

**Operator:**

Good morning and welcome to Radon's conference call to discuss the results of the 1Q12. Today with us are Mr. Astor Schmitt, IRO, Mr. Geraldo Santa Catharina, CFO of the Holding Division, and Hemerson Fernando de Souza, IR Executive.

We would like to inform you that this event is being recorded. During the Company's presentation all participants will be connected in listen-only mode. Later, we will begin the Q&A session, only for analysts and investors, and you will receive further instructions to participate.

Should you require the assistance of an operator, please reach the operator by pressing \*0.

The audio and the presentation are being broadcast simultaneously over the Internet, at [www.randon.com.br/ri](http://www.randon.com.br/ri).

We also would like to clarify that any forward-looking statements that may be made during this conference call, relating to the business outlook of Randon, projections, and operational targets and financial targets are based on the believe and assumption of the Company's management and any information currently available. They involve risks, uncertainties, and assumptions as they refer to future events and depend on circumstances that may or may not occur.

Investors should understand that general industry conditions and other operational factors may affect the future performance of Randon and lead to results that differ materially from those expressed in such forward-looking statements.

I would now like to turn the conference over to Mr. Schmitt, who will begin the presentation. You may proceed, sir.

**Astor Schmitt:**

Thank you very much. First of all, I would like to greet all of those who are attending this conference call today, and we will make some comments about the results of the 1Q12 for the Randon Companies. As usual, our agenda will include the highlights of the period, market overview. We are also going to comment on our operating results, on our financial results. We are also going to make some comments about what we saw in the spot market, I am also going to give you some news that were already issued to the public. And we are going to close today's conference call giving an outlook for the future, for the future quarter and also for the year of 2012.

Let us now begin with the highlights of the period. As you can see on slide four, gross revenue achieved R\$1.1 billion in the 1Q, which is a drop by 22.4%, vis-à-vis the 1Q11. The net consolidated revenue reached R\$734 million, a 23% drop relative to the 1Q11.

In a certain way, this was not a surprise to us because we were well aware that this year, in addition to the slowdown, which is seasonal, there was also a process of concentration of holidays and vacations in January, and of course in January the economic activity therefore slows down a little bit. And also the conversion, the modernization of buses and trucks,

which are migrating from Euro 3 to Euro 5, this also had an impact and there were also difficulties in the implementation of our new SAP/ERP.

We had to deal with some factors that account for a slower quarter, if we compare this quarter with the 1Q11. The gross margin was 22.1%, the EBITDA margin was 9.1%, and the EBITDA value was R\$66.9 million. Obviously, in view of slowdown the gross margin and the EBITDA margin were due to the loss in our economies of scale, in addition to some adjustment that have to do with the implementation of the new ERP system. Thus, net income was R\$18.8 million, 71% lower than in the 1Q11.

Investments in turn were maintained and reached R\$97.8 million in the 1Q, and as we said in other calls, the investment is in line with the outlook for the year, and the investments have also been affected by some ad hoc initiatives, such as, for instance, the increase in capital of the Randon bank. We also began building our Rezende unit in Rio de Janeiro, and also we are now controlling the assets of our affiliated companies.

The other investments are all related to adapting capacity, to replacement of assets, to modernizing processes, to innovate technology, and related areas. As regard the capital markets, our average daily trading volume was R\$10.1 million in the 1Q12, vis-à-vis R\$9.1 million in the 1Q11. Therefore, there was a consistent improvement in terms of average trading volumes, and our liquidity is, therefore, better. As regard the market, this is our view.

What we have seen in the quarter was lower demand for auto parts, this was expected already because of the migration from Euro 3 to Euro 5, the so-called Proconve 7. And this, of course, is very clearly stated in our report. There was an anticipation of the production in 2011 and, of course, we expected a slowdown in the 1Q12, when the production of trucks decreased 42.5% and sales decreased by 10%. This is very clear to us and, no doubt, in the period. The 1Q is a slower period in terms of the sale of vehicles, and in the year 2012 there was also a negative influence because of the droughts in the South and in the Southeast, which affected the plantations of soy and sugarcane.

