rio Grande do Sul happens only in April.

Our volumes decreased 14.2% in the 1Q13 and our yield increased almost 32.5% reflecting our rail costs pass through.

That been said, I will pass the word to Rodrigo to talk about our other business and our financial numbers.

Rodrigo Campos:

Thank you, Eduardo. Going to slide 12, where we show Brado Logística, we see that Brado's volume increased more than 25% in the 1Q13 as compared to 1Q12 basically due to market share gains from the trucking business.



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

When we look into details in this volume increase, we see that we grew volumes in three of the four main corridors of Brado. We increased more than 60% on the wide gate corridor, we increased almost 16% in Paraná corridor and we increased almost 14% in Rio Grande do Sul corridor, so big material increases in all these corridors which are the corridors we added rolling stocks, I mean, locomotives and rail cars for 2013, preparing the Company for the growth we expected for 2013.

The only exception was the Mercosul corridor, where volumes dropped 9.3%, affected by the current restrictions in Argentina. Remember that this Mercosul corridor is a corridor between São Paulo and Buenos Aires, basically.

So, in page 13, we see Brado's results. Net revenue grew 23.4% to R\$57 million in the 1Q13, and Brado's adjusted EBITDA reached R\$10.3 million, and increased 18.5%, as compared to the 1Q12.

On slide 14 we start to talk about Ritmo, and volumes increased 2.5% in the 1Q. When we open that, we see that there is a material increase in volumes in the intermodal units, and a drop in volumes in automotive business units, basically.

When we look at the intermodal business unit, where volumes increased more than 120%, remember, when we started Ritmo, the major opportunity that we see in this Company was all this volume which was around the railroad, and which were served by trucking connections, it used to go the railroads through trucking connections.

So, Ritmo saw a big opportunity in this market. We started last year with small volumes in intermodal business units, we created all the fixed structure for people to run this business unit, and now we more than doubled the volume, started to gain scale, and started to make these business units more profitable. So, it is an important step and this is the main trend we see in Ritmo for the next quarters and the next years.

In the automotive volume, on the other hand, our automotive operation normally are also between Brazil and Argentina, and all these customs restrictions reduced the transported volumes among the two countries, which unbalanced the conditions of our agreement, which we had with our client.

So, for some clients we were able to pass through to the prices the effect of such volume reduction; for other clients we were not able, so we left this operation. So, at the end of the day, volumes were reduced, but profitability was improved.

When we go to slide 15, we see that net revenues of Ritmo grew 6.1% to almost R\$60 million in the 1Q, and EBITDA increased 13.4%, much more than net revenues, and reflected this increase in profitability I am talking about in the automotive segment and also in the intermodal business



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

segment, with the increase of scale. So, our margins increased from 9.5% to 10.3% EBITDA margin in Ritmo.

When we look at slide 16, we see that our consolidated revenues increased 16% in the 1Q, consolidated net revenues. In slide 17 we see that our EBITDA increased 13%, our margin decreased from 45% to 44%, EBITDA margin, but it mainly the mix between the businesses.

Remember that the rail business is a business with a high margin, the Brado business, which is our container business, has an integrated margin, naturally, and the trucking business has a margin more in line with the 10%. So, this change in mix impacted the margins at the end of the day.

On page 18 we see we reversed a lot to a positive net income in the 1Q13. This is the first material positive net income in a 1Q. remember that normally 1Q is an off-season period, in the rail business we have an important base of fixed costs, so in an off-season period our net income suffer, but this year we were able to, for the first time, to have a material net income even in and off-season quarter.

On page 19, our capital structure, we see our net debt with the adjusted EBITDA, which stayed flat, compared to the end of 2012, 2.3x net debt EBITDA in terms of our balance sheet.

With that I turn the presentation over to Eduardo, who will make some additional comments.

Eduardo Peleissone:

Thank you, Rodrigo. For additional comments, our CAPEX this product has expected to align with our guidance for this year of R\$700 million. Rondonópolis is on the way to start its operation in the end of the 2Q, still depending on obtaining the operational license for Ibama, which should happen by June.

In addition, the initial projections for 2013 are also optimistic, as the first estimation on CONABE points to a 22% total crop increase in ALL coverage area, when compared to 2012, and industrial volumes will benefit from the ramp up of Eldorado project.

In Vetria, as we said in our last call, Coffey Mining concluded the first phase of evaluation of mineral reserves, which estimated 10 billion tons of inferred mineral resource versus an initial estimate of 1 billion tons, and the estimated iron grade in the mine is 46%.

