

## Q2 2012 Earnings Call

### Company Participants

- Marcelino Seras, CEO
- Marcello Guidotti, CFO and IRO
- Unidentified Speaker, Interpreter

### Other Participants

- Augusto Ensiki, Analyst
- Bruno Amorim, Analyst
- Daniel Spilberg, Analyst
- Felipe Nussli, Analyst
- Unidentified Participant, Analyst
- Victor Mizusaki, Analyst

### Presentation

#### Operator

Thank you. Good morning. Welcome to EcoRodovias' Second Quarter of 2012 Earnings Conference Call. Today with us we have Mr. Marcelino Seras, CEO and Mr. Marcello Guidotti, CFO and IRO. We would like to inform you that this presentation is being recorded and all participants will be in a listen-only mode during the Company's presentation.

At the end we will start the Q&A session for analysts and investors only, when further instructions will be given. (Operator Instructions) The audio and the slides of this call are being broadcast simultaneously on the Internet at [www.EcoRodovias.com.br/ir](http://www.EcoRodovias.com.br/ir), where you will find the respective presentation for download from the webcast platform at the Investor Relations section.

Before proceeding we would like to clarify that forward-looking statements that might be made during this call related to EcoRodovias' business perspectives, projections, operating and financial targets are beliefs and assumptions of the Company's management, as well as information currently available. They involve risks, uncertainties and assumptions as they refer to future events and, therefore, 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 results that differ materially from those expressed in such forward-looking statements.

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Now we would like to turn the call over to Mr. Marcello Guidotti, CFO and IRO, who will make remarks the Second Quarter of 2012 results. Mr. Guidotti, you may proceed.

## **Marcello Guidotti** {BIO 16618352 <GO>}

Good morning. Welcome to EcoRodovias' Second Quarter of 2012 Earnings Conference Call. We will start our call by updating you on the status of the BR101 highway auction in Espírito Santo State.

As you all know, the signature of the concession agreement scheduled for August 2 has been placed on hold due to the injunctions currently under appreciation of the 13th Federal court of the judiciary section of the Federal district. Consorcio Rodovia da Vitoria formed by EcoRodovias and SBS Engenharia, the winning bidder, have been taking all the necessary measures to ensure a favorable outcome.

Regarding the Tecondi Complex, acquired by EcoRodovias last May, we will continue to focus on integrating the administration of assets and obtaining operating improvements. We take the opportunity to clarify that the two class actions and the claim currently before the Federal Court of Accounts about the lawfulness of transfer additional areas to Tecondi were already known by EcoRodovias which during the terminal acquisition process and aligns with due diligence reports and expert legal opinion that show (inaudible) risk through the long run.

Now on the results delivered in Q2 2012, we can see on slide two the 3% accumulated growth in the Highway Concession traffic in the first semester and, as published on August 7, the accumulated traffic up to July 2012 growing by 2.7%, reaching 119 million equivalent paying vehicles, as you can see on slide three. In spite of the lower consolidated traffic growth over the year we continue to estimate a traffic growth close to 1.5 times the GDP for 2012.

The Logistics operating performance was as expected, considering the effect of seasonality and the optimization of the service mix delivered in the period, handling 20,000 containers in the primary zone, lower than the 21,500 in 2011. However, we've seen a 57.4% higher average tariff, as you can see on slide number four, boosted mainly by the 13.9% increase in the import container handling.

Regarding the financial performance, the consolidated net revenue in the quarter net of the construction revenue was BRL457.7m, an 18.4% -- see presentation 18.1%, growth year on year, as you can see on slide five. Here you can also see the gross revenue breakdown per business, with 71.8% from toll collection, 15.2% from logistics and 9.9% from the Tecondi Complex.

On slide six the consolidated IFRS EBITDA in Q2 2012 was BRL245.8 million with a 47.2% margin, which, net of the IFRS effect, means a 56.8% margin in the consolidated figure, lower than the Q2 2011 mainly due to the consolidation of the Tecondi Complex.