These crops were substantially affected by the drought. Our new ERP still caused some delays, but we are now stabilizing the system, and I would say that everything happened within our expectations.

Moving on to some operating results, we see here, on slide six, the trends of sales of vehicles, equipment, auto parts, and financial services. There were significant advancements in the financial services, we sold quotas of our co-op payment plans, and also there was a ramp up of the activities of the Randon bank. As regard auto parts, this segment was affected by the truck makers and by the bus, chassis, and the trailer industry slowdown, as I said. And also as regard tow vehicles and railway wagons, they were also affected in terms of sale.

I would like to highlight specialty vehicles; it is a niche market, and the mining activity and public investments in the primary sector have maintained business in this segment, and the trend has been more consistent.

On slide seven we show the consolidated net revenue by segment. And here also you see the historic breakdown. Half of our activity has to do with auto parts and automotive systems, and half has to do with vehicles, trailers, and semi-trailers.

On slide eight, when we assess export they achieved R\$54.4 million in the 1Q12, a 7.8% drop relative to the 1Q11. However, this figure, it is our belief, does not clearly reflect the opportunity for exports. I have no doubt that in 2012 we will have more opportunities for export. We grew from US\$240 million in 2010 to US\$294 million in 2011, and we think that regardless of the Company's performance and the export performance in the 1Q12, our expectations regarding exports are very positive.

We believe that there is now a pickup in the production of trucks and semi-trailers in the Nafta region, and also a pickup of demand in many major markets in Latin America and in Africa. And these are our target markets, as there is demand for our products, especially trailers and semi-trailers.

The total gross revenue, as you can see on slide nine, was R\$1.134 billion, a 22.4% drop relative to the 1Q11. And the consolidated net revenue achieved R\$734.7 million, a 23% drop quarter on quarter. And the slowdown in activity, generally speaking, also had an impact on our margins, and this was due to the reduction in our economies of scale. Of course, when production is reduced to a certain extent, overhead and some variable costs, which are not so variable, these costs have a negative impact. We achieved a gross margin of 22.1% in the period, and this margin accounted for R\$162.2 million. Even so, this margin is within the levels that we believe are those that are minimally acceptable to Randon.

You will remember, especially those who attend other conference calls, we believe that margins between 22% and 27% are a tolerable variation in terms of gross margin. As regard EBITDA margin I would make the same comments. It has achieved R\$66.9 million in the period, or 9.1% of the net sales. The net margin decreased to 2.6%, and accounted for R\$18.8 million. And of course, in addition to the decrease in results because of the decrease in economies of scale, here also we were affected by accounting for a negative impact of the exchange rate on those loans denominated in USD.

We believe that this is an ad hoc situation, we have to apply the difference in foreign exchange on the liabilities, and the hedge of the Company is a natural hedge, and it has to do with our exports, which compensate with the additional margin this negative impact throughout the year. And of course since our export balance tends to be higher than our USD-denominated liabilities with funding institutions or with suppliers, this peak of negative foreign exchange impact would be corrected or offset throughout the year.

On slide 14 we show our earnings and our financial results, including all indicators having to do with net revenue and gross revenue. And everything is segmented in the three Company segments and the consolidated results. As I said, there are items that should be highlighted, but it is a self-explanatory slide.

As regard investments, which are shown on slide 15, they amounted to R\$97.8 million, and in addition to the investments usually made in processes to adapt capacity to maintain, replace assets, and to modernize plants, we also had some carry-overs from the previous year with the Rezende operation in the State of Rio de Janeiro.

As regard net worth and the return on equity, they achieved R\$1.358 billion at the end of the 1Q12, which accounted for an ROE of 18%. It is a healthy return, although it is lower than our historic average.

