

**Operator:**

Good morning ladies and gentlemen. At this time we would like to welcome everyone to América Latina Logística - ALL's 4Q06 and 2006 results conference call. Today with us we have: Bernardo Hees – the CEO, Sérgio Pedreiro, the CFO and Investor Relations Officer and Rodrigo Campos, Investor Relations Manager.

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.

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'll turn the conference over to Mr. Bernardo Hees, who will start the presentation. Mr. Hees, you may begin the conference.

**Bernardo Hees:**

Good morning. Thank you for your interest in the ALL conference call. We are pleased to announce the 2006 results. As you can see from chart two, I am going to try to go to the main issues through ALL's business units, and then to pass over to Sergio to comment on the results; the highlights to point out, actually.

The first one is the strong EBITDAR growth that we achieved in 2006, of over 22%, almost 23%, reaching R\$591 million, and our EBITDAR margin improving by 2 p.p., achieving 45.5%. These strong results were actually achieved by a significant volume growth of almost 11%, and they allow, when we reach 22 billion RTK, mainly driven by a 13% growth in agriculture commodities, a 22% growth in industrial intermodal, and about 6% in Argentina.

Not only we were able to achieve our financial target and our volume target at ALL, as usual, as we implemented successfully the first phase of the turnaround process unifying systems, unifying the teams, turnaround all the financials, all

the contracts, restructuring our workforce at Brasil Ferrovias, and today we can tell, from January 1<sup>st</sup>, 2007, we are already operating in a unified base.

As a result point of view, we had a strong 2H EBITDA in Brasil Ferrovias, where we grew about 85.6%, reaching R\$170 million and expanding significantly our EBITDA margin, achieving 49.4%. Sergio is going to comment, later on. You are going to see that this EBITDA margin was mainly driven by a significant cut in our cost base; you are probably going to see a lower EBITDA margin in the next coming years, because we are already contracting the new conductors and operational people in order to support our growth trend in the coming quarters.

From a volume point of view, we did not increase in the 2Q, we lost about 6%, the same thing in 2006 as a whole. Remember that we are presenting the ALL results, and then presenting the Brasil Ferrovias results, and also presenting a *pro forma* result, combining the two Companies. From now on, we are going to be presenting the results as a unified Company in the 1Q07. So, we are very pleased with the results, mainly achieving the financial targets of ALL, and also achieving the integration target that you have to have a unified company in January 2007.

Describing business units, starting with the agriculture commodities in chart three, you can see that our volumes increased 13.4% in 2006, mainly driven by the growth in corn, sugar, soy bean and fertilizers. So, it was a good recover from our agriculture commodities business unit, and the only product that we (*inaudible*) was soy meal, that we had some factors in our area of (*inaudible*) that shut down in the 1H, and are just coming back in 2007. And also wheat, that we did not import as much as we did in 2005, from Argentina.

In chart four, you can see the market share, and you can see that we achieved a consolidated market share in southern ports of 64%; even with all the growth in volume that we achieved, we lost market share from 2005 to 2006, and that was mainly driven by the recovery in the Rio Grande do Sul crops. We all remember that the severe drought that affected our operation in Rio Grande do Sul in 2005, and we had 100% market share at that time, we lost market share, but we grew significantly in volume terms.

That being said, on chart five, we can see that not only our revenue increased 27% in agriculture commodities, but our average yield increased over 12%, and we were able to pass through inflation, and this allows us to have a real gain with our mix of products. With that, our EBITDAR increased 27%, reaching R\$385 million in 2006, and our EBITDAR margin reaching 58% in agriculture commodities.

On chart six, we start discussing the industrial products, and the intermodal industrial products continue to keep our stocks on growth of over 20%, we actually grew 22% in 2006, especially in container rider cargo, food products, steel, wood and paper.

On the only rail products that we have on an industrial base, we were able to have a good performance on the construction, reaching a 11% growth – remember that we already have a strong market share in that segment, it is already a mature market for us, so we are able to capture the growing market, and we capture also, in volume, and the only thing we lost, actually, was the vegetable oil, that was the same thing of soy meal; it was affected by the shut down in some grain factories in the 1H06, that already recovered for 2007 those factories, especially Bunge and Coamo.

