

Q4 2011 Earnings Call

Company Participants

- Flavia Godoy, IR
- Marcus Macedo, IR

Other Participants

- Alexandre Ansel, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen. and thank you for joining us. Welcome to the Companhia de Concessionárias Rodoviárias CCR teleconference to discuss the results for the Fourth Quarter of 2011. Please be advised that all participants will be in a listen-only mode during the Company's presentation, following which we will provide further instructions before we begin the question-and-answer session. (Operator Instructions)

Before proceeding, we would like to note that forward-looking statements which may be made during this conference call regarding the Company's business prospects, operational and financial projections and goals are based on beliefs and assumptions of CCR's board of executive officers as well as information currently available to the Company.

Forward-looking statements are now guarantees of future performance as they relate to future events, they involve risks, uncertainties and assumptions, and therefore depend on circumstances that may or may not occur. Investors should understand that general economic conditions, industry conditions, and other factors could affect the Company's future results and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I give the floor to Ms. Flavia Godoy. Flavia, you may proceed.

Flavia Godoy

Thank you, operator. Hello to everyone and thank you for your presence at our earnings results conference call for the Fourth Quarter of 2011. Today, we have the presence of our Arthur Piotto, our CFO and IR officer, Marcus Macedo and (Danielle Pratomim), member of the IR team.

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We are informing you that the earnings release for the Fourth Quarter is available on the Company's website at www.groupccr.com.br/investidores. Before we speak specifically about the results, let's quickly go through some of the macroeconomic indicators that we understand are important to the performance of our business.

After the first half of 2011, we saw signs of the cooling of the economy stemming from the macroeconomic measures adopted to control inflation. However, even in a situation of slower growth, the unemployment rate at the end of 2011 stood at 4.7%, a continuous improvement with relation to the 5.3% results at the end of 2010 and the lowest rate in the month of September since 2002.

The average (real rate) of workers in December 2011 was around 1,600, representing 2.5% growth over December 2010. During the Fourth Quarter, the industrial sector declined 2%, compared to the same period of 2010. The accumulated index for the year expanded 0.3%, compared to a reduction around 10.5% registered in 2010. In the comparison with the month of November 2011, December registered a 0.9% as increase.

Compared to the immediately previous quarter, industrial production also demonstrated signs of slowing down with a decline of 1.4%. As a result, the Brazilian GDP grew 2.7% in 2011 and according to a comment by the Central Bank, the growth was sustained mainly by domestic (interest) with the construction of families stimulated by moderated expansion of credit growth and income levels and job creation.

In fact, the latest information about credit supplied by the Central Bank was positive September to December. It demonstrated a growth in the volume of free and (direct) credit reserves of 19% during the month of December 2011, compared to the same period of the previous year, with credit for individuals growing around 20.7% and with auto financing rising by 23.5% over the same period of time.

But it showed the -- remember that the automobile sector is linked to the growth of traffic and extremely important for the Brazilian GDP. And since, the number of the license vehicles declined 6.2% during the First Quarter of 2011, compared to the same period of 2010, with the production of vehicles also declining 6.7% over the same period.

With the effort of the Brazilian government to stimulate the (accounts) to the economic development, we are maintaining our positive view with regard to the Brazilian economy and we are quite confident about the future.

As you can see through our reports, since 2010 the Company has begun to disclose its financial statement incorporating the new IFRS standards. It should be remembered that in our press release for 2010, available in our website, you can find supporting materials that facilitate understand the impacts of this new revelation on our financial statements.

Consolidated traffic at our concessionaires was up 4.4% in 4Q '11, and compares to the same period of the previous year. Taking into consideration the same comparison base, it could have be seen that there was 3.2% in 4Q '11 versus 4Q '10. This result mainly was due

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to economic activity and increasing income with the highlight being the growth and the traffic of small vehicles.