As regard our net indebtedness, it is at very healthy levels, 1.18x EBITDA, and it amounts to R\$562 million. And here I would like to note that there was this sharp increase in the period because we needed more working capital for inventories. This was a consequence of the inertia of the slowdown in the quarter, and also we needed additional inventory when we migrated from our information system to the ERP/SAP. And of course we were cautious and we built up our inventories. This should go back to normal in the next few months, as economic activity picks up and as we are able to stabilize the new ERP.

As regard the capital market, the trends can be seen on slide 18. I have spoken of the traded volumes, which have grown very significantly. They have grown 8.6% from the end of 2011 to 10.1% at the end of the 1Q12; very positive figure in terms of liquidity and appraisal and value of our share.

As regard the news for the period, I would just like to recap something here: on March 27<sup>th</sup> the Company announced supply contracts through Randon Veículos, our specialty vehicles division, and we are going to supply vehicles to the Ministry of Land Development, to the Rio Grandense mining company, and to Usiminas, a mining company as well. These are very relevant contracts to us, and they will contribute to a pick up in activity. And we rely on this for the next few years.

And speaking of the outlook, I would like to say that despite the results of the 1Q, despite the decrease when we compare quarter to quarter, we were affected by the migration from Euro 3 to Euro 5, by the introduction of the new ERP, by the bad crops of soy and sugarcane, there was also an economic growth in Brazil that is not as fast now. It had to do with consumer credit and difficulty in having access for investments. We also were affected by the foreign exchange adjustments on our liabilities, but even in view of what happened in the 1Q, and this can affect the results of the 2Q, even so we continue to work with the idea that the Brazilian GDP may grow more than 3% in 2012. And even if we look at the primary sector, the mining industry, for example, is producing and is performing consistently well.

The winter crops will be a lot better than the summer crops for the reasons that I have mentioned, and consumption of the public sector and the consumption on the part of the public, I mean, the job market is good, salaries are being raised, the minimum wage is also increasing, there are measures in place to provide consumer credit and credit for the acquisition of inputs and these are all part of a positive outlook.

We also expect that throughout the year exports will pick up. And I would like to stress that Nafta markets, a traditional customer for systems and auto parts, and markets in South America and in Africa are better now, and there is greater demand for trailers and semi-trailers. And also the exchange rate is now more favorable and our exports are now more competitive.

One thing was to have an exchange rate between R\$1.50 and R\$1.60, and it is very different when we have an exchange rate at R\$1.80 or R\$1.90; this helps.

And last but not least, the new Government measures to try to contain the de-industrialization process that threatens Brazilian industries, and also the measures taken to improve our competitiveness and to preserve our domestic market. We have been seeing many measures that are related to taxes, such as the reduction of payroll charges. We also saw the Government issue measures relating to funding and control of foreign exchange. And it is now easier to fund capital goods.

Also many measures were taken to defend our industry, and although things are moving at a slightly slower pace than we wanted, we are convinced that little by little the scenario is improving, and at some point maybe the 1H will not be as good as the 1H11, but we believe that it will show a new upward trend. This also made us maintain, at least until we have a clearer picture of the opportunities, we see many opportunities going forward, we maintain our guidance numbers.

We may reassess them at a certain point, more specifically when we end the 1H12. At present, given the recent scenario and the uncertainties that we see, I have to recognize that the guidance numbers that estimate a total revenue of R\$6.1 billion for the year, this would account for a net revenue of R\$4.2 billion for the year. This guidance sounds slightly optimistic, but we are going to reassess this after the 1H12. We will then have a clearer picture and better information available.

We are convinced that there are concerns of different natures, there are some uncertainties, but the other side of the coin includes opportunities, as I tried to show you very briefly. And these opportunities will certainly have an impact on the figures, to either confirm it or to lead us to reassess them. But I would like to leave that to a more timely period.

This summarizes our comments today. I would like to thank you again for attending. And now we are going to have the Q&A session, and we will remain available to clarify any questions you might have. Thank you very much.

