

## Q3 2012 Earnings Call

### Company Participants

- Marcus Macedo, IR Manager

### Other Participants

- Eduardo Couto, Analyst
- Steve Trent, Analyst

### Presentation

#### Operator

Good morning, ladies and gentlemen. Thank you for waiting. You're welcome to the Companhia de Concessionárias Rodoviárias, CCR, conference call for discussion of the results of the Third Quarter of 2012.

We would like to inform that all participants shall only be listening to the conference call during the presentation of the Company, but, immediately afterwards, we'll begin the question and answer session, when we will provide more instructions. (Operator Instructions)

Before continuing, we would like to clarify that any eventual statements made during this conference call relating to the Company's business prospects, projections, and operating and financial targets represent mere beliefs and assumptions on the part of CCR's management and is currently available information from the Company.

Forward-looking statements do not assure future performance. They involve risks, uncertainties, and assumptions because they refer to the future events and, therefore, depend upon circumstances that may or may not occur.

Investors must understand that general economic conditions, conditions within the industry, and other operating factors may affect the Company's future results and could lead to results that materially differ from those that are expressed in the forward-looking statements.

Now, I'd like to give the floor over to Mr. Marcus Macedo, Investor Relations Manager. Please, Marcus, you may proceed.

**Marcus Macedo** {BIO 15022391 <GO>}

Thank you, operator. Good morning, to you all, and thanks for being present at the conference call regarding the earnings results for the Third Quarter of 2012.

With us today are Arthur Piotto, our CFO and IR Officer; Daniel Kuratomi and Leandro Mathias, members of our IR team. We would like to report that our quarterly earnings result is available on the Company's website at [www.grupoccr.com.br/investors](http://www.grupoccr.com.br/investors).

Before speaking specifically regarding the results, I would like to quickly run through some of the macroeconomic indicators that we believe are important for the performance of our business.

During the Third Quarter of 2012, important economic and production indicators that were disclosed suggested that a heating up of the economy. Among them, we can cite the unemployment rate in September 2012, which was 5.4% up; a continuous improvement compared to the 6% in September 2011.

The average real income of workers, as calculated in September 2012, was BRL1,771; up 4.3% when compared to September last year. However, industrial production declined 2.8% in the Third Quarter over the same period last year. The accumulated pace for the past 12 months was down by 3.1%. And compared to September 2011, there was a decline of 3.3% industrial production.

In the comparison of the Third Quarter with the immediately prior quarter, industrial production showed signs of speeding up, with an increase of 1%.

The latest credit report published by central banks demonstrates that the evolution of credit during the Third Quarter 2011 -- 2012 was positive. There was a 3.2% increase in the volume of free and direct credits, with credit for individuals rising by 3.9%, and credit for vehicle financing up by 2.3% during the same period.

It should be remembered that the automotive sector is intimately linked to the growth of traffic, and has major importance in the makeup of industrial GDP.

In this sense, the number of licensed vehicles increased 13.4% in the Third Quarter 2012, versus the same period last year. And the production of vehicles also rose 1.5% in the Third Quarter 2012 when compared to last year. And in October 2012, vehicle production was up by 20%.

As a result of the efforts of Brazilian Government to stimulate the economic development of the country, we are maintaining our positive view about the Brazilian economy. We are quite confident regarding the future in the very short term.

We expect it will continue to show gradual recovery in the next months, by the end of this year. In fact, the preliminary October numbers support this expectation; that growth of traffic should continue in line with the 1.5 times GDP, as traffic data of recent years has been indicating.

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In terms of our traffic, consolidated traffic at our concessionaries increased by 3.1% in the Third Quarter 2012, and 2.8% in the nine months of 2012, when compared to the same period of last year. This result was mainly due to the gradual recovery of economic execution observed during the quarter, and the (calendar) effect, which positively impacted light vehicle traffic, while negatively impacted commercial vehicle traffic during this quarter.

Therefore, during the Third Quarter 2012, the flow of passenger vehicles rose 4.7% when compared to last year, and commercial vehicles traffic grew 1.7%.