In 2011, using the same comparison base, the flow of passenger vehicles increased 6.5% over 2010. In the same case of commercial vehicles, growth was 5.2%. We are (emphasizing) that the traffic data for February continues to indicate a consolidated annual growth of traffic that is in line with our expectations for the year. That is, approximately 1.5 times of GDP. In our press release, you will find more information regarding the evolution of traffic through our concessionaires.

During the course of 2010, our (earnings) were affected by business in ramp-up phases operation that generated costs and not deliver the total potential of revenue generation, resulting a temporary pressure on our EBITDA margin. For this year, as we have been reporting, the expectation had been for a reduction in this impact, resulting in a consolidated EBITDA margin for 2011 of approximately 64% and improvement in future years as this business reached their full potential.

In fact, we ended the Fourth Quarter with an EBITDA margin of 64.1%, although some businesses still in their initial phases, do not reflecting their full potential operation. It also should be noted that, as previously disclosed, and within our forecast, even with the consolidations of SPVias and excluding the effect of lower direct costs during the first part of 2011, the third party services items dropped by 15% due to mainly the reductions in costs of conservation, maintenance, and operations on the part of the NovaDutra concessionary.

CCR presented a net income around BRL294 million, which was around 1,800% higher in the 4Q '11 when compared with 4Q '10. One of the reasons for this variation was the maintenance provision and the adjustment to estimate the provision.

During the 2011 fiscal year, a number of reviews were conducted on estimate of the maintenance provisions involving, among others, frequency of the maintenance, the estimate of the costs to the provisions, and the corresponding calculation of present value.

Thus excluding the maintenance provision and its respective fiscal effect, the net income in 4Q '11 would be around BRL300 million. That is (105%) growth over the -- around BRL150 million in the 4Q of '10. In the annual results comparison, net income in 2011 reached around BRL900 million, an increase around 34% compared to 2010. And excluding the maintenance provision and its tax impact, net income in 2011 would be around BRL1.050 billion, compared to BRL840 million in 2010.

We are emphasizing that all this process involved provision, for example, are evaluated annually during the last quarter of this fiscal year. We believe that as we carry out this review future estimates will become more stable.

With regard to our investments, the Company's leveraging, measured by net debt/EBITDA ratio, was 2.1 times, which was slightly lower than the rate of the previous

quarter due to the Company's strong cash generation.

Despite the fact that the Company understands this is a comfortable level of leverage in view of the Company (prospects) for the future, we also want to emphasize that this indicator involves that the (incurring estimates) incurred for the acquisition of SPVias that occurred in October 2010 and a small contribution from cash generation by ViaQuatro, which became fully operational only at the end of 2011.

This year, management is proposing a supplemental distribution of dividend to its shareholders for fiscal year 2011 in the amount around BRL100 million, represents approximately BRL0.06 per share, an amount to be submitted to the approval of the annual shareholders meeting.

Taking into account the intermediate dividends paid on September 30, 2011 in the amount around BRL700 million, representing approximately BRL0.40 per share. This resulted in a payout around 89%, referring to the fiscal year of 2011, in the compliance with our commitment to pay at least -- a minimum of at least 50% of net income in the form of dividends.

With this, we are concluding our comments regarding the earnings results for 4Q '11 and we are at your disposal to answer any questions you may have. Operator, please proceed.

Questions And Answers

Operator

Excuse me, ladies and gentlemen. we will now begin the question-and-answer session. (Operator Instructions) And our first question comes from Mr. (Alessandre Ansel) with Santander.

Q - Alessandre Ansel

Hi. Good afternoon, everyone. Just a quick question regarding STP. Last year, it came to our knowledge that STP business model could be changed, and potentially the Company had hired an advisor to study different possibilities for changing the business model of that business. We also heard in the news that there could be a spin-off of this business. So I just would like to check whether there is any news in this sense, whether there was any evolution regarding the STP business. That's the question.