**Bruno Savaris, Credit Suisse:**

Good morning to all. Thank you very much for the conference call. I have one question, or actually two. The first one has to do with the trailer segment; could you please give me an update about the market share for this year? And in the 2Q are we going to see a recovery of this market share? There was an ad hoc impact having to do with the implementation of the SAP.

And the second question has to do with your working capital. There was a worsening of the working capital in the 1Q. Are we going to see an improvement in working capital in the 2Q?

**Astor Schmitt:**

Hi, Bruno. I am going to take the first part of your question, which has to do with the market share on trailer. And as regard the working capital, I am going to turn over to Geraldo for his comments.

I securely think, Bruno, that in the 2Q things will be a bit slow, especially because now, and soon after the announcement of the *Brasil Maior* plan, which has to do with funding, terms have been extended to up to ten years instead of four, the portion that is funded can now be 100% of the value of the goods, and also the cost has been reduced.

And as you know, this still has to be regulated. And companies and processes are stopped for a while, and the customers themselves also, of course, look for the best possible conditions for funding. And very frequently they cancel a funding that has been approved because they seek better funding conditions.

And this brings the market to a kind of suspension, if we can say so, and we have been seeing it since the second fortnight of April. So, this is going to kind of stall the performance in the 2Q. I do not believe that the performance will be comparable to the performance of the 2Q11.

As regard the recovery of market share, it is always our objective to reach 2012 with a market share of 33% of the market. This has been the pattern in the last few years, and I do not see anything that could hamper that. Our expectation is that in the 2Q there should be an improvement relative to the 1Q. We know the reason very well, why the performance in the 1Q was what it was, but things are improving and going back to normal.

So, Bruno, do not expect any radical change in the 2Q, this is a gradual process, but there is a positive trend, rather than a negative trend. And as regard working capital, I would now like to pass the question over to Mr. Santa Catharina.

**Geraldo Santa Catharina:**

The working capital from December through March grew because of the reasons that Mr. Schmitt commented on; R\$350 million was the increase. But this quarter, I do not think there will be a significant reduction, although we are gearing efforts to reduce the working capital. I think that as of the 2H12, after we stabilize the SAP and after the 4,000 people that are being trained to operate the system are working well with the system, I would not expect a significant improvement for the 2Q, but we are gearing consistent efforts to reduce the working capital.

**Bruno Tavares:**

And just to follow-up on the first question, as regard the price dynamics, have you seen an improvement in the prices? In the middle of last year and the end of last year there was more competition relative to prices. Has this improved?

**Astor Schmitt:**

I would say that whenever there is a slowdown in the market, of course the pressure on price is downwards and not upwards; this has to do with supply and demand.

So, no doubt, since the end of last year and beginning of this year there is more aggressive competition and everybody is trying to minimize the costs in their plants. But we feel comfortable in saying that just as prices are pressured by supply and demand, in the supply

chain also, with the exception of labor, all the other inputs in the supply change are also subject to the supply and demand law, therefore prices are being driven downwards.

The secret of good management is to mesh these two things. So, when the market slows down, prices are pressured downwards, and we have to look for cost reductions in the supply chain and vice-versa.

This is the cycle we are seeing now. I do not see significant imbalances in terms of the cost of inputs and prices now or going forward.

**Bruno Tavares:**

Thank you, Schmitt.

**Daniel Gewehr, Santander:**

Good morning to all. I have two questions. I would like to understand the trend for the truck market. These recent movements, are they like ad hoc, or when we look at 2013, should we expect a figure that is similar to 2011 in terms of production and demand in Brazil?

And the second question is the following: what would be the impact of the measures of the *Brasil Maior* plan?

**Astor Schmitt:**

Thank you very much for your question, Daniel. I would like to remind you that in 2011 we had a record production in Brazil in the truck segment, for those trucks above 3,5 tons, which are classified as commercial vehicles; 216,000 units were produced.