With that growth in intermodal, we were able to grow our revenue over 20% in 2006, reaching R\$406 million, with an average yield growth of about 10.8%, and our EBITDAR increased over 20% in 2006, reaching R\$152 million and 45.1% in EBITDAR margin; an important and strong year for industrial products.

The other segments that we have, the first one is highway services, we are going to remember our strategy of leaving some operations that did not have profitability. I think the strategy paid off quite well in 2006. Our EBITDA increased 43%, reaching R\$8.5 million, our EBITDA margin already over 7%, and we have a lot of dedicate operations at Renault Mercosul operations, Unilever operations, Minalba, some of the operations from AmBev, and some of the operations in White Martins.

So this was the best year we have had in highway services so far, and in Argentina, despite the fact that we did not grow what we expected, we increased our volume by 6% in 2006, but actually they face a very adverse commercial scenario, with a very weak crop of soy bean, corn and wheat, and that volume growth was achieved mainly driven by the improvement in our operational performances, especially the reliability of our locomotives, and the reduction in accidents. So I think it is a positive year in Argentina, we grew our volumes, especially when you compare the market that they face, and we are quite confident that everything that we did in 2006 is going to reflect in a more positive volume growth in 2007.

With that being said, our EBITDAR in Argentina increased 9% in 2006, and reached P\$63.5 million, and our revenues increased 9%, reaching P\$221 million.

That was the business unit of ALL, now we want to discuss a little bit about Brasil Ferrovias.

The first point to highlight in chart nine, is that the first stage of the turn around process was successfully concluded. All of our systems, all of our teams are already working in an integrated basis. I think we did a good job in restructuring the work force, we did a good job in restructuring all the contracts they had with suppliers and, on the financial side, also restructuring all the relations they had with the banks; all of this is already the first phase of Brasil Ferrovias's turn around, and was successfully concluded.

The second phase, and what we are facing right now, is the turn around on the operational basis. It is closing the gaps we have from the operations we have in the volume part of our network without a solid part of our network. And that, we think, is going to take at we are already selling.

All the people interested in ALL, it is going to take two to three years trying in order to have the same, our close reliability of the locomotive, reliability of the permanent way, our rail cars cycle reduction, and so on. But, with all that and all the gaps we have in operational performance, we are able to have an important EBITDAR results in Brasil Ferrovias that increased 85.6% in the 2H06, and that reflects in the reduction in the fixed cost base, as already commented.

And our margin increased 24 p.p., reaching 49%. As already commented, we are not going to be able to support that in the coming quarters. From a volume standpoint, we decreased 6% in the 2H0,6 and the volumes of the year decreased 5.8% in 2006. Two comments to say on that: we did not expect, actually, to increase volumes in this first phase - and remember that we are always talking about restructuring the Company first and then, talking about investing and capturing the market in order to grow.

The only points I would like to highlight here; first one, that Brasil Ferrovias used to come to the top of the Santos hill until you called Campinas and unload the rail cars and to load the trucks to go down the hill; we discontinued that operation because they lost a lot in margin by doing that. So, we are going all the way down to Santos by rail.

And the years to count the start of the RPK of the volumes, they do by trucks and the rail RPK, while it is actually not. So, that comparison is not really 100% correct. The second thing that we also give back to some clients in our railways is part of the fleet that was rental; the reason for that is because the costs for rental were much higher than the market. So, we prefer to give that to the clients, part of those rail cars, we prefer to (*inaudible*) that fleet. So, we worked in the 2H06 with a smaller fleet of rail cars and locomotives.

So, those are the comments I would like to make from the business unit and from the integration with Brasil Ferrovias. I would pass to Sergio to go to the graphics. Please, Sérgio.

**Sérgio Pedreiro:**

Thank you, Bernardo. We can just flip to page number ten. We see our consolidated results, starting with gross revenue, an year-over-year increase of 17%, an 11% of volume increase and a 6% increase in average prices.

