

## Q2 2013 Earnings Call

### Company Participants

- Marcello Guidotti, Chief Financial Officer
- Raquel Turano, Investor Relations

### Other Participants

- Stephen Trent, Analyst

### Presentation

#### Operator

Good morning and welcome to the Ecorodovias second quarter and first-half of 2013 earnings conference call. With us here today are Marcelino Seras, the company's CEO; Marcello Guidotti, CFO and IRO and Raquel Turano, Investor Relations. This presentation is being recorded and all participants will be in a listen-only mode during the presentation. (Operator Instructions) The audio and the slides of this conference call are being broadcast simultaneously at [www.ecorodovias.com.br/ir](http://www.ecorodovias.com.br/ir), where you will find the presentation for download from the webcast platform in the Investor Relations section.

Before proceeding, we would like to clarify that the forward-looking statements that may be made during this conference call relating to Ecorodovias' business prospects, projections and operational and financial targets are based on the management's beliefs and assumptions as well as on currently available information. They involve risks, uncertainties and assumptions as they refer to future events and hence depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions and other operating factors may affect the future performance of Ecorodovias and lead to the results that differ materially from those expressed in such forward-looking statements.

I will now turn the floor to Mrs. Raquel Turano, who will discuss the second quarter and first-half of 2013 results. Mrs. Raquel, you may proceed.

#### **Raquel Turano** {BIO 21085763 <GO>}

Good morning, everyone, welcome to Ecorodovias conference call about the results for the second quarter and first-half of 2013. Thank you for taking interest and participating in it. Our goal is to maintain an open dialog with you all and answer any questions about the company's results you may have. We believe that the indicators we are going to show will underline Ecorodovias solid position, which we achieved by strengthening the pillars already consolidating our operations.

FINAL

In the second quarter, we had an organic growth in the consolidated increase of 7.70% in the highway concession traffic as we can see on slide three. Also, as we announced yesterday, in July, we recorded a growth of 7.90% over the same month last year accumulating a growth of 4.7% in the first seven months of 2013. We believe the group's performance has been to our [ph] expectations of net income came to BRL87 million in the quarter, growth of 3.2% year-on-year. In port operations, Ecoporto Santos, we would like to highlight the increase in the EBITDA margin to 35.6% as we can see on slide eight.

The second quarter performance of Elog with operating the logistics sector was impacted by addressing occupancy rate of distribution centers. These are (inaudible) Cajamar, Imigrantes is (inaudible). The company is taking all measures necessary to update the distribution centers' client profile in line with the current capacity and commercial strategy. The result should start in the third and fourth quarters of 2013.

We would also like to inform you that the provisional amount of 6.3 the Group was granted an authorization to operate the customs center CLIA for the dry ports of Campinas, Sao Paulo and Curitiba. As a result the three units would have a fixed term, started to operate for an indefinite term on a CLIA basis, thus with greater flexibility in the tariff. Currently, Elog relies on two dry ports, Bareuri and Curitiba, four CLIA Campinas, Sao Paulo centers and Curitiba. Four border dry ports, one in Parana and three in Rio Grande do Sul as well as Ecopatio Cubatao cargo terminal and three distribution centers located in the southeast region and one located in the south region.

And we have some of the news in the first-half. In the highlight of second quarter, our fixed concession ECO101 started operating in the shortest period of time for us we managed to tie a firm-up commitment with the Brazilian Institute of Environment, IBAMA to collaborate to begin the work in the half of the way of the recharge. To further strengthen this business, ECO101 established a partnership with Centaurus, a company that belongs to solid growth and have extensive knowledge of the transport in the state of Espirito Santo which we acquired 27.5% of ECO101.

Another important point that we're working on creating more synergies among our company, the acquisition of the (inaudible) Ecoporto Santos was successful and the company had announced that if you invest BRL75 million in the acquisition of machinery and equipment including three containers which also requires a 33 terminal traffic. In this area gross revenues from port operations came to BRL\$167 million in the quarter. We are maintaining the company's commitment to continue investments in all the segments. As an example, we will inaugurate in the second-half, two new lanes on the Imigrantes highways, between kilometers 76 and 40, making Imigrantes the only highway in the world to have six lanes going in a single direction. Investments to the Ecovias dos Imigrantes totaled BRL\$69 million in the second quarter.

We have even other reasons to believe that the second quarter results reflect the ability of Ecorodovias to come up with solutions and address the macroeconomic scenario. We then filed it on July, 28, we began toll collections for commercial vehicles including suspended axles and the payment of viable concession fee to the final [ph] 1.5% of total revenues. This now -- was operated by the Sao Paulo state agencies following the state government's suspension of public tariff adjustments, estimated at 6.5% for the

beginning of July. In the view of this scenario we believe that the second-half will also bring positive results.