The production of trailers and semi-trailers reached 64,000 units, and since all this production was not completely absorbed by the market in 2011, there was a carryover of inventories and very significant inventories, I must say, inventories of trucks and trailers and semi-trailers.

And this will have an impact on 2012. The industry is working with an estimate of 180,000, 190,000 trucks relative to those 216,000 in 2011. These are the figures that ANFAVEA, for example, is putting forward. There will be, therefore, if these figures hold, a drop by 10%, 12%.

As regard trailers and semi-trailers, we have figures from ANFIA, and the production that was 64,000 units, of which 5,000 were exported last year, there will be a soft landing to 6,000 units this year, with exports being a bit higher. This would be the impact in terms of what the industry expects and what the trend is.

We think that this makes sense. As regard the measures of the *Brasil Maior* plan, I have to be clear about something here. These measures have not addressed the structural challenges that affect Brazilian competitiveness, such as, for instance, the tax structure, which is very complicated, and the tax burden is very high.

The cost of capital we are seeing, interest rate reduction, but the interest rate is far too high if we compare it with other interest rates, also structural inefficiencies that we have to deal with, and costs that are completely different from those seen internationally; the cost of gas, the cost of energy. So, none of the measures of the *Brasil Maior* plan has addressed these causes that affect competitiveness.

What we saw were like emergency measures, which are in the right direction, which will have a positive impact, I have no doubt about it, Daniel, because there were reductions of some taxes for some sectors, payroll charges have been replaced by a percentage of the Company's revenues, and therefore depending on how labor-intensive our sector is, this represents a decrease in taxes. Also there were measures to improve the funding of capital goods, and this no doubt encourages the resumption of investments.

We have longer terms, from six or seven years to up to ten years. The funding portion went from 50% to 100%, costs were reduced from 9.5% or 10% per year to 7.5% per year, and the funding available is also higher. This will have a positive impact and will play an important role in revitalizing economy activity. I would also like to remind you that more than 60% of the sales of tow products, tow vehicles, are funded by FINAME fund and the likes, BNDES funding in very favorable conditions. The conditions are now better, and therefore this will have a positive impact.

And last but not least, we had measures that affected the exchange rate. The exchange rate is above R\$1.90. It is my understanding that had these measures not been implemented, measures to control the flow of speculative capital and other measures, the exchange rate would not have reached R\$1.90. It could be even lower, like R\$1.50 or R\$1.40.

All of these measures were very important, and they would not have an impact, and they support our expectation that there will be a gradual improvement of the scenario in the 2H12. If these measures are very successful, 2012 could be as good a year as 2011; if these measures are not as successful, we might see something close to what 2011 was. But being close to the best year in history, in the vehicle industry, and that year was 2011, if we get close to that, this will be a major achievement.

**Felipe Nuessli, BTG Pactual:**

Good morning. Thank you very much for the conference call. I would like to ask two questions. I would like, first, to understand the process to stabilize the SAP. Geraldo said that the stabilization will take place ultimately at the 2H12. How is this process moving? Can we expect a gradual improvement in the 2Q? This is the first question. Thank you.

**Astor Schmitt:**

I am going to turn it over to Hemerson for him to make the comments. He is monitoring that from a very close range.

**Hemerson Fernando de Souza:**

Good morning. As regard the SAP, I wanted to make some comments. The first is that in 2011 we made a transition with adherence to the new processes, and we migrated the old

system to SAP. And this was all very successful; the adherence rate was very high. I want to stress that our people worked very hard so that we would not see major problems. We did not paralyze production, we continued to work with our suppliers. But it is a very big process, and it requires adjustments, and this is what we are working on now to stabilize the system.

Of course when you look at processes such as payables, materials program, and things like that, of course you see adjustments that have to be made in some processes. The first six months are the most critical, and the first months are even more critical, and we are past that. We are convinced that it takes between 12 to 18 months to have everything working properly, but we are past the turmoil, so to speak.