A - Marcus Macedo {BIO 15022391 <GO>}

Hi, Alessandre, this is Marcus. Yes. We stated to the market that I think in the (yesterday), also that we were planning to increase the scope of STP business. The plan is that the government is planning to change or to implement new tolling system, a new electronic tolling system in our highways -- in Sao Paulo states.

And so we are going to define the technology. They are going to -- they are testing these systems, that according to the news, these would be totally automatic. Everybody would have a tag in your cars and this would be a totally new system. So the process of STP has been put on hold. We are waiting the definitions from the consuming power to see what is going to happen.

Q - Alexandre Ansel

Okay, Marcus. Thanks a lot.

Operator

(Operator Instructions) And our next question comes from Mr. Alexandre Ansel with Santander.

Q - Alexandre Ansel

Hi. I'd like to know whether you can talk a bit more of the new opportunities -- new investment opportunities that the Company is envisioning for the short-term, 2012. What would be the main projects that CCR expects to be transferred to the private initiative or to be auctioned off and you would probably participate in? So whether you expect the second round of airports to take place this year? It would be great if you could give us a little bit more color on that front. Thank you.

A - Marcus Macedo {BIO 15022391 <GO>}

Hi, Alexandre. Actually, we expect a fair opportunity in the future as Brazil needs a lot of investment in infrastructure. The country is going to host two big events in the near future, so this matters infrastructure, bottlenecks have to be dealt with. So in the short-term we are awaiting the one -- an important project, it's (Transolic) and Rio de Janeiro.

We are also expecting, as we haven't been telling the market, about the tramway and also in Rio de Janeiro city, the federal government announced or stated some -- to the markets that they intend to give a BR-101 another stretch and another federal highway to the private initiative. There's also (Thomoyas) highway that is expected to be launched at some point, maybe this year, maybe next year.

Regarding airports, we had the second round of the airports auction recently. The first was (inaudible). The second round comprised of Guarulhos, Brasilia, and Viracopos airport. And we do expect more airports to be given to private initiative of the administration maybe this year, okay?

More important projects, I would say, are the amendments that we can do, that we can sign with the government and rebalance the contracts we have using the marginal cash flow. These are also important opportunities for the Company.

So as you can see, there are several opportunities that are expected to be launched over the next months. It's very difficult to say if those projects are going to be launched in the

next two, three, four months. We depend on the government to launch the bidding documents. Then we can analyze those bidding documents and decide if we are going to participate or not.

But at first glance, we are pursuing opportunity in the infrastructure sector. And now that we've approved the amendment of our bylaws, adding airport sector, airports are also part of our future opportunities.

Q - Alessandro Ansel

Great. Thanks. Any investment opportunity that could materialize outside Brazil in the short-term, like any other airports that could be incorporated to CCR's portfolio?

A - Marcus Macedo {BIO 15022391 <GO>}

This airport matter, the airport sector is something that is new to the Company. We are now working on the contract -- a purchasing contracts to finalize the acquisition of the three assets that was done recently. And we have a team ready, pursuing opportunities in Brazil and outside Brazil.

So it's too early to say -- to talk about more broadly -- talking more broadly about airports outside Brazil, but I would not rule out this possibility, to acquire or to participate in auctions in airports -- airport projects outside Brazil. One that CCR is qualified for is the San Juan Airport in Puerto Rico.

Q - Alessandro Ansel

Thanks a lot, Marcus.

A - Marcus Macedo {BIO 15022391 <GO>}

Thank you. Bye.

Operator

This concludes today's question-and-answer session. I would like to invite Ms. Flavia Godoy to proceed with her closing statements. Please go ahead, ma'am.

A - Flavia Godoy

Once again, along with all of the members of the CCR team, I would like to thank you for your time and interest in our company. Please do not hesitate to contact any one of us if you have any additional doubt. Our contact information is available in our release and on our website, www.groupccr.com.br/investidores. Thank you.

Operator

That does conclude the CCR teleconference for today. Thank you very much for your participation. Have a good day and thank you for using chorus call.

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