

ARTERIS
CONFERENCE CALL TRANSCRIPTION
1Q15 RESULTS

Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to Arteris's conference call to discuss its 1Q15 earnings results. We would like to inform you that the presentation is available for download at the Company's website ir.arteris.com.br

We would like to inform that all participants will only be able to listen to the conference during the Company's presentation. After the Company's remarks, there will be a Q&A period. At that time further instructions will be given. Should any participant need assistance during this conference please press *0 for an operator.

Before proceeding, let me mention that forward-looking statements are based on the beliefs and assumptions of Arteris's management, and on information currently available to the Company. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties, and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Arteris and could cause results to differ materially from those expressed in such forward-looking statements.

Now I'll turn the conference over to Mr. Alessandro Scotoni Levy, Investor Relations Officer. Mr. Levy, you may begin your conference.

Alessandro Levy:

Good morning everyone and welcome to Arteris' results conference call for 2014. This is the first time that I have joined the IR team for this presentation and I am very pleased to have the opportunity of sharing our achievements and challenges with you. At the end of the presentation we will have a session for your questions on the Company's results and our strategy.

SLIDE 4 – 1Q15 Highlights

2015 will certainly be a challenging year, as confirmed by the opening months! The impact of the country's current economic scenario is already making itself felt in our main performance indicators, especially in the case of tolled traffic, which fell by 0.7% over the same period last year. Using comparable bases, the decline was an even bigger 4.1%. The only reasons toll revenue did not suffer a downturn as well were the tariff increases conceded by the granting authority, which passed through inflation, and, especially, the rebalancing of the federal highway contracts.

In addition, the entry into effect on April 17 last of the truckers' law which, among other measures, eliminated the charging of heavy vehicle suspended axles, will impact total vehicle equivalent volume in the entire highway concession sector from now on. It is worth emphasizing that this loss of revenue will be rebalanced in all the federal highway concession contracts, as already announced by the ANTT. In addition, the São Paulo state regulatory body opted not to apply the law to the state concessions; in other words, we will continue charging for suspended axles on these highways.

EBITDA grew by 7.1% this quarter and adjusted EBITDA by 3.1% and we altered the way we amortize our assets from the traffic curve method to the straight line method for the remainder of the concession term, which impacted our net income. I will give go into more detail regarding this change later on.

Our last shareholders' meeting approved the payment of dividends representing a payout of 25% of 2014 net income. The aim of the reduction in this percentage, which was 50% in previous fiscal years, is to preserve the Company's cash this year when we have massive investments commitments. A portion of these dividends was paid in November last year and the remainder will be paid on May 29 next.

Once again, we reported record investments, allocated to improving and expanding the infrastructure of our concessions, especially in relation to the federal highways. Capex totaled R\$427.8 million in 1Q15, 14% up on 1Q14 and our highest ever first-quarter figure.

Finally I have to mention that, as disclosed in the material fact of April 30 last, we received a correspondence from our controlling shareholder stating its intention of holding a public tender offer for the acquisition of Arteris S.A. shares in order to cancel the Company's registration as a category A issuer and delist it from the Novo Mercado trading segment. The operation is still subject to approval by the regulatory authorities and the precise terms and conditions of the offer will be disclosed opportunely to the market.

SLIDE 6 – Operating and Financial Performance (Traffic and Tariffs)

The next slide (slide 6) gives more details on the evolution of highway traffic and tariffs in 1Q15.

The total number of vehicle equivalents came to 175.6 million and, as I have already mentioned, a slight 0.7% down on 1Q14. Using comparable bases, however, the decline was 4.1%. This was because in 2014 two toll plazas in Autopista Fluminense remained closed for almost a month, and there was another under construction at Autopista Litoral Sul which is now fully operational.

The traffic shrinkage was restricted to heavy vehicles which are worst hit by economic slowdowns and which were further impacted by the nationwide truck drivers' strike between February and March. Light vehicles, on the other hand, still recorded growth.

All tariffs increased. In the case of the state highways, the average upturn came to 5.3% due to the adjustment introduced by the São Paulo state government based on period inflation less specific adjustments for each concessionaire as a result of the revenue earned by the charging of suspended axles, whenever this revenue exceeded the inflation not passed through in 2013, when tariffs were frozen.

In relation to the federal highways, the increases were above inflation in almost all the concessionaires, consisting of the normal annual adjustments plus the non-recurring

transfers due to the economic and financial rebalancing of the contracts, most of which to remunerate additional investments to improve and repair federal highway infrastructure.

SLIDE 7 – Operating and Financial Performance (Main lines of the result)

Moving on to slide 7 now, I would like to comment on the main lines of our result.

Net revenue totaled R\$918.9 million, 1.5% up on 1Q14, fueled by the 4.1% increase in toll revenue which, as I have just mentioned, came exclusively from the tariff adjustments.

The upturn in revenue, together with the variation in certain cash cost lines, which lagged inflation, helped push up EBITDA by 7.1% and adjusted EBITDA by 3.1%, the latter to R\$365.7 million.

But I would particularly like to draw your attention to the upturn in depreciation and amortization, which climbed from R\$77.7 million, in 1Q14, to R\$124.1 million. The 59.6% upturn was due to an accounting change in this line. As of this year, with the entry into effect of Law 12,973 of 2014, which addresses corporate income tax, we altered the criterion for the amortization of intangible assets which had been previously recognized by the traffic curve method and are now depreciated in accordance with the straight line method, which gives a more realistic picture of the effect of wear and tear on intangible assets. Although we are aware that traffic volume is one of the factors responsible for highway wear and tear, there are others which are no less important, such as weather conditions. In the short term, this change will lead to a non-recurring increase in depreciation and amortization, which will level off throughout the concession period.

This factor, together with the negative variation in the financial result, impacted by the increase in the Company's debt and higher interest rates, was chiefly responsible for the 43.8% reduction in net income to R\$56.7 million.

SLIDE 8 – Operating and Financial Performance (Investments)

I would now like to talk about our investments, which you can see on slide 8.

After having recorded capex of almost R\$2 billion in 2014, we began the year with record investments for a first quarter of R\$427.8 million in works, most notably the duplication of the BR 101 in Rio de Janeiro state and the construction of the Avenida do Contorno, both in Autopista Fluminense; duplication of the Serra do Cafezal, now extremely advanced; and the beginning of works for the Florianópolis beltway.

Estimated remaining capex until the end of the concession is approximately R\$7.7 billion, which is basically the previous quarter's figure of R\$7.9 billion, less the works executed in 1Q15 plus the inflationary adjustment. In 2015 itself, we estimate works investments of R\$2 billion.

SLIDE 9 – Indebtedness

To finish, I will just comment rapidly on our debt, which is detailed on slide 9.

As a result of BNDES disbursements to finance our works plan and the injection of new funding through a debenture issue, our leverage moved up slightly from 3.1 times net debt divided by adjusted EBITDA less the fixed concession fee in the last 12 months to 3.2 times.

The Company's cash position remains solid, with cash and cash equivalents of R\$1.2 billion, a remaining line of credit with the BNDES totaling R\$465 million and almost half of our gross debt pegged to the long-term interest rate (TJLP).

In 1Q15, we received BNDES disbursements of R\$66.7 million and amortized R\$233.9 million in BNDES loans and debenture.

That brings us to the end of our presentation and we can now begin the question and answer session. Thank you very much!

Note: The conference call including full session of questions and answers is available in áudio on the central results of the site of Investor Relations.