And as we are using the system, we are seeing significant improvements in controls and processes, and of course given the investment that has been made, we are expecting more productivity gains and more synergy gains by using this integrated system.

**Felipe Nuessli:**

Thank you, Hemerson. You were very clear. And now my second and last question, about Reintegra. Of this expected amount from exports, we know that Reintegra will be applied only this year; could you explain to us a little bit how this credit line works? Is it being recognized in the 1Q?

**Astor Schmitt:**

I am going to say that we recognized, in April, a very expressive amount, 3% of our exports. They have to do with Fras-le and Randon, and we are depending on the implementation of a system that has to do with SAP. We have hired this system and it will be ready in June 20<sup>th</sup>. We are recording all of that in our accounting system manually, but this could represent R\$16 million, R\$17 million throughout the year, and that is about 3% of our exports.

I cannot say the figure of April because we are not speaking of the 2Q, but what I can say is that in April we are going to make a provision for the four months of the year. This can be used to offset taxes, so we pay less tax, and this will help us a lot.

**Felipe Nuessli:**

Thank you. Your explanation was very clear.

**Ricardo Alves, Morgan Stanley:**

Good afternoon. Thank you very much for the call. I need some clarification as regard specialty vehicles. Those R\$100 million for which you have a contract with the Ministry of Land Development and Usiminas, is it going to come in the 2Q or 3Q? Are you expecting that only to kick in the 3Q? And do you have any prospect of new business in this segment because of the PAC program?

**Hemerson Fernando de Souza:**

Ricardo, I am going to answer about the schedule, and then I will turn over to Schmitt for him to talk about the outlook. We have to deliver these R\$100 million until July, but 85% should be delivered in the 2Q. It depends on some factors, such as production, the schedule of deliveries in the local administration, but most of it should be realized between April and June.

**Ricardo Alves:**

Thank you.

**Astor Schmitt:**

And just complementing, to answer your question, as regard the outlook, I would like to know that if the services segment, which has to do with public investments, with Government investments, and I would like to include major construction works in energy, power plants, and infrastructure, works in the so-called urban government services, which are normally carried out by municipalities and states.

This segment of Government investment, this is a very heated segment, and there will be new business opportunities. This is what we expect. And also this has an impact on our specialty vehicles. And mining is especially important for coal in the South of Brazil, copper and iron ore in the Midwest and in the North, and this segment has growing demand and growing production. And of course we are getting business from this segment.

And as these contracts and this business materialize, we are going to communicate to you. But our expectations are very good, and we expect a lot of business is going to come from mining and from Government investment in 2012.

**Ricardo Alves:**

Thank you very much. And just if you allow me one more clarification, I am sorry if you have made comments about it already during the call, but as regard the incentives that are in effect and those entered into force in the end of April and beginning of May, have you seen changes in demand because of the new funding conditions, the new financing, or will it take a bit more time? I just wanted to understand what you see are the advantages of that.

**Astor Schmitt:**

A while ago I answered a question made by Daniel Gewehr, from Santander bank, and I was explaining that all of these measures, which are tax related or which have to do with funding for investment and for consumption, and also measures to foster commercial defense, these measures are in the right direction and they will have an effect. But these effects are seen only on a gradual basis. It is not like, "Good, in the beginning of April the Government issued a package of measures and in May we are going to see the impact." That is not the way it works.

The impact is seen gradually, and often times soon after the measures are announced we see just a period when these measures are regulated, and they also create expectations that sometimes lead the market to a fall at first. This is what we are seeing. This is what we saw at the end of April and beginning of May, it takes some time.

**Ricardo Alves:**

Thank you. That was very clear.

**Nicolai Sebrell, Morgan Stanley:**

Good afternoon. I have two questions; the first one is, what are the levels of inventory of trucks in the market today? Are there still many new trucks in the dealers, in the stores for sale? Is there a target for that? For example, inventory in days?

