Conference Call Transcript
2Q08 Results
Localiza
July 8, 2008

Operator:

Good morning, and welcome to the Localiza Rent-a-Car teleconference for the 2º quarter 2008 results. Present here are Finance and Investor Relations Director, Mr. Roberto Mendes, and Mr. Silvio Guerra, investor relations.

The amounts in this presentation are in Brazilian reais and based on USGAAP, except when otherwise indicated. Participants will only be able to hear the teleconference during the company presentation, which will be recorded. Immediately afterward we will begin the question and answer session for analysts and investors; more instructions will be provided at that time. Should anyone need assistance during the conference, please contact an operator by dialing *0.

The audio and slides for this teleconference are being aired simultaneously on the Internet at www.localiza.com/ri. That link provides access to the respective presentation for platform download; you can access the download by clicking on the "Webcast 2Q08" banner.

Before proceeding, we would like to point out that any statements made during this teleconference regarding Localiza business prospects, projections, and operational and financial goals are the beliefs and opinions of the company directors and may or may not occur.

Investors should bear in mind that macroeconomic and other operational factors could affect the future of Localiza and may yield material results different from those expressed under such future considerations.

Now, we would like to turn the floor over Silvio Guerra, Localiza's Investor Relations, who will begin the presentation. Mr. Guerra, go ahead please:

Silvio Guerra: Good morning everybody and thank you for your presence.

Slide # 2 presents the growth and profitability highlights for the 2Q08 period.
The key development here was the 50.2% growth in rental car business volume. This organic growth provided economies of scale and profitability.
44.6% EBITDA growth and 39.6% net profit growth were well above the 33.4% growth in rental revenue.

Our next slide, #3, shows the evolution of rental revenues by division. Sixty-eight percent comes from the rental car division and 32% from the fleet rental division.

Car rental revenue grew 42.9% as a result of increasing business volume. Two-thirds of the revenue from this division originates in off-airport markets.
Fleet rental division revenue increased 17.2%, also due to the increase in rented cars volume.

In Slide #4 we present evolution of EBITDA margins by division. The company continues to display consistent EBITDA margins in the car rental and fleet rental divisions.

Slide #5 shows the results in organic growth of the car rental division – with an 8.6 p.p. increase in the EBITDA margin. Despite maintaining rental rates, economies of scale overcame inflationary effects in direct cost and SG&A.

Slide #6 shows the evolution of the net fleet investment. The strong growth of the rented fleet required the purchase of 16,400 cars – 8,700 of which were purchased for growth -- between April and June 2008, demanding a net investment of R$ 252,9 million during the 2Q08.

In slide #7 we show that this strong fleet growth did not affect the utilization rate of the car rental division.

Slide # 8 presents our free cash flow. Free cash flow generated before growth was R$107.4 million – invested in acquiring an additional 8,700 cars for growth in the amount of R134.8 million, discounting the variance of accounts payable to automakers.

In slide #9 we reconcile the variance of net debt during the first six months of 2008. The increase in debt basically was due to from investment in fleet growth and stock repurchase.

In Slide #10 we present the evolution of indebtedness on regards to fleet.
Fifty-three percent of the fleet is enough to pay 100% of our net debt. Net indebtedness was only 1.3 times BRGAAP EBITDA – which indicates a solid balance sheet to support growth.

Our next slide, #11, we can see in this semester the low volatility of the spread between the Return On Invested Capital (ROIC) and the Weighted Average Cost of Capital (WACC), despite the high interest rates currently in place in Brazil. The economies of scale held the operational return margin above rental revenue.

In our final slide, **#12**, we present the performance of our RENT3 shares.
We would like to point out that Localiza was chosen the 35th Most Valuable Brand in Brazil in 2008 by *Istoé Dinheiro* magazine.

Now, we'd like to open the floor up to our Q&A session:

Operator: Our first question comes from Mr. Nicolas Sebrell with Morgan Stanley.

Mr. Nicolas: Hi Silvio. How are you doing? Quick question on the trend of used cars prices versus new cars prices. Correct me if I am wrong but it seems like the gap that there was there before might be shrinking, your new cars prices maybe be growing up faster then used cars. I wonder if you come in on that as well the health of the cars sales market. Obviously we have seen very strong cars sales. But there are also worries about consumer credit tightening about defaults. We can see conflicting articles in the papers whether is that affecting the car market and we will see it slow and dramatically. So that also fit on my following question is how much more growth do you think there is in the off-airport rental market based in the fact that interests rates are going up and potential problems with the consume credit?
Silvio Guerra: Nick, it's nice to have you here and on regards to your question on regards to the used cars price. The reflect of the results of the increasing installed capacity by the automakers in Brazil putting up the 5 millions cars will returned the situation to normal. So we believe that the current EBITDA margin from the car resale: 5.9% EBITDA margin for 2Q08, will become the 3% long term EBITDA margin, representing the standard of the integrated business platform model going forward, on regards to the spread.
Roberto Mendes: Nick, this is Roberto Mendes. I would like to add the capex to renew the fleet showed on the slide number 8, this half it was in the level of R$4,100 per car in the average. It shows it moved from R$2,600 to this level now. This level now makes more sense to us. The average capex last year was lower because we have changed the mix of the fleet. Ok?