On that page, page 11, you can see the EBITDAR growth year-over-year increasing 23%, reaching close to R\$600 million of EBITDAR; and I think it is important to mention, expanding the EBITDAR margin further to 47%, so, another 3% increase in EBITDAR margin.

When we flip to page number 12, you can see the EBITDA. I think it is important to, once again, mention the difference between the EBITDAR with an R and the EBITDA. With an R, it stands for rental costs, and the difference between these numbers is the rental expenses from renting rail cars from our clients.

This rental expense, total for the year, has increased from R\$24 million to R\$79 million looking from 2005 to 2006. The increase in the rental expenses is the reason: number one, lower growth in EBITDA, when you see, compared to the EBITDAR growth increase – EBITDAR, a 23% year-over-year increase, EBITDA 14% year-over-year. The reason for that is the increase in the expenses of rental cars. And also you see the EBITDA margin decreased from 42% to 40% for the same reason.

Page number 13 shows net income of R\$173 million, in line with previous year 2005. It is important to mention this is already after taking into account provisions for potential sales of our participation in Geodex, which is the telecommunication subsidiary. In case we actually conclude the sale of this stake, a R\$55 million provision has already been taken into account and is already reflected in the R\$173 million net income we showed here.

On page 14, we show the leverage in terms of net debt/EBITDA, for the company, which already includes in the Brasil Ferrovias numbers. You can see that in 2006, there was an increase to 3.8x, which is actually, the *(inaudible)*. From this point, December of 2006, we should see, quarter after quarter, this number come down. As this EBITDA grows, and also the net debt starts to reduce, probably marginally in 2007 and more significantly in 2008.

On page 15, before we open up for questions, I would like to call your attention for a couple of points. Number one, we are looking at a net expectation for the 2007 profit, which is better than originally anticipated last time we had this conference back in November. You were looking at a flat increase in the profit, since then, there has been a significant amount of rain, there is several climatic conditions and we are now talking about a more favorable scenario, with a 5% growth year-over-year in expected profit.

We have already closed the agreements for the 2007 season, 65% of the expected volumes are under agreement and 35% of capacity should be *(inaudible)* out in the spot market. As we prepared for this season, we are recuperating the locomotives and the rail cars, and also 20,000 tons of rail directions being installed in preparation for the increased volume, and, assuring reliability and loyalty of the Brasil Ferrovias network and improved conditions of the track.

We have completed the first phase of the turn around. The Companies are fully implemented and, starting January, we are going to be reporting the numbers on a consolidated basis. With that, I would like to open for questions.

**Nick Sebrell, Morgan Stanley:**

Good afternoon, gentlemen; a couple of questions. First, can you talk a little bit about guidance on EBITDAR and margin, where you see it coming next year, especially given that Brasil Ferrovias is not going to be able to support what we saw on the 2H, and on top of that we are going to see everything integrated as opposed to separate entities.

And then the second question is if you could discuss a little bit more about your contracts, if that 65% of volume is contracted, on what basis is that, does that include everything or is that just agriculture?

**Sérgio Pedreiro:**

Hi, thanks for your question. We are giving guidance for volume and volume increase for 2007 to be in the range of 10% to 12%. and price increase in the range of 5%. We are not giving guidance in terms of EBITDAR and EBITDA margins. But, that is what we expect in terms of volumes and prices. The 49% EBITDA margin that we saw in the 2H06 for Brasil Ferrovias is something that we think is achievable, but not sustainable, as of this first year of the implementation.

**Bernardo Hees:**

Hi, Nick. On the take or pay contract, we said 65% of our capacity on the take or pay contract; that is including industrial. But, that been said, the main contract that we actually set during the last three months has been the agricultural commodity contract, and this is on consolidated basis, including the northern part of our rail network an the southern part.

**Nick Sebrell:**

And when you see prices being up 5%, that is on a nominal basis, yes?

**Bernardo Hees:**

Yes, that is correct. On a consolidated basis.