On slide seven, the Highway Concessions EBITDA margin net of the IFRS effect reached 73.3% in Q2 2012, higher year on year. The Logistics EBITDA margin was 12.9% in Q2 2012. The Logistics EBITDA was impacted by the review of our business plan and of the processes of the transport sector and the reorganization of the product portfolio distribution center, both aiming at improving the margin from these services as well as the expenses with development and new business acquisitions.

On net debt, slide eight, we have raised our net debt/EBITDA ratio to 2.3 times due to the issue of promissory notes and debentures for the acquisition of the Tecondi Complex. We are comfortable with this new level of leverage for the sector.

Investments made in the quarter amounted to BRL115.5m, highlighting the duplication of the 14.4 kilometers of the Ecocataratas BR277 highway, which were the object of the amendment to the concession contract with the Highway Department, the DOT of Parana State amounting to BRL50.6m, besides investments in paving and preservation of highways.

Net income in the quarter was BRL85.9m, a 1.4% drop year on year.

And to finalize I would like to stress that we are paying keen attention to the new opportunities in the Highways sector, looking forward to the new bidding processes announced by the Federal government as well as evaluating the PPP, the public private partnership with the State administrators.

Thus we conclude our Group presentation and we would like to open for questions. Operator, we are ready to answer questions from investors and analysts. Thank you, very much.

## Questions And Answers

### Operator

Thank you, very much. Now we will start the Q&A session for investors and analysts only. (Operator Instructions) Our first question comes from Mr. Daniel Spilberg from Barclays. You may proceed.

### Q - Daniel Spilberg {BIO 16863949 <GO>}

Thank you. Good morning, everyone. My questions are all about Logistics, where we see a margin compression to 13% instead of 17% or 18%. I would like to know the main reason for this reduction in margin. Were there some recurring -- or non-recurring or extraordinary facts that led to this in this quarter?

### A - Marcelino Seras {BIO 16618338 <GO>}

Daniel. Good morning, this is Marcelino. The Logistics sector is undergoing a process of obtaining better margins and we expect and we are sure that in Q3 we will see

substantial changes there. Many changes were made in the initial period (inaudible) changes -- management changes and we are looking forward -- we are making our best endeavors and focusing on profitability.

**Q - Daniel Spilberg** {BIO 16863949 <GO>}

Thank you, very much, Marcelino. Then could you update us on the transfer of the (inaudible) CRIO and explain the rationale for the reduction from 180 million to 70m? I think this is important.

**A - Unidentified Speaker**

Daniel, thank you for your question. The regulators have already formalized this and our expectation is for the Third Quarter. And the changing CapEx in Logistics was carried out so that we may evaluate the investments to be made.

**Q - Daniel Spilberg** {BIO 16863949 <GO>}

Thank you, very much.

**Operator**

Mr. Felipe Nussli from BTG Pactual you may proceed.

**Q - Felipe Nussli**

Good morning, and thank you for the call. I have two questions. There was a cut in your CapEx of about 22.5%. How much of that cut is related to jobs that have been postponed and how much is related to the economy itself?

**A - Unidentified Speaker**

Most of that had to do with a postponement in the investment not in the execution. But some adjustments to the projects were necessary and also this has an impact on the pace of the execution and this will be changing at the beginning of 2014. And what has been contracted is being executed.

**Q - Felipe Nussli**

Thank you, very much, my second and last question. Marcelo was telling about the new concessions. Is there any specific project that you're aiming at, be it at the federal level or the state level?

**A - Unidentified Speaker**

We're still waiting for the approval by the government and the approval by the responsible agencies and, by that, we mean both at the federal level and the state level. So we have to wait for the decisions on the parts of the both the federal government and the State government to say anything more about this.

## Operator

(Operator Instructions) Our next question comes from Mr. Bruno Amorim from Banco Santander.

### Q - Bruno Amorim {BIO 17243832 <GO>}

One question regarding the Tecondi operation, in your base guess when will you be starting up other ports? And in your talks with the client have you seen somebody's intention in terms of migrating from Tecondi to one of your competitors? So what about the negotiations underway? Thank you, very much.