That being said, we will open the Q&A.



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

Antônio Barreto, Itaú BBA:

Good morning, everyone. My first question is about the industrial side, specifically on the volume reduction we had this year, how much of that is expected as a one-off, especially on the steel segment? And, excluding the ramp up on the Eldorado project, should we expect a recovery over the coming quarters?

Rodrigo Campos:

We have one event, as you mentioned, we have the problems in the cellulose plant, which is one of our main clients, which is a one-time event. Also the interruption in Port of Santos, which also affected the cellulose results, also a one-time event, and we do not expect the industrial activity in Brazil to be so weak as it was last year.

It seems to be improving right now, and we expect a recovery even without our Eldorado project.

Eduardo Peleissone:

The important thing is about the steel project demand, we do not expect the steel project demand to recover in the 2Q, but probably recover along the year.

Antônio Barreto:

OK, thank you. My second question is about the CAPEX. So, your guidance of R\$700 million for 2013 is just for the railroads, right? But looking at Brado, we can see that the CAPEX for the 1Q was around R\$50 million. How much do you expect to end up this year with Brado, the CAPEX for Brado?

Rodrigo Campos:

That is true, Antonio: R\$700 million is for railroads. Brado, when we started Brado we were talking about R\$1 billion in CAPEX in five years, so this R\$50 million will be in a region of R\$200 million per year. That is the mix for this year, it will probably be a little bit less than R\$200 million.

Antônio Barreto:

OK, thank you. Are there any new talks about any news about the capitalization of Brado?



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

Rodrigo Campos:

Nothing that we can talk about. Yes, it is true we are looking for an investor in Brado, which will be an important step when Brado starts to leverage investments and growth. This is something we are looking at carefully.

Antônio Barreto:

Thank you.

Mark Suarez, Euro Pacific Capital:

Good morning. You mentioned that agriculture volumes increased 13.3%, do you see it is actually accelerating from recent plans? Can you talk a little bit about the productivity gains and improvements you see throughout your network in the quarter, and what sort of specific investments have you made to accommodate for that growth?

Rodrigo Campos:

Remember that when we look to volume growth, we are always looking and trying to expand our capacity 10% per year, and the main reason for that is still productivity gains. If you take this year, we did not buy any rail cars, the same for last year, and in terms of locomotives, we should increase our fleet by 2%, 3% each year. So, it is much less than the volume growth we want to achieve.

When you take last year, for example, our volume growth in agriculture, it is a very difficult market, remember that the crop went down 18%, the first crop in our region, our volume grew like 5.5% in agriculture, and we always said that it is easy to gain productivity while you have a good market, because you can focus on the biggest clients, on the most productive terminals.

So, when you have a good market like that, it is easier to gain productivity, but every year we invest on the track, building crossing yards, building maneuvering yards, improving the tracks, removing restrictions on the existent tracks in order to have a jump in terms of productivity.

There will be years like last year, we do a little less than our expectations, and years in which we grow more than our normal average, so it varies a lot. We are prepared to grow, the major part in productivity gains, but, of course, with a good market like that, it is easy to gain productivity.

Mark Suarez:

When you talk about productivity, as you look into, maybe, increasing train length, train speed, I am just wondering what sort of things you can do, given your network restrictions at this point.



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

Maybe you have longer trains run from Mato Grosso to the Port of Santos, can you increase this? Would that need signaling improvements? I am just wondering what sort of specifics we are talking about.

Eduardo Peleissone:

Let me help Rodrigo. All investments made in our rail network are to increase the speed of our rail cars. So, when Rodrigo talks about improving productivity through more productive terminals, when he talks about the investments in our tracks, what we are looking is to increase the speed of our rail cars.

When you invest in our tracks, if you have speed for the rail cars, and a part of our tracks is around 40 km per hour, we try to increase to 50 km per hour, we think about points of our rail network that could be a headway for the number of trains we want to move to our tracks.

So, it is a very specific investment, we can talk about productivity for a long period, but our focus is investment, improving our rail network so that we can increase the speed of our rail cars. Increase the size of the train is one way to increase the speed of the car if you have a lot of connections. If your bottleneck is the number of trains you have to run through your tracks.

It depends on the situation, depends on the part of the network we are talking about, you have specific investments, but all those investments are focused on increasing the speed of the rail cars.

