Michael Connell

Thank you. Good morning everyone. I am here with Arnaldo Calbucci and Cezar Baião. First of all I would like to say thank you for joining us on this conference call of our quarterly results together with some of the highlights of the market dynamics to give greater depth of understanding of our company.

Please turn to slide number 4 of our presentation for a brief summary of our consolidated results

Wilson Sons Net Revenue of US$ 177.2 million in the quarter, was some 5% above 3Q13 principally due to:

- Growth in container handling volumes together with improved full to empty mix;
- Greater deadweight of vessels served combined with higher numbers of harbour manoeuvres in Towage; and
- Advancement of shipbuilding activities in the Guarujá Shipyard.

Logistics revenues were however, lower due to fewer dedicated operations as the focus shifts to bonded warehousing.

EBITDA reached a record of US$ 52.4 million, 5.5% higher than the comparative, as a consequence of this revenue growth and some improvement on costs.

Net Income was strongly affected by three significant foreign exchange effects on our balance sheet.

- The first is the Exchange Loss of US$17.6M as a result of Balance Sheet translations of R$ denominated Net Monetary Assets, such as cash & cash equivalents, disclosed in the Exchange Gain (Loss) line;

- The second is a US$8.8M negative impact in deferred taxes principally a result of the Company's Fixed Assets being located in Brazil and therefore having R$ currency based tax deductions for the depreciation over the period allowed by the tax legislation. When the R$ depreciates, the future tax deduction allowable is the same in R$ terms, but reduced when converted to US$ reporting currency.

- The third is the negative FX impact on investments and loans of US$7.2M.

CAPEX in the quarter totalled US$29.7 million, principally as a result of the as the construction of tugboats and the expansion of the Brasco Cajú Oil & Gas Terminal, together with expansion of Warehousing facilities at Tecon Salvador.

Moving now to slide 5,

I present Quarter Net Revenues and EBITDA highlights by business.

- The **Container Terminals** revenues and EBITDA increased with volumes and a better full to empty mix

- The **Brasco Oil & Gas Support Terminal** revenues and EBITDA decreased from the comparative quarter as a result of a reduction in support to exploration with two operations in Bahia ceasing. EBITDA Margin did however improve with a change in service mix and cost optimization efforts together with the end of another low margin operation in Niterói.

- In **Logistics**, we had a revenue and EBITDA reduction as a result of the end of dedicated operations during 2Q14 and increased competition that our Santo André bonded warehouse faces from additional airport and port terminal bonded capacity in the São Paulo area. The business continues to focus its strategy on bonded-warehouses. In 3Q14 dedicated operations and transport reduced some 44% against the comparative.

- **Towage** revenues and EBITDA increased as a consequence of higher harbour manoeuvres and larger vessels attended.

- **Shipyard** Revenues increased although with lower EBITDA given the lower margins and the stage and type of vessels

- Solid growth in **Offshore Support Vessels** reflects a larger operating fleet with own vessel operational days up 27% and newer vessels with higher daily rates.

Now moving to slide number 7

Here we detail the container terminal environment in Brazil Uruguay and Argentina which will help understanding of the competitive environment of the market.
Our Rio Grande terminal is situated in the middle of a region of influence that begins with Buenos Aires in the South and stretches as far as Paraná in the north.

Our Salvador Terminal in the Northeast provides coverage for Bahia, Sergipe, Alagoas, Pernambuco, Goiás, Tocantins, the North of Minas Geirais and Espírito Santo.

On slide number 8

We can see that in regions of influence for the container terminals of Rio Grande and Salvador the annual growth rates of container TEU´s has been 4.7% and 5.5% respectively over the last 7 years. The new terminal capacity has been added not only through our expansions but also the commencement of new operations with particular impact for Transhipment volumes in Rio Grande as a result of the commencement of Itapoa.

Transhipment volumes and Empty container volumes distort the overall growth rates somewhat as they are much cheaper container movements and do not necessarily reflect the underlying growth of industry and demand in the regions of influence.

For this reason if we move to slide 9

Here we can see the underlying growth of full volumes for our two terminals over the last 7 years at 3.7% in Rio Grande and 4.2% in Salvador.

Obviously part of this growth in full volumes comes from production in the states and surrounding regions where the terminals are located but it is also important to observe, for instance, some of the growth that comes from cabotage where the product may have origin or destination practically anywhere in Brazil.

Cabotage has lower cost over longer distance, removes traffic from roadways and is a more secure form of transport so we believe it will be continue to be an important opportunity.

On slide 10

We can see another opportunity in the container terminals market. Containers are an important alternative to move products previously shipped in bulk.

Two of the biggest successes we have had in this area have been the products of rice and cellulose but the terminals constantly seek producers of new products to test if they can benefit from the efficiency, standardization and security of containers as a mode of transport

The image of Stone powder which is used for ceramics, talcum powder and plastics is just one such example.

Moving to Towage.

Across the next three slides, 11, 12 and 13, you can see some of the new impacts in the market and the statistics of the principal Brazilian fleet. New terminals continue to present an opportunity and the image of the first vessel berthed in the port of Açu is an interesting example of this. Our new operations in ports of Pará have contributed to solid operating data growth so we have also included some of these images.

One of the more pronounced trends in shipping has been the continuing trend of increasing vessel sizes and hence a tendency for increasing demand for larger tugboats which naturally favours the towage operators with the most powerful fleets.