We highlight the fact that the preliminary data from October is showing a very strong recovery of traffic, supporting our expectation of growth of traffic at 1.5 times GDP for this year. In our press release, you will find more information regarding the evolution of traffic at our concessionaries.

In terms of EBITDA margin, during this year the Company expanded its portfolio, including business outside Brazil. This movement generates non-recurring initial cost with regard to restructuring the Company, which results in temporary pressure on EBITDA margin. In fact, we ended the quarter with EBITDA margin at 61.8%, which includes those non-recurring effects, costs regarding the expansion of our restructure, and also other non-recurring effects.

Excluding those non-recurring costs, and also the addition of business in the initial phase, the adjusted EBITDA margin would have been 67.4%, showing actually a slight improvement when compared to the EBITDA margin posted in the Third Quarter 2011.

In terms of net income, (discharged) net income in this quarter was BRL316.8 million; an increase of 18.9% over the same quarter last year. This improvement in performance is a reflection of an improved operational performance, control of costs, and better financial results, as well as a greater contribution of some projects that were recently in initial phase at the line for our subway in Sao Paulo, Brazil.

Now, in terms of leveraging, the Company leveraging, as measured by the net debt-to-EBITDA ratio, was 1.9 times, which is slightly lower than the previous quarter of 2 times; mainly due to the addition of the airports, which are not yet fully reflected in our EBITDA.

We believe that the current level is a very comfortable situation for the Company, allowing it to continue with its strategy of (qualified) growth with capital discipline.

Our (future) management approved also the interim distribution of dividends to its shareholders for the fiscal year of 2012 in the amount of BRL953 million, corresponding to BRL0.54 per share, with pay out beginning on October 31, of this year.

Taking into account the supplemental dividend paid on April 27, this year in the amount of approximately BRL100 million, corresponding to BRL0.06 per share, the Company made a total pay out of approximately BRL1.05 billion in dividends during this year of 2012;

representing a 4.9% dividend yield considering the closing price of the stock at the first working day of this year, or BRL12.24.

What I mean is, if an investor had purchased this share on the first day of the year, he would have had a dividend yield of 4.9%.

With this, we are now concluding our comments regarding the 3Q '12 results, and we are at your disposal to answer any questions you might have.

Operator, please proceed.

## Questions And Answers

### Operator

(Operator Instructions) Eduardo Couto, Goldman Sachs.

#### Q - Eduardo Couto {BIO 15918458 <GO>}

Just one question regarding the additional costs that you had during the quarter. You put on the press release that you had around almost BRL50 million in costs related to judicial disputes during the 3Q, just want to know if all these disputes are over and we shouldn't see any charges like that during the Fourth Quarter, or if the Company still have legal disputes in (in amounts) that could generate further payments or provisions during the upcoming quarters. That's the question. Thank you.

#### A - Marcus Macedo {BIO 15022391 <GO>}

Thank you, Eduardo. No. We don't expect any such effects in the Fourth Quarter, or even in the upcoming quarters. Obviously, there are this kind of disputes that is actually not related to our operations, and those are related to financial obligations.

Obviously, it could always happen, although we don't expect that to happen. So we don't expect any further expenses because of this cost, okay; this is over.

#### Q - Eduardo Couto {BIO 15918458 <GO>}

Okay. No. That's clear. And just another question, Marcus, regarding the airports, a new round of airport options in Brazil. There is some recent news saying that CCR was studying different partnerships for these upcoming auctions for the Brazilian airports. Have you already decided who's going to be your partner, or you are still studying the possibilities? Can you give us more color on that?

#### A - Marcus Macedo {BIO 15022391 <GO>}

Well yes, we are actually -- yes, we are actively studying our airport sector regarding Brazilian (auctions). We are analyzing partners, but to define that and to have an idea of who could be our partner, we would need a definition from the conceding power

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regarding their requirements of this operator, or even what kind of partner he could put in the consortium.

So I would say it's still too early to say anything about what the consortium is going to look like in the future, considering that the Government is still deciding what is going to be the model that they are going to launch the next round of airports.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Okay. But the idea is to participate on the upcoming auctions?

**A - Marcus Macedo** {BIO 15022391 <GO>}

Yes, definitely.

