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# Questions and Answers

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**1. What is ALL's share in the container market? How many containers does it transport per year?**

In 2009, ALL transported approximately 28 thousand containers, less than 2% of the potential market in ALL's covered area, which is estimated at more than 2.6 million containers per year.

**2. Isn't rail transport cheaper than road transport? Why is rail container transport still little developed in Brazil?**

Yes, rail transport is cheaper than road transport. But the container industry is widespread and requires customized services, while rail transport, given its characteristics, demands large volumes and standardized products. In addition, the migration of road container transport to rail container transport demands significant investments in infrastructure—multi-modal container terminals—in Brazil's countryside.

**3. Why has ALL created Brado?**

Brado will have widespread commercial approach, and its management will be independent from ALL. Brado's initiative will provide customized services to the retail market while acting as a consolidator of cargo, creating the scale and regularity that are necessary for rail transport.

**4. Couldn't ALL explore the container market directly in the railway segment?**

Because of its characteristics, rail transport is more efficient for large cargo volumes and it offers standardized services. Most container customers do not have enough scale for rail transport and demand customized services. In order to explore this market, we need an agent that provides this customized service, that has a widespread approach to attract customers in a highly-fragmented market, and that consolidates this cargo in container terminals located by the railway. Then the container becomes a more "commoditized" cargo, with the scale and regularity the railway needs, similar to what happens in the United States, for example. And Brado will play this consolidating role.

**5. Will Brado's management be independent from ALL's?**

Yes. Brado is a separate company, with independent management and a business approach that is very different from ALL's.

**6. How much capital has ALL contributed to found Brado?**

ALL contributed a minimal capital of (R\$ 500.00) to found the company.

**7. Why does Brado want to integrate rail and road transport? How does it intend to do so?**

Brado wants to replicate in Brazil a model that is successful in many countries where rail transport prevails in the container transport system. The company wants to integrate the flexibility of road transport with the cost-effectiveness of rail transport through investments in container-aggregating multi-modal terminals in the countryside and in the expansion of ALL's existing rail capacity, reducing the transport and storage costs in the container's logistics chain. This is possible because this model reduces the storage pressure at ports.

**8. What gains of efficiency does this operation model bring to the container logistics chain?**

With this model, a great part of container transport would be achieved through the railway, with reduced transport costs. Additionally, the expansion of the storage capacity in the inner parts of the country—where land is cheaper—reduces the pressure at the ports—where space is expensive and scarce—and cuts storage costs. In the end of this process, we would have a more efficient container movement model, with gains in the whole logistics chain.

**9. How does the operating agreement between Brado and ALL work?**

Brado and ALL have put into execution an agreement with the purpose of substantially increase the volumes of rail-transported containers. This will be achieved due to Brado's investments in the construction and operation of multi-modal cargo terminals, integrating highways and railways, and in the expansion of the rail transport capacity through the acquisition of wagons and locomotives, investment in railways and others. Brado will be a container "consolidator", with a widespread commercial approach and providing customized services; and it will contract ALL, which will continue to focus its efforts on its assets' turnover and efficiency, in order to provide rail cargo transport at competitive tariffs.

**10. What capacity will ALL make available to Brado?**

The capacity to be made available will be in line with the investments to be made by Brado in the expansion of the rail transport capacity. The investment-to-capacity ratio will depend on productivity and on the assets necessary in each railway route, in addition to Brado's volume growth mix over time.

**11. What investments will Brado make in ALL's operations? What are the dynamics and schedule of such investments?**

Brado will invest in multi-modal terminals that will consolidate cargo, as well as in the expansion of rail transport capacity, including the acquisition of locomotives and wagons, and investment in railways, among others. Investments will be made according to the growth in scale of the company, in line with volume growth. Necessary investments will depend on the volume growth mix per route, on productivity and on the assets necessary in each railway route. Brado estimates to invest approximately R\$ 1 billion in the next five years.