And the second question is about CAPEX; can you give us some more detail about the investments that Randon will make in 2012? What are the plans and the most important initiatives?

**Astor Schmitt:**

Thank you, Nicolai, for your question. As regard the levels of inventories of trucks and semi-trailers in the industry and in the dealers, I must confess that there is not an official figure, there is only the perception of the figures.

What I can say is that at the end of last year, when there was a pre-production of Euro 3 vehicles, to sell them progressively in the beginning of 2012, the inventory of trucks, according to the most optimistic, was 30,000 units, and according to the pessimistic it was 45,000 units.

Whatever it may be, the inventories were relatively higher than the ordinary inventory, which is 15,000 units per month. From what we know, these inventories have been sold to date, and, therefore, there should be an increase in demand for the Euro 5 vehicles.

As regard trailers and semi-trailers, we do not have very accurate figures, but what I can say is that Randon Companies have relatively high inventories, 2,400, units in that region. And in the next two or three months, 30 to 60 days, we expect those inventory levels to go back to normal, which would be half of these levels.

This had to do with the change in our ERP system and it also has to do with changes in financing. This has disrupted the delivery of the trailers, because people are deciding to go for new types of financing and so on. But I believe things will go back to normal very shortly, so much so for inventories.

As regard investments in 2012, our guidance is for R\$400 million. This guidance is what you have here, in the 1Q we invested R\$97 million, and the value, the amount as a whole is a bit higher than the traditional investment levels of Randon, which was R\$250 million per year, and this was so because we had a major carryover from 2011 to 2012.

Investments that were contracted last year, but that were accounted for this year and are still being accounted for, and those two other non-organic initiatives, the acquisition of a controlling stake of Controil by Fras-le S/A, and also by the implementation of the new industrial facilities in Rezende, in the campus of Volkswagen MAN.

**Nicolai Sebrell:**

Very good. Thank you.

**Augusto Ensiki, Morgan Stanley:**

Good afternoon. I have a question about railway cars, and I apologize if this has been answered already. In February you announced the sale of 540 railway cars; do you have any other orders? How many railway cars can we expect in terms of sale this year? What will be the level, the same as in this quarter?

**Astor Schmitt:**

In fact, we have a backlog of order today for those 560 units, and also another from last year, which is close to 700 units. We expect to build some more units, but we do not have a number to give you. These are bidding processes that are still ongoing and it is going to take some time until they materialize.

At the end of last year, we expected that the market would be better this year, but it might not be such a big market in terms of new business, but we still have a positive expectation for the railway car segment.

**Augusto Ensiki:**

And of these 700, you have delivered half in the 1Q, right?

**Astor Schmitt:**

Part is going to be delivered between now and the end of the 2Q.

**Operator:**

Since there are no further questions, I would like to turn the conference over to Mr. Schmitt for his final remarks.

**Astor Schmitt:**

Thank you very much for your attendance. I would like to thank you very much for participating, thank you very much for your questions. I hope we have been able to clarify and answer all of them, and I also hope that the presentation has been clear and has met your expectations relative to the information you require.

And, again, just to wrap up, I would just like to reaffirm what we have been saying. We have seen that there has been a slowdown in the 1Q, and in the 2Q we will probably be seeing a

performance that is lower than the performance of last year. But prospects are if we can perform as well as in 2011 or even get close to our performance in 2011, we, in the Company, we, as managers and as Directors, will feel very happy, because we would be closer or even repeating the best year in history. This is not bad at all; this is a pit stop at the top. We are monitoring things from a very close range and we are confident why we see reality.

Thank you very much again, and I speak also on behalf of Hemerson and Geraldo, and we will meet in the next conference call. Today, we are going to have a meeting with APIMEC in Porto Alegre, at 6 o'clock, and we will remain in touch.

Thank you very much.

**Operator:**

Randon's conference call is now ended. Please, disconnect your lines now, and have a nice afternoon.

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