**Q - Eduardo Couto** {BIO 15918458 <GO>}

Okay. Thank you, guys.

## Operator

Stephen (Metsi), Citigroup.

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

Steve Trent. Thank you for taking my questions. Just two questions, if I may, please. The first, I recall, some time ago in Brazil the Rio Sao Paulo high speed train project had kind of come and gone and it now looks like it might be coming back again. Could you give us your thoughts and your view as to how you're thinking about, or whether or not you're thinking about, potential participation?

**A - Marcus Macedo** {BIO 15022391 <GO>}

Hi, Stephen. Well yes, you're right; this process, it started and was postponed, then it came back, was postponed, and then has come back again.

The Government made some change in this auction, in this project. It seems that now, by - according to public information, that the Government would perform most of the CapEx; and they created the operator party. So it would be like you could be as an operator and you wouldn't have to invest. This is a very interesting way to see the project. So in this sense, CCR would be interested in the (MORs), at least for this project.

Obviously, as you said, we still need a definition on what are going to be the conditions of this project and how it would affect CCR; what would be the demand for this project and for passengers; and, actually, every definition about that.

So I think that, for you, as an indication, CCR would be interested in analyzing the project. It would make sense for us. This is a project that's under our scope. But it's still too early also to decide or to say something about how interested we'd be in this project.

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

Very good color. And just one more question, if I may, please. I recall that -- and I realize you're looking as well at the potential for port privatization in Lisbon, and perhaps you might even be looking at other overseas projects in airports and other related sectors, own the airports, I'm not sure.

As we think about the next three to five years, any color as to what portion of EBITDA could come from international; whether that number should maybe stay the same as it is now on a percentage basis, or if it should be higher than it is today?

**A - Marcus Macedo** {BIO 15022391 <GO>}

Well thank you for the question; very interesting. We do seek diversification, so that's why we are entering new -- in other businesses. So I'd say that in the future, in a five-year period, obviously, that our EBITDA will come a little bit more from other projects than highways.

It's difficult to say if it would be coming from projects outside Brazil, but we do look to opportunities outside Brazil in very specific cases, as you mentioned. It has to be related to our strategy. We are always -- we always look to projects based on our capital discipline.

And looking to Brazil, we still expect many projects to be auctioned, to be launched in Brazil. So although those projects are maybe taking a little bit longer than expected by market to be launched, we still have airports in Brazil; we have highways; we've got the high speed train, as you mentioned.

So I think, in terms of breakdown, Brazil and other countries, I think Brazil is still going to be most of this, by far.

And in terms of inside Brazil, from tolls and other sectors, I think we are going to dilute a little bit more toll revenues. If you look to our revenues today, we have revenues coming 87% from tolls. I think this is going to reduce a bit yet. We have a few projects to be improved, such as (bacchus), the ferryboat system; the subway line, also; and also, the airports.

But you have to remember that a project that we were awarded this year was (Prensolinsca), which is an expressway (you generally see). So although we are entering in new projects other than highways, we are still -- we still expect to enter in highway projects in the future.

So I think there's going to be a dilution, but it's not going to be like 50% coming from tolls and 50% from other projects. I think it's going to be more like 70%, 75% from tolls, and the rest coming from other projects; a small portion coming from outside Brazil.

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

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Okay, I appreciate the color. And I'll let someone else ask a question. Thank you.

**A - Marcus Macedo** {BIO 15022391 <GO>}

Thank you, Stephen.

## Operator

This concludes today's question and answer session. I'd like to invite Mr. Marcus Macedo to proceed with his closing statement. Please go ahead, sir.

**A - Marcus Macedo** {BIO 15022391 <GO>}

Thank you, operator. Once again, together with all the members of CCR, I would like to thank you for your time and interest in our Company.

Please do not hesitate in contacting any of us in the event you have additional doubts. Our contact information is available on our release and in our website, [www.grupoccr.com.br/investidores](http://www.grupoccr.com.br/investidores). There, you will find additional information regarding our Company. Thank you, all.

## Operator

That does conclude CCR's audio conference for today. Thank you very much for your participation. Have a good day, and thank you for using Chorus Call.

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