**12. Can investments be increased as the company gains scale?**

Yes. Brado may keep on investing in the expansion of the railway's transport capacity in line with the growth in volumes, according to the productivity and the assets necessary in each route.

**13. What discount will Brado have when using the railway?**

Brado will have a competitive rate compared to road transport, with a discount due to the investments made.

**14. What does this agreement mean to the railways operated by ALL?**

This agreement allows a significant increase in the volume of containers transported without compromising the investment capacity of the concessionaires, in a model that is much more appropriate for the industry, with: (1) Brado serving a more fragmented

market, providing customized services to customers, and aggregating containers in multi-modal terminals integrated with the railway system; and (2) ALL's railways focused on assets' turnover and in providing large-scale services, with cost reductions for the entire logistics chain.

**15. What investments will ALL have to make in order to expand railway capacity to meet Brado's demand?**

Brado will invest in multi-modal terminals and railway capacity expansion. ALL's concessionaires will not make investments, but, on the other hand, they will offer a competitive transport rate.

**16. Will the railway operate with single-stack or double-stack containers?**

Both. In some stretches, ALL's railways are ready to operate double-stack containers, while other stretches will require adaptations, like investments in tunnels, for example. Brado may invest to adapt railway stretches to double-stack transport as volumes increase and the scale efficiency gains justify such investments.

**17. How can the growth in the container business interfere with ALL's growth?**

ALL's market share is currently too small in the container industry, and it may grow considerably. Brado's investments will add the necessary capacity for the container business to grow.

**18. Will Brado operate in all regions and ports serviced by ALL?**

Yes.

**19. Can Brado expand its operations to other regions? Could it use this same model?**

Yes. Brado is not limited to ALL's area of operations, and it can execute similar agreements with other railways in other regions.

**20. What segments in the container market will Brado focus on initially?**

Brado will focus on imports and exports of containers and in refrigerated cargo demands.

**21. Will Brado take over ALL's current exports, imports and refrigerated cargo demand?**

Yes, Brado will take over these segments and contract ALL to make the rail transport.

**22. How much of ALL's EBITDA do these segments represent?**

They represented less than 1% of ALL's EBITDA in 2009.

**23. Will this EBITDA be fully transferred to Brado?**

No. ALL's railways will keep on providing rail transport services for Brado and will be remunerated for that.

**24. Are there other segments that Brado will take over?**

No. The only segments to be transferred to Brado will be imports/exports of containers and refrigerated containers.

**25. What is Standard? What does it do? What region does it have operations in?**

Standard is the segment leader in the refrigerated container market with intermodal approach, and has a strong know-how in providing retail logistics services. The company offers high-complexity and high value-added solutions. Standard integrates customers and suppliers through 11 container terminals, including multi-modal terminals and cold storage warehouses in the same region ALL operates, including states in the South, as well as São Paulo and Mato Grosso.

**26. How was Standard created? What are the company's figures?**

Standard was created due to the need for logistics services for refrigerated cargo between producers and supermarkets. The founding partners identified this opportunity and created the company in 2001. In 2009, the company recorded net revenue of R\$97 million, with an increase of 31% on average per year since 2001, EBITDA of R\$18 million, with an increase of 60% on average per year since 2001, and EBITDA margin of 19%.

**27. What are the company's net debt and total assets?**

In December 2009, Standard recorded assets of R\$173 million, shareholders' equity of R\$108 million, negative net debt of R\$37 million, and total available cash of R\$74 million.

**28. Has any capital been recently contributed to the company?**

In 2009, a private equity named BRZ contributed R\$80 million, resulting in a share of 38% in Standard's capital stock.

**29. Why has Brado decided to join Standard?**

There are six key reasons for Brado to join Standard:

**Asset synergy:** both companies are in the same area of operations, and several terminals have already been integrated to the railway, reducing the CAPEX and accelerating the ramp-up.

**Know-how in the industry:** Standard has vast expertise in the retail market. This merger allies strong cost-effectiveness with high quality of service.

**Operating and administrative structure:** Standard brings in an operative structure with more than one thousand employees to be used by Brado.