On Slide 14 we present Wilson Sons Ultratug Offshore‘s Fleet Evolution.

The Wilson Sons Ultratug Offshore Joint Venture is currently operating 19 own vessels and it has contracts for the construction of a further five PSV’s: three in an international third party shipyard, and another two PSVs in Wilson Sons Guarujá Shipyards.

By the end of 2016, we will boost our capacity to 24 operating vessels, enabling us to take advantage of demand and consequently, contributing to the growth this business.

On page 15
We present a recent image of the Fugro Aquarius Vessel nearing completion. At a value of more than US$80 million this is one of the highlights to date in our shipyard and the first vessel of this type, ROVSV, built in Brazil.

In terms of the shipyard market, slide 16 details some of the leading players.

Although these shipyards can produce vessels for other destinations the biggest market for them is obviously clients participating in the Prorefam (Brazilian Program for renovation of fleet bids). Our shipyard market share of these Prorefam newbuild bids for OSV´s has stood at 14% since these bid programs commenced.

One of our advantages here is our consistency of delivery. Our orderbook including vessels under option is reflection of this advantage and based on a long history of internal and 3rd party deliveries.

On slide18
You can see the October status of our Brasco Caju civil works. You can see the quay construction is in full swing.

The dredging is licensed and contracted so will be the upcoming focus of this project to be finalized during in 2015.

We receive a lot of questions of other possible projects of other operators in various regions of Brazil but highlight that, additional to our location advantage between the Campos and Santos basins and close to the Rio based landside support to the Oil and gas industry, we have a distinct first mover advantage on this project.

So finally I would like to present a quick slide of some of our 2013 business returns on capital employed.

This may help with analysis our infrastructure investments and give a little insight into their behaviour over time. ROCE measures return against the book value of assets in the business. As these assets achieve higher utilisation the ROCE will increase. Thus, newer infrastructure will tend to have lower ROCE than older infrastructure, even though they are possibly better businesses.

We generally seek IRR minimums on our projects rather than ROCE but this measure may help understand how we are managing our businesses and investments. We look for long term assets that have some strategic competitive advantage in the markets that we have just discussed to create above average annual returns.

At this time, I would like to invite you to move to the Q&A portion of today's Conference Call.

Operator

Thank you. This floor is now open for questions. Our first question comes from Robin Byde from Cantor Fitzgerald.

Robin Byde

Hi, thanks very much. Good morning and good afternoon. Few from me, please. Hi Michael. Just on the lower operating costs in the quarter, you mentioned in the statement lower personnel expenses and also lower port and logistics freight costs, but how much of the positive impact was due to the weaker real? That's the first one. And secondly, just in oil and gas, just on the margin improvement and the service mix, so do you expect margins to continue to improve as you bring the new Brasco facility online or are we likely to see some initial margin squeeze? Thanks.

Michael Connell

Hi Robin, thanks for the question. Just one-by-one. You mentioned the real, if you look at the quarter comparative, we have an exchange rate for third quarter in 2013 of 2.29 average versus an average exchange rate in 2014 of 2.28 so there is really negligible impact from the exchange rates in our operating results during the quarter, the only impact of the exchange rate is from the balance sheet right at the end of the quarter when there is devaluation, so really all the impact within our results during the quarter on the EBITDA level and operating cost for that matter, is a result of the factors that we mentioned, one of which being the port and logistics reduction in payroll taxes for instance. So ports and logistic businesses, together with our towage, offshore and shipyard business have an improvement in the payroll tax cost, as a result as the movement and modification in Brazil that allows us to pay the payroll tax at a rate of 1% over the sales or the business process rather than a result of a much higher percentage over the payroll itself. So that's essentially the main operating cost improvement that we have seen in our business. I didn't note, you have a further question in the operating margin?

Robin Byde

Yes, hi, Michael. Just on the Oil & Gas side. I like your slide number 18 and obviously in the quarter just reported, the margins improved quite significantly, and you've talked about, I think you terminated or came to the end of a lower-value contracts. But I am just sort of thinking into next year, do you think margins will get squeezed as this new facility comes on stream? So will there be initial phase of margin squeeze.

Michael Connell

Robin. Certainly we have further capacity installed so we would be looking to get clients into the site and that certainly again have an impact on margin as we ramp up capacity over the 2015-16 period, but when we have the operations in Ports, what we expect to have this margin improvement as a result of the economy of scale by diluting our fixed cost over a much larger number of clients, which is not going to be 2015, it is not likely to happen until sometime in 2017.

Robin Byde

Okay. And then just a final one, if I, just on the logistics business. We've obviously been talking about this for quite a long time now and the refocus on bonded-warehouses and logistics centers. When should we expect revenue and profit to start trending positive?

Michael Connell

Again, we are going to see, through 2015, a reduction in logistics as our focus continues on the fulfillment of the capacity installed in the new Suape warehouse, but at the same time a reduction in dedicated operations. So again we are looking at 2016 before we see an improvement in this business.

Robin Byde

Okay, great, thanks very much. It's very clear.

Michael Connell

Thanks, Robin.

Operator

And there are no questions. I would like to turn over the floor to the company for final consideration.

Cezar Baião

Thank you. I would like to thank you all for joining on our conference call. Have a good day everybody. Thank you.

Operator

Thank you. Wilson Sons' conference call is finished. Have a nice day.