Mr. Nicolas: Ok. And you were saying 5 milllion. Is that the total capacity in Brazil? That is not new capacity, right?

Silvio Guerra: In overall terms, today the current capacity is increasing from 3.5 million cars up to 4 million cars per year and the expectation is that up to 2011 we are going to be a 5 million car capacity country. The expansion on sales for this first quarter has been… we have produced in Brazil in the 1H08 the same amount of cars that we have produced in 2003. So you are right that the production is very hot. At the same time our growth has also been remarkable. In this 1H08 we have got revenues above the same level of the whole year of 2005. Nick, on regards to your second question: growth off-airport we believe that we will remain solid for some time because the consolidation theses is that we are going to see more and more off-airport activity related mainly to the replacement, as you know, big insurance companies such as Bradesco and Itau have join the market. Also the mini-lease has a close correlation to the GDP and this is also an important source of growth for the off-airport and the

consolidation of the small car rental companies. When you mention a new economic environment where the interest rates are going up, this environment for sure affects to a certain extent both the whole market and to a major extent the small car rental companies that maybe can suffer on regards to that which means that the consolidation strategy also we will gain advantage from the consolidation strategy in the market.

Mr. Nicolas: Ok but in terms of tightening consumer credit. Do you see it having a meaningful impact on market growth? I understand you can consolidated if market is not growing but in terms of market growth?

Silvio Guerra: Nick, right now the consumer credit in Brazil has grown from 22% of GDP to around 36% of GDP. We believe it will still have a lot room to grow if we compare to other countries such as Mexico, Chile and South Korea. So we believe the consumer credit will keep expanding more and more. On regards of the tightening on the interests rates, which means growing the interests rates from, let's say, 11.75% to 12.25%, the Selic rate is mainly a reference in Brazil. In overall terms, the finance on the used car market, for example, is between 1.5 to 2 or 2.5% per month, which means much more than the 12.25%, it means around 30% per year. So, in overall terms, the timeframe of the credit has been one of the major drivers, which means that if the banks want to keep the spread, probably the installment would grow from, let's say, R$ 380 per month to R$ 400 or R$ 420 per month which we don't think would affect that much on regards to the credit availability for the used car market in our activity.

Mr. Nicolas: And what do you use as target percentage GDP for consumer credit? You have a view internally that or I mean you can say it is 50% GDP? What is your target?

Silvio Guerra: Well, we don't have, let's say, it also depends on public policy. We don't have in mind a specific number that government would allow the credit expansion to go further in Brazil. But in overall terms, for sure, there is lots of room, if we relate it to other countries like Mexico, Chile and South Korea which are more or less the same as Brazil in terms of the growth on credit expansion today.

Mr. Nicolas: So reasonably, 50% seems like reasonable? Or you don't want to put a number for that? All right, that is fine. Thank you gentleman.

Silvio Guerra: Nick, we don't have in hands a specific number, I will try to work on that and take a look if we have already from the authorities something that relates to the target of the consumer credit expansion over GDP, ok?

Mr. Nicolas: Cool. Thank you very much.

Silvio Guerra: Thank you.

Operator: Excuse me. Our next question comes from Mrs. Irma Sgarz with Goldman Sachs.

Irma Sgarz: Hi, good afternoon. I'd like to just ask a question relating your growth in off-airport segment. It seems that the growth here in terms of capex is getting slightly more expensive, if you could just highlight a few points as to why that is. I understand the type of cars that has been used is probably a little bit different a little bit more a high end, so if could give us some idea of how you expect to develop it going forward, please. Thank you.

Silvio Guerra: Irma, thank you for your question. And on regards to the growth in airport, as a matter of fact, the adequacy of our fleet rental and the capex needs for the expansion has been done last year, when, let's say, the mix of some segments increased the model of what we call the popular or the compact cars. The overall market today will remain in the same situation, which means that we are going to have around 70% compact / popular cars and let's say 20% for intermediate cars and around 10% to 15% executive cars. In overall terms, the off-airport market is growing dedicated to some specific segments like you know, the mini-lease and the replacement but the overall adequacy of our fleet this growth in the off-airport market will not compulsorily increase capex needs because the adequacy was made last year.

Irma Sgarz: True, but if you keep growing in these segment rather than in other segments because of the saturation in the airports, if you keep focusing your growth on the non-airport segment than should we see the average going up or do I miss understand something here?

Silvio Guerra: Irma, you are right in terms that the growth in the off-airport markets will require a little bit more of compact cars. But we are going to remain at the same level, around the same level of what we presented for the 1H08.

Roberto Mendes: This additional need is the capex to growth not the capex to renew because the capex to renew will be in the same level but the capex to grow could be lower because this strong growth in off-airport market.

Irma Sgarz: Ok, thank you.

Operator: Ladies and Gentleman, as a reminder, to pose a question please press *1. Excuse me, the question and answer session is closed. We now turn the floor over to the company for closing remarks:

Silvio Guerra: We want to thank everyone for participating. Our Investor Relation department will be happy to provide any additional information and answers to any other questions you might have. Thank you all once again.

Operator: This concludes the Localiza Rent a Car conference for today. Thank you very much for your participation and have a good day.