The EcoRodovias led Group has followed closely the new opportunity for us, the airports and highways through the several concessions, which should begin with the building process of the BR-262 and BR-050 highways which (inaudible). After this brief explanation, we are now going to start the Q&A session. Thank you.

Operator, you can take it from here.

## Questions And Answers

### Operator

At this time we will begin the question-and-answer session. (Operator Instructions) And our first question comes from Stephen Trent from Citi. Please go ahead with your question.

#### Q - Stephen Trent {BIO 5581382 <GO>}

Hi, good morning everybody and thanks for taking my questions. Two from me; I guess the first is, when you think about the current regulatory environment, what do you think happens next year as the Governor of Sao Paulo suspend the annual inflation increase on tariffs again and how likely do you see that -- this, admittedly very early juncture.

#### A - Marcello Guidotti {BIO 16618352 <GO>}

Hi, Stephen, thank you very much, I'm Marcello, regarding the regulatory environment for the next year what we're seeing and we're looking now actually is that some power and probably in the federal level, some tariff rate adjustment were just suspended, but not -- but all in all of that cases we ask concession, we have received an immediate compensation in term of cash that was the charging of the suspended (inaudible) in the highways on the suspension of the payment of the right of concession.

So it was a punctual decision of the government, that was immediately compensate because it was clear in this picture, the government, it is clearing all our meetings that we have with the agency that no unilateral change of the government [ph] will happen. So what respect next year, of course, there is not an infinitive room to cut tariff without any compensation.

There will be -- can be some possibility, I don't know, some concession and to start to think about some reduction in the tariff income and receiving some extension of the concession for the compensation that can be. But in term of regulatory environment, we don't see any surprise again, this year was -- come to a decision that was immediately compensate and we expect that this won't continue in that way, say, when this -- the increase in the tariff is a contractual due to the government. So, the standing we have been, in any case, it will be usually under -- it was now within the dialog with concessionaires and with immediate financial compensation.

So we were not worried in the case, I think some the last week's amount in Brazil where we saw some sweet growth and some strong, probably has a force -- not force but the government take some decision, a valid decision, but we don't see that these will be standing as we continue.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Okay. Great. I appreciate that. And just one more question. I know you touched on it a little bit, but as you think about the potential pipeline in Brazil, you have BR-050 and BR-262, some airport auctions in the pipe and I'm wondering how you're thinking about these with respect to potential synergy generation or whether one particular project looks potentially more attractive than another?

**A - Marcello Guidotti** {BIO 16618352 <GO>}

For sure this first range of federal concession that 262 and the 050, we were in the -- all of that concession were deeply modified in the last month, adding some improvement in the assumptions of all of them and so do we have improved the quality.

So we are and we believe that it will be a good program all in all on that. But of course, as they grew there we're hoping some of them and these two lanes are the most -- that I'd say our preferred target, I think 262, the same 050 and the next 101 in Brazil [ph]. So these are our main target, but also later on the 040, (inaudible) is interest and of course we now have capacity to bid for all of them and winner of them.

So we will be focused as always we were in two, three projects at the maximum and these, given that we -- also we will participate in the auction of airport, of course, the airport, we're adding partnership with support, the 25% or the 50% because 50% is within (inaudible) and we want to say that giving this we have the capacity to focus in two or three projects that we have with and the airport for this second semester.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Okay. Very helpful. Thanks, very much.

**A - Marcello Guidotti** {BIO 16618352 <GO>}

Thank you very much. Thank you.

**Q - Stephen Trent** {BIO 5581382 <GO>}

Thank you.

**Operator**

(Operator Instructions) And showing no additional questions, I would like to turn the conference call back over to Mrs. Raquel Turano for closing remarks, Ma'am?

**A - Raquel Turano** {BIO 21085763 <GO>}

Once again, thank you for taking interest in participating in our conference call, if you need more information, our Investor Relations team is at your disposal. Thank you very much and have a nice day.

## Operator

Ladies and gentlemen, we thank you for attending today's conference call. It has now concluded. You may now disconnect your telephone lines.

*This transcript may not be 100 percent accurate and may contain misspellings and other inaccuracies. This transcript is provided "as is", without express or implied warranties of any kind. Bloomberg retains all rights to this transcript and provides it solely for your personal, non-commercial use. Bloomberg, its suppliers and third-party agents shall have no liability for errors in this transcript or for lost profits, losses, or direct, indirect, incidental, consequential, special or punitive damages in connection with the furnishing, performance or use of such transcript. Neither the information nor any opinion expressed in this transcript constitutes a solicitation of the purchase or sale of securities or commodities. Any opinion expressed in the transcript does not necessarily reflect the views of Bloomberg LP. © COPYRIGHT 2022, BLOOMBERG LP. All rights reserved. Any reproduction, redistribution or retransmission is expressly prohibited.*

FINAL

Bloomberg Transcript