**Nick Sebrell:**

And your volume estimate of 10% to 12%, that is on an aggregate basis, is not just agricultural.

**Bernardo Hees:**

Yes.

**Nick Sebrell:**

Super, thanks.

**Felipe Hirai, Merrill Lynch:**

Hi, good morning gentlemen. Just two questions. First on the mix between agricultural and industrial, currently, of the Brasil Ferrovias. You have 75% of your volumes coming from agricultural. Could you just comment a little bit on how this should change over the next years and also, how that 12% growth in 2007 should be split between agricultural and industrial.

And my second question is regarding soy meal. You have mentioned about decline in soy meal, about 25% of the volumes declining in 2006; could you just comment a little what are your expectations for this year? Thank you.

**Bernardo Hees:**

Hi, Felipe. On the mix, you are actually right; half of our revenues used to come from industrial side and half from the commodities side, and with the acquisition of Brasil Ferrovias, that changed. We have, today, about 70% of our revenues coming from the grain side and about 30% from the commodities side and from the industrial side, which is very similar from where it used to be in 1997, 1998, in ALL. I think it is going to change, it is going to take a couple of years, about five years, in order to have a better mix, but remember, we are going to be growing our grain side in the coming years significantly. So, the grain is a moving target.

But I would say that in five-years time we will continue to rehab on the industrial side, definitely serving São Paulo and serving the port of Santos, that we should see in five years a much bigger equilibrium between two business segments. That is the first one.

About the volume growth in the mix for 2007, I would say they are pretty similar. The industrial side should be growing a little faster, because they are based in São Paulo; it is much lower, but that is about 12 to 13, and the grain side about 11 which gives a mix between 10 and 12.

**Felipe Hirai:**

OK. And in soy meals, do you have any...

**Bernardo Hees:**

OK. Remember that in the 1H06 we had a couple of adversities, things that were made the industrial of soybean suffer. The first one, exchange rate was really depreciated; second one, the soy meal prices were really low in Chicago,

and right now the exchange rate did not change but the prices of the soybean have been shifting significantly.

So we already have from the clients some signs that they are going to be reopening some factories; as I said, especially Coamo and Bunge. So the signs we have that the soy meal and vegetal oil should be recovered, maybe not as much as it used to be in 2003 and 2004, but it should be recovered. And the soybean exportation should be growing; as Sérgio mentioned already, the growth in the crop side.

**Felipe Hirai:**

OK, good. Thank you.

**Andrew West, Harding Loevner:**

Hello, good afternoon. Could you provide some update on your outlook on CAPEX? And then after that maybe a discussion of rental expense, interest expense and depreciation; for the later two, is the annualization of 4Q consolidated a good starting point for 2007?

**Bernardo Hees:**

Andrew, with respect to the CAPEX, we should be looking at R\$550 million to R\$600 million yearly for the next five years, to support the operation, including Brasil Ferrovias.

With respect to rental expense and depreciation, you can do that, you can use the last quarter annualized; that will give you a good guidance for the coming year. But the rental expenses, in particular, should not be increased – I mean, you are looking at R\$79 million for 2006; it should be another increase in terms of adding rail cars for the next year. You should see a larger number in 2007, as the fleet that was added during 2006 will be on an annualized basis for 2007.

Then, from 2007 to 2008 it should be flat, as we recuperate bad cars from the rail cars from the Brasil Ferrovias fleet; we are not adding new rail cars, we should start to add again in the 2H08 (*inaudible*) for 2009; so for this period it should be more flat.

**Andrew West:**

Thank you.

**Nick Sebrell, Morgan Stanley:**

Thanks for the follow-up. A couple of more questions, if I have the opportunity. You said 20,000 tons of track; I am just curious: what does that represent in kilometers, how would you compare that with your current plant?

The next question is on your debt. What level of net debt/EBITDA, what ratio, do you feel confident with over the long run? Then, to close out, maybe a third question on Argentina: how long do you expect difficult conditions there, how long can we expect Argentina's results to be difficult, for lack of a better word?