**Fragmented management approach:** with customers of different sizes and diverse needs, the company will provide customized services with high added value.

**Culture aligned with ALL's:** meritocracy-based culture and professional management.

**It keeps a strategic shareholder in the business:** Standard's shareholders contribute capital to the company in exchange for 20% of Brado.

**30. Has the transaction involved any cash payment?**

No. The transaction has not involved cash, which has preserved ALL's financial position. The Standard's shareholders contribute with 100% of Standard shares in exchange of 20% of Brado's shares.

**31. How does the stock merger work?**

Standard's shareholders exchange 100% of Standard Shares for 20% of Brado's shares

**32. What percent stake will ALL and Standard hold in Brado after the stock merger?**

ALL and Standard's shareholders will hold 80% and 20% of Brado's capital stock, respectively.

**33. Does Standard's joining of Brado change the company's plans of creating a model similar to the one that prevails in the U.S. transport system?**

No. Standard's entry supports the process to create a terminals infrastructure in the countryside, connected to the railway which will feed the railway system towards ports. Standard already has terminals integrated to the railway, which reduces the need of investments in Brado's business plan, speeding up its growth.

**34. Will Standard's shareholders be able to exchange Brado's share to ALL's shares in the future?**

Only in the case Brado does not go for an IPO in three years, Standard's shareholders may exchange Brado's shares for ALL's shares. The exchange ratio of shares is not pre-defined, and will depend on the basis of the companies' economic value, that will be established on the date of the transaction. It is important to emphasize that it may happen only in the case Brado does not go for an IPO in three years time.

**35. Is there any warranty of minimum value for such transaction for the Standard's shareholders?**

No. The exchange ratio and, hence, the value of the transaction is not pre-defined, and will depend on the basis of the companies' economic value, to be established on the date of the transaction. It is important to emphasize that it may happen only in the case Brado does not go for an IPO in three years time.

**36. What are the existing synergies between both companies?**

The key synergies between the companies are Standard's operating and administrative structures, which allows for Brado to immediately start operating, and the assets and terminals base in the same region of operation as the business.

**37. Why has Standard decided to join Brado?**

Standard intend to replicate in Brazil a model that has been proved in other countries, where the railway prevails over the truck in the containers transport. The company will consolidate the cargo in terminal that integrate the railway to the roads, offering a wide range of customized services.

**38. What will be the company's status after Standard's merger?**

Standard will become a fully-owned subsidiary of Brado, and Standard's shareholders will receive Brado shares and participate in its management.

**39. Is the company's startup capital similar to that contributed by Standard, or is ALL also making an additional capital contribution?**

Initially, the company's capital will be that derived from Standard's merger. ALL is not contributing with financial resources.

**40. How does the company intend to raise the funds necessary to invest in the expansion of the container terminals and in the expansion of railway capacity?**

Brado will seek resources such as financing from financial institutions, including the BNDES. It may also seek resources from strategic partners and the capital markets.

**41. How about acquisitions? Are new acquisitions included in the company's plans?**

No other acquisition is currently ongoing at Brado. But the company is always seeking investment opportunities in the market, which may add synergies and value to our business.

**42. Does ALL intend to finance the company so that it makes the necessary investments?**

No. Brado's business plan does not depend on resources contributed by ALL.

**43. How will the new company's management work?**

Brado will have a completely independent management from ALL and José Luis Demeterco, founder and CEO of Standard, will be the CEO of Brado.

**44. What is the company view on the potential market share for this business?**

Brado is able to replicate in Brazil a logistics model that has proven to be very successful in many countries around the world, where market share of container transport in rails can be more than 50%.

**45. What is the average annual investment projected for the upcoming years?**

The investment in the next 5 years should be approximately R\$ 1 Billion in the time frame, including, in this number, R\$ 250 Million in the acquisition of locomotives, R\$ 540 Million in the acquisition of wagons, R\$ 110 Million in terminal construction and R\$ 100 Million in civil construction, permanent ways and technology.