Rodrigo Campos:

Just to give you some examples of that, if you take the wide gate corridor, a long time, since 2006, when we bought this rail line from Brasil Ferrovias, the transit time from Alto Araguaia to Port of Santos was reduced from 220 hours, both ways, to 120 hours. So, this reflects the higher speed, also the improvements in terms of cost and all types of improvements.

Also, the size of the train in that corridor almost doubled since we bought it from Brasil Ferrovias. So, this is a step by step movement we have been improving every year.

Mark Suarez:

Got it. Just to be clear, just going back on ALL, I know you mentioned during the presentation, your volumes expectations remain the same, is that correct for the forecast period? And in terms for 2013, do you now have a better sense as to the volume ramp up, as we move through 2Q all the way to 4Q?



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

Rodrigo Campos:

It is ramping up, every quarter it is improving. We should reach the maximum volume in the 4Q, but it is ramping up. When we have a full year at the maximum volume, Eldorado represents 1 million tons of pulp and paper, which means that along this agreement we will present a 7% in the industrial business.

Mark Suarez:

OK, great, that is all I have for now. Thank you.

Stephen Trent, Citi:

Good morning everybody. Thanks for taking my question. Two questions for you. The first one, you mentioned some difficulty in March with the truckers strike, and some damage, and some of it in a permanent way, because of the rainfall. Would it be possible to quantify what sort of impact that had on the quarter's EBITDA, if it was material or if it was pretty small?

And two, with respect to the damage on the permanent way, to what extent is the CAPEX for the repair of something material?

Rodrigo Campos:

We are talking about a total recess of five days in our wide reach corridor, five days in the quarter, in the wide gate corridor, which answers for 50% of our agriculture EBITDA and volumes, just to have a size of the impact.

The CAPEX is not material, it will not change our CAPEX guidance for the year. The main impact, at the end of the day, is the interruption on our operation.

Stephen Trent:

Thank you, Rodrigo. That is very helpful. If I may have just a quick third follow-up and I will let somebody else ask you a question. The ANPC tariff cap proposals last year went into effect, it seems that you guys challenged the tariff caps on a legal basis, arguing that the cap sort of lack technical basis, it looks like you did win at the first round in the ports. I am just curious as to where this process stands right now.

Rodrigo Campos:

Just to go step by step, after the announcement of the new ceiling, we got an injunction in September. The injunction was confirmed by a second grade instance of the justice in Brazil, a very



ALL OPERAÇÕES
FERROVIÁRIAS



brado



RITMO



VETRIA

Conference Call Transcript — 1Q13 Results — May 8th, 2013

high instance, so it confirmed the injunction, it was in January, for three votes to zero, so we landed the decision, and the decision was very clear and strong on that sense.

Now, we start to discuss the marriage of the tariff revision itself and, as we have said, we are very confident, I believe we have a very strong case, but it should take some time until we have a final decision on the marriage of these decisions.

So far everything is coming as expected, and I do not know, it can take three years, two years, it is hard to tell right now, but we believe we have a very strong case, given all the discussions and these are the points we already talked about.

We are, right now, trying to discuss with ANPC some changes in the fields, in the methodology in order to reach an agreement with ANPC. So, today we have our cards on the table, discussing, we are having very good talks with ANPC. I cannot guarantee we will reach an agreement on that, but we always prefer a negotiated solution in this kind of matters, but the discussions are going well, but I cannot anticipate any outcome from this.

Stephen Trent:

Ok, that is very helpful. I will leave it at that. Thanks, Rodrigo.

Operator:

I will turn over to Mr. Eduardo Peleisoni for final considerations. Mr. Eduardo, you may give your final considerations now, sir.

Eduardo Peleisoni:

Thank you all for participating in our call, if you have any additional doubts, please get in touch with our IR team. Thank you all.

Operator:

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

"This document is a transcript produced by MZ. MZ uses its best efforts to guarantee the quality (current, accurate and complete) of the transcript. However, it is not responsible for possible flaws, as outputs depend on the quality of the audio and on the clarity of speech of participants. Therefore, MZ is not responsible or liable, contingent or otherwise, for any injury or damages, arising in connection with the use, access, security, maintenance, distribution or transmission of this transcript. This document is a simple transcript and does not reflect any investment opinion of MZ. The entire content of this document is sole and total responsibility of the company hosting this event, which was transcribed by MZ. Please, refer to the company's Investor Relations (and/or institutional) website for further specific and important terms and conditions related to the usage of this transcript."