

ARTERIS
CONFERENCE CALL TRANSCRIPTION
3Q15 RESULTS

Operator:

Good morning ladies and gentlemen. At this time we would like to welcome everyone to Arteris's conference call to discuss its 3Q15 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 third 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 – 3Q15 Highlights

Let's begin with the quarter's highlights.

Tolled traffic maintained its downward trajectory, due to the country's current economic scenario, falling by 8.9% over 3Q14. Part of this result was due to the impact of the Truckers' Law, which has eliminated the charge on the suspended axles of empty heavy vehicles on the federal highways since April. If this law had not been in effect, tolled traffic would have fallen by 5.8%.

Nevertheless, despite the strong volume decline, toll revenue only dipped by 1.3% in the quarter thanks to the contractual tariff increases for all the group's concessionaires. Some of the federal highway adjustments were above inflation due to the rebalancing of the contracts in order to incorporate the new works amendments.

In regard to the operating result, EBITDA fell by 14.4%, closing the quarter at R\$330.7 million. This reduction reflected the 13.2% upturn in cash costs, impacted by the negative result of the construction companies. If the latter had been, the cash cost would have grown by only 2.6%, below period inflation.

Arteris' investments continued to move ahead rapidly, especially the Serra do Cafezal works and the duplication of Rodovia Fluminense in Rio de Janeiro. We disbursed R\$432.2 million in the quarter and R\$1.3 billion in the first nine months.

Also this quarter and as part of its investment funding strategy, the Company concluded its 3rd debenture issue totaling R\$750 million. The proceeds are being used to finance the federal highway investment program.

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 third consecutive quarter in which we have recorded a reduction in tolled traffic. The 8.9% downturn was evident to a greater or lesser degree in all the Company's 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 through the

new tariffs to be applied in the upcoming tariff adjustments. In the case of our federal concessions, these adjustments will take place in December and February.

Independently of the impact of the Truckers' Law, the total reduction in traffic on our highways is much more a reflection of Brazil's current economic situation, which has jeopardized the entire sector.

For the purposes of comparison, if this law had not been in effect, tolled traffic on the federal highways would have fallen by 7.0% (versus the 11.4% reported), while consolidated traffic would have recorded a decline of 5.8% (versus the 8.9% reported).

It is worth noting that Autopista Planalto Sul's 22.2% year-on-year decline in the third quarter was due to the fact that in 3Q14 it received vehicles from frontage roads with stretches temporarily closed due to the exceptionally strong rainfall in the region.

Year-to-date traffic fell by 5.0%, or 6.8% on a comparable basis after adjusting for the non-recurring effects of the closing of toll plazas P1 and P2 in Autopista Fluminense (between January and February 2014) and the June 2014 opening of plaza P5 in Autopista Litoral Sul.

The average tariff increase was 4.0% for the state highways, in line with the period variation in the IGP-M general market price index of 4.1%, and 7.7% for the federal concessions, above the 6% variation in the IPCA consumer price index, reflecting the non-recurring transfers as a result of the economic and financial 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 decline in tolled traffic and the tariff increases I have already mentioned, toll revenue fell by a slight 1.3% in the quarterly comparison and edged up by 1.2 year-to-date, contributing to total gross revenue of R\$1 billion in the third quarter and R\$3.0 billion in the first nine months.

Net revenue in the quarter was also impacted by the 67.8% reduction in other revenue as a result of the retroactive charging (since 2008) for the use of Autopista Fernão Dias' right of way by telecommunication companies in 3Q14.

Cash costs increased by 13.2% over 3Q14 and, as mentioned previously, were impacted by the negative result of the construction companies. If we this result had been excluded, cash costs would only have moved up by 2.6% in the quarter and 6.6% in the first nine months, below period inflation, mainly due to the Company's ongoing efficiency plan.

The upturn in cash costs led to a 14.4% reduction in EBITDA, which came to R\$330.7 million in the quarter and R\$988.8 million year-to-date. The EBITDA margin narrowed by 7.0 percentage points to 57.0%. EBITDA adjusted for provisions for maintenance, a non-cash item, totaled R\$381.8 million, 10.8% down on 3Q14, with a margin of 65.8%, down 5.1 percentage points.

Third-quarter net income came to R\$44.0 million, 70% less than in 3Q14 for three main reasons. The first is the economic recession, which had a negative impact on toll revenue; the second was the worsening of the financial result due to the increase in the Company's debt and higher interest rates; and the third was the 53.5% upturn in depreciation and amortization. The latter increase reflected the accounting change in 1Q15, when the Company altered the criterion for amortizing 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. This quarter, we completed 2.9 kilometers of side roads.

At Autopista Fluminense, we continued with the duplication of 176.6 kilometers of the BR-101 and began the improvement works on Avenida do Contorno in Niterói.

At Autovias, we have begun duplicating 13.6 kilometers of the SP 318, which will be rebalanced by extending the concession term.

Autopista Litoral Sul is the site of our biggest ongoing project, which is the construction of the Florianópolis Beltway with a total 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\$432.2 million in the quarter and R\$1.3 billion in the first nine months out of the approximate total of R\$2 billion which we intend to invest this year.

Remaining investments through the end of all the concession agreements, including maintenance of all the highways, are estimated at R\$7.1 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\$123.2 million in funds already approved by the BNDES and we still have a balance of R\$325.4 million to be used for the group's federal highway works.

In July 2015, Arteris concluded its 3rd debenture issue totaling R\$750 million reais at an issue cost of the CDI + 2.0%. Interest will be paid semi-annually and amortization will be in a single installment on December 19, 2016.

At the close of the third quarter, 47.5% of the Company's gross debt was indexed to the long-term interest rate (TJLP) and leverage, measured by the net debt over adjusted EBITDA less payment of the fixed concession fee in the last 12 months, was 3.75 times.

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