### A - Unidentified Speaker

Thank you, Bruno. About the startup of our terminals, one would be in the first half of 2013 and the other one by the end of 2013. And in full operation in 2014. This is what we are working with.

About the product mix of Tecondi, we have many different clients and many different products so we have a very high level of capacity and a very diversified product portfolio to offer to our clients and this is what I can tell you.

### Q - Bruno Amorim {BIO 17243832 <GO>}

Thank you, very much.

## Operator

(Operator Instructions) Mr. Augusto Ensiki from Morgan Stanley, you may proceed. You may ask your question.

### Q - Augusto Ensiki {BIO 15988025 <GO>}

What about third party costs regarding advisory services, etc.? I would like to know if this kind of expense will go back to normal levels? Do you expect a decrease in these non-recurrent expenses? For BR-101 and also the acquisition of Tecondi so there were these additional expenses. So it would be reasonable to suppose that the level of these expenses would be going down to historical levels?

### A - Unidentified Speaker

Yes, this is what you should expect.

### Q - Augusto Ensiki {BIO 15988025 <GO>}

Thank you.

## Operator

Our next question comes from Mr. Victor Mizusaki from UBS. You may proceed.

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**Q - Victor Mizusaki {BIO 4087162 <GO>}**

Good morning. Regarding the logistics business, the improvement in margin in Q3, could you quantify an improvement in margin this area?

And the second question has to do with new businesses. You have 2.3 times net debt to EBITDA. What would be the strategy to finance the new projects from now on?

**A - Unidentified Speaker**

We have the possibility of going up to 3 times. You all know it very well. Of course, regarding investments and new business opportunities you know that we are very much focused on that. And we have the intention of still participating in new investments provided that they have to do with our strategy. (technical difficulty).

**Q - Victor Mizusaki {BIO 4087162 <GO>}**

What about your participation in PPPs? Could we consider the possibility of Ecorodovias participating in urban mobility projects?

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

No, no, this is not part of our core business. We do not have any intention whatsoever of participating in urban mobility. We intend to close the year with a margin of about 20%, close to 20%. (technical difficulty).

**Q - Victor Mizusaki {BIO 4087162 <GO>}**

Thank you.

**Operator**

Our next question comes from Mr. (inaudible). You may proceed.

**Q - Unidentified Participant**

My question is about Tecondi. What is the legal path that you are using to solve this issue? And in the figure do you include their -- what kind of duration of the concession are you contemplating, 15 or 25 years?

**A - Unidentified Speaker**

This is entered in an administrative proceeding of the Court of Accounts of -- Federal Courts of Accounts. The decision is favorable to the Company. This has to be formalized. And the decisions published are still at the first level and the court will take the necessary legal measures to reverse decisions that might be against what is provided for in the contract.

(Technical difficulty).

The decision is already a norm that is put in practice and contracts can only be renewed with the approval by the agency and with an investment plan which was already part of the business plan of EcoRodovias when Tecondi was acquired. The renewal of the contracts is already based on an INFACI regulation. INFACI is the national worker consultation agency. And the renewal is always by means of an investment plan and it is not an automatic renewal of the contract.

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### **Q - Unidentified Participant**

Thank you. What about the amount paid? Did you consider the possibility of renewal when you paid for it?

### **A - Unidentified Speaker**

Yes, we considered the possibility of renewal. And all the cash flow is based basically on that up to 2023. And after that you have to make investments for approval.

### **Q - Unidentified Participant**

Thank you.

### **Operator**

Thank you, very much. The Q&A session is closed. Now I would like to give the floor back to the speakers for their closing remarks.

### **A - Unidentified Speaker**

Thank you, very much for participating in our call and our Investor Relations department is available to you at all times should you have any additional questions or doubts. Thank you, very much and have a very good day.

### **Operator**

Thank you, very much. EcoRodovias' conference call is closed. We thank you very much for your participation and wish you all a very good day. Thank you.

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