**Sérgio Pedreiro:**

This track that has been added, 20,000 tons, represents 400 kilometers. These are tracks that we replace, and part of that is in a condition that can be used in other parts of the network, with lower density, but the expense is around 400 kilometers.

With respects to the net debt, you should see the net debt starting to decrease after 2007. The best number to look at is net debt/EBITDA ratio, and once we get to 2x to 2.5x on net debt/EBITDA, we should start to distribute the excess cash in the form of extraordinary dividends.

In Argentina, Bernardo will answer that...

**Bernardo Hees:**

Nick, in a sentence: the situation they are facing right now is already completely different. The soybean crop, the wheat crop, is already much bigger and in a much more positive scenario than they faced in 2006. And the good thing is that, with the operational standard that they are already achieving over there, and all the infrastructure that has been set in the last year in Argentina, I think we should see a more significant growth in volume there.

In Argentina they have the prices from the international market, and the Pesos versus dollars are much more depreciated than the Reais, so the agriculture in Argentina is actually booming right now. And with the weather condition they faced in the last three months, I would say that they are going to have a strong recovery in crops in Argentina.

From our standpoint, one of the good news that we have in Argentina is that Agrenco, which is an important trader in Latin America, set a new port in Iguazu (*inaudible*) which is based in our area (*inaudible*). So that is very important, in order to create infrastructure, in order to serve the crop northern in Argentina, and also Paraguay

They start to operate this port in March 2007, so we are quite optimistic about Argentina this year.

**Nick Sebrell:**

Super. And if you let me ask one last question, I am curious to hear from you what are the primary bottlenecks that you have to overcome, either in terms of

network or operations, to growing volume at Brasil Ferrovias? I mean, what is the main obstacle to increasing RTK faster than what you predict?

**Bernardo Hees:**

Actually, there are several ones that we are facing, like the *(inaudible)* of locomotives, you need to add more *(inaudible)*, we are already adding about 19 this year, we are still implementing some of them, we have no systems, we are training the engineering conductors in new procedures. So there are several things to be done, and if you asked me to choose one I would chose the permanent way.

To change these tracks, and to shift the conditions of the permanent way I would say is the main operational challenge that you have in order to serve the volume growth we want to serve.

**Nick Sebrell:**

Great, thank you very much.

**Ganson Evans, Impala Asset Management:**

Hey guys, another nice quarter, well done. I had a quick question for you related to the Brasil Ferrovias operations. You mentioned that they were transloading cars outside of the port, and letting them down by truck. What have you done to allow direct rail delivery?

**Bernardo Hees:**

Actually, Ganson, they used to do that, they did not have a constraint, a bottleneck in order not to do that. They used to do that because they thought that they *(inaudible)* faster the rail cars, and bring more volumes to the Mato Grosso area. And they were also afraid of the take or pay provisions they had with their clients. So they wanted to do their volumes, even paying the trucks.

So it was much more a financial decision than an operational and commercial decision, because they did not have the commercial constraint they have with their contracts; I really do not see the point in having the costs of the trucking taking down the hill *(inaudible)* expenses, and not having this margin on the rail operation.

**Sérgio Pedreiro:**

At the end of the day, it is a very expensive way to reduce turn around time and increase the capacity, and we are investing in recuperating rail cars and locomotives not to do that.

**Ganson Evans:**

OK, so this was simply their way of trying to get faster turns on the rail cars, it had nothing to do with the condition of the track, or the safety, or anything at that nature?

**Bernardo Hees:**

That is correct.

**Ganson Evans:**

OK, very good. Well, thank you very much.

**Operator:**

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

**Bernardo Hees:**

I just want to comment how pleased we are with these 2006 results, and I know we have strong challenges ahead of us, and I would like to thank you all for listening to ALL conference call, and say that Sergio, Rodrigo and me are available for further comments or questions you may need.

Thank you very much, you all have a nice day.

**Operator:**

Thank you. This thus concludes today's América Latina Logística's conference call. You may now disconnect your lines, and have a wonderful day.