ARTERIS
CONFERENCE CALL TRANSCRIPTION
2Q15 RESULTS

Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to Arteris's conference call to discuss its 2Q15 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 our earnings conference call for the second quarter of 2015. In order to make it easier for you follow the presentation, the slides are available on our IR website.

As usual, I will comment briefly on the quarter's main highlights and then we will open the question and answer session.

SLIDE 4 –2Q15 Highlights

Let’s begin with the quarter’s highlights.

Tolled traffic maintained its downward trajectory, mainly due to the country’s economic scenario, falling by 5.1% over 2Q14, although part of the result was due to the impact of the Truckers’ Law, which has eliminated the charging of heavy vehicle suspended axles on the federal highways since April.

Nevertheless, toll revenue moved up by 1.1% in the quarter and 2.6% year-to-date due to the tariff increases authorized for all the group’s concessionaires. Some of the federal highway adjustments were above inflation due to the rebalancing of the contracts, primarily to incorporate the new works amendments.

In regard to the operating result, we recorded a reduction in total cash costs. allowing the EBITDA margin to increase by 2.1. percentage points and the adjusted EBITDA margin to widen by 1.7 percentage points. EBITDA totaled R$319.2 million in the quarter, 6.6% up on 2Q14, while adjusted EBITDA climbed by 5.5% to R$355 million.

Investments remained intensive and capex came to R$473.3 million in the second quarter and R$900.8 million in the first half.

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

Let’s go to the next slide, which has more details on our traffic and tariffs.

This is the second consecutive quarter in which we have recorded a reduction in tolled traffic. The downturn was evident, to a greater or lesser degree, in all our concessions, especially the federal highways, where we have been prevented from charging for heavy vehicle suspended axles since April due to the imposition of the Truckers’ Law. However, this revenue loss will be offset by the rebalancing of the contracts, authorized to sector companies by the granting authority. We believe this compensation will occur through new tariff additions to be defined in the coming tariff adjustment rounds. In the case of our federal concessions, these adjustments take place in December and February.

Independently of the relevant impact of the Truckers' Law, given that most of our tolled traffic consists of heavy vehicles, the total reduction in traffic on our highways was much more a reflection of Brazil's current economic situation, which has jeopardized the entire sector by reducing cargo volume as a result of the slowing of industrial production and the effects on various production chains.

Traffic fell by 5.1% over 2Q14, a decline that would have been even greater on comparable bases if Autopista Litoral Sul had not reopened one of its toll plazas in June of last year. The year-to-date reduction came to 2.8% or 3.2% on comparable bases.

In regard to tariffs, the average increases for the state and federal concessions were 5% and 8.6%, respectively. The higher percentage for the federal concessions was due to non-recurring transfers as a result of the rebalancing of the contracts, mostly to remunerate additional investments in improving or adjusting 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.

Due to the tariff increase I just mentioned, toll revenue grew by 1.1% in the quarterly comparison and 2.6% year-to-date, contributing to total gross revenue of R$1 billion in the second quarter and R$1.9 billion in the first half.

Cash costs fell by 1.9% over 2Q14, mainly due to the improved operating result of the group's construction companies, who adjusted their workforce in order to meet the needs of the group's works portfolio in a more efficient manner. Costs with third-party services also recorded a reduction, benefiting from the results of Arteris' ongoing efficiency plan, especially the renegotiation of contracts and the new model for contracting service providers via on-line auctions.

The reduction in cash costs fueled EBITDA, which grew by 6.6% to R$319.2 million in the quarter and totaled R$658 in the first six months. The 2Q15 EBITDA margin widened by 2.1 percentage points to 57.7%. EBITDA adjusted for the provision for highway maintenance, a non-cash cost, came to R$354.9 million, up by 5.5%, with a margin of 64.2%, a 1.7 percentage point improvement.

Second-quarter net income totaled R$60.6 million, less than in 2Q15 for two main reasons. The first was the worsening of the financial result due to the increase in the Company's debt and higher interest rates. The second, and more important, was the 53.7% increase in depreciation and amortization due to the accounting change to this line in 1Q15, when the Company altered the criterion for the amortization of its intangible assets from the traffic curve method to the straight line method.

SLIDE 8 – Operating and Financial Performance (Investments)

Moving on to the investments section on slide 8, here you can see where the group's main works are concentrated.

At Autopista Régis Bittencourt, the Serra do Cafezal duplication is moving ahead at full speed. We have begun the construction of 4 tunnels and concluded 11 of the 33 bridges and overpasses envisaged in the project. At Autopista Fluminense, we duplicated 44.2 kilometers of 176.6 kilometers of the BR-101 and are implementing improvements on Avenida do Contorno in Niterói, while at Autovias, we have begun duplicating 14 kilometers of the SP 318. Autopista Litoral Sul is the site of our biggest ongoing project, which is the construction of the Florianópolis Beltway with an extension of 50 kilometers and which will transform the road infrastructure in this southern region of the country.

These works, together with the maintenance of the state highways, absorbed investments of R$473.3 million in the quarter and R$900.8 million in the first half out of a total of R$2 billion which we intend to invest this year.

Investments through the end of all the concession agreements, including maintenance of all the highways are estimated at R$7.5 billion, excluding any future amendments negotiated with the granting authority.

SLIDE 9 – Indebtedness

In order to finance our works plan, we have resorted to BNDES financing and debenture issues. As you can see on slide 9, this quarter we utilized R$85.4 million of funds already approved by the BNDES and we still have a balance of R$449 million to be used for the group's federal highway works.

In order to complement these funds, last month we issued, through our holding company, debentures pegged to the CDI interbank rate totaling R$750 million. The proceeds are being used to amortize part of our debt and for our contractual works plan.

49.5% of the our gross debt is indexed to the long-term interest rate (TJLP) and our average leverage, measured by the net debt over adjusted EBITDA less payment of the fixed concession fee in the last 12 months, is 3.4 times.

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