Operator:

Good morning. Welcome to the conference call of Randon for the earnings of the 2Q12. Present here with us are Mr. Astor Milton Schmitt, Investor Relations Officer, Geraldo Santa Catharina, Holding Division Finance Director, and Mr. Hemerson Fernando de Souza, Investor Relations Executive.

We would like to inform you that this call is being recorded, and during the presentation all participants are in listen-only mode. Then we will start the Q&A session only for analysts and investors, when further instructions will be given. If you need assistance during this call, please ask the help of an operator by typing *0.

The audio and the presentation are being broadcasted on the website, at www.randon.com.br/ri.

I would like to clarify also that any forward-looking statements that are made during this conference about prospects of the business of Randon, projections, operating and financing goals are the assumptions of the Company's Board of Directors, as well as based on currently available information. They involve risks, uncertainties, and assumptions, because relate to future events and, therefore, depend on circumstances that may or may not occur.

Investors should understand that general economic conditions, industry conditions, and other operating factors could also affect the future results of Randon and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference to Mr. Astor Milton Schmitt, who will begin the conference. Mr. Astor, you may proceed.

Astor Milton Schmitt:

Thank you very much. Initially, I would like to say good morning to all ladies and gentlemen that are listening to us, and say that, as we do usually at every end of quarter, we are here today, again gathered to comment on the earnings for the 2Q12, therefore the closing of the 1H12.

Before starting the presentation, where I will try to explain things as clearly as possible, I would like to say that, according to the Company, this 1H12 has been strongly influenced by the decrease in the growth of the economic activity in Brazil.

Due to the slowdown and the decrease in the demand of our products, the products that we offer, which will be detailed in the presentation, although affected by such external facts, and out of its control, the Company continues to show vital signs that are absolutely healthy if we look at Randon Company from the point of view of its health.

This health is related to technological aspects, products, processes, quality, which continue to be of a top rank and continue with the same quality standard, and the Company had no new facts regarding its operations in the market or its market share, relationships with the market and customers, or with the activity of domestic competition. There are no new facts regarding international competitors as well.

So, in terms of new factors that would affect our activity in the market, there is nothing new. Also, despite the economic scenario, the Company has very good indicators in terms of liquidity, given by its cash availability, as well as its indebtedness, which is very conservative.

The Company has no new fact in the human capital area, no new fact regarding management, labor, quality of labor, or any inefficiency. So, on every aspect, either technological, products and processes, as well as market, financial and economic ones, in terms of human capital the Company is in conformity with the regular situation and its regular operation.

The factors that have affected us in the 1H12 are these external factors that we will comment, based on the evaluation of this period. The highlights that we show on slide four, we have a summary of the performance of the Company, where the R$1.4 billion in gross revenue in the 2Q, with a decrease of 18.3% when compared to the 2Q11, the consolidated net revenue was of R$883.9 million, 19.5% lower, and exports reached US$71.2 million, which is very comparable to last year.

Gross margin at 20.5%, a bit below the historical levels, that also applies to EBITDA margin, that closed this 1H at 7.6%, a R$66.8 million, given a series of adjustments, we had a net loss of R$4.7 million, which is 105% lower than the same quarter in 2011. Investments amounted to R$57.5 million, 20% above the 2Q11. The average daily trading volume of RAPT4 in the 1H12 was R$9.9 million, versus to R$9.2 million in the same period in 2011.

Also, at the closing of the semester, the figures were basically affected by three variables that are somehow reproduced here in slide five, which are variables that we have to live with in this six months of 2012, which is the process of reduction in the Brazilian economy growth. It was already being perceived in the end of 2011, but which became more real in the 1H12, and it was strongly affected by a deep reduction in the consumption level, salary did not grow and employment levels did not grow as they had been growing before.

And consumers became a bit more selective, and credit to consumption as well, given the higher default levels, and we had some reduction in the social programs of the Government, due to budget restrictions. Therefore, the consumption did not grow as much as it had been growing before.

If we look at private and public investments as well, private investments may be influenced by crisis in Europe, as well as the decrease in the growth of Brazilian economy, suffered restrictions in public investments certainly.

As a backdrop, without the situation and the latest facts, given the change of ministers in very key Ministries, as well as problems regarding funding for projects, and projects that are limited by many restrictions, such as the environmental and other.

So, the fact is that public investments were blocked or decreased in the last six months, and that affected the economic performance of the Country, when we thought that last year

Brazil could grow by 4% this year, it grew a lot less, it will grow maybe 2% or even less than that until the end of the year. That also reflects in the demand for transportation vehicles, which is our business.

The last crop, especially in the South of Brazil, as well as neighboring countries, such as Uruguay and Argentina, who we have important business with, has suffered from the last drought, which reduce its yield considerably. That had an important effect on our business. More than 40% of our railroad and road equipment is related to the primary sector and agribusiness.

Third, but not less important, since the end of 2011 and the 1H12, we have witnessed the change in the engines of trucks from three to five, and this process is taking longer than expected in terms of becoming normal. This longer-than-expected period has a direct relationship with factors such as the relevance of this change that introduced unprecedented innovations for commercial vehicles, and that always creates an expectation from the market.

Another important point, the generation five vehicles were seeing as more expensive from generation three, and that also creates an expectation in the market. This fact that they are a bit more expensive would create a conversion of prices when compared to the old Euro3, and that also creates expectations from the market.

Third, but not less important, the dependence on Euro5, that is dependent on the fuel as well as the Arla 32 additives, which are safe from distribution logistic issues. Brazil is a very large, a continental country, and it has a series of gas stations that have to receive this new fuel at leveled prices. That takes some time, and certainly in the 1H12 we have experienced the most acute phase of this process, which I call the migration from one generation to the next. That will probably normalize gradually.

So, we had the drought that affected the crop yield to some extent, and this new change created lower activity, lower demand, and less revenue. And, of course, our margins were pressed, given the losses with economies of scale as a whole, because we had lower revenues with the same vehicles.

So, there is a loss in terms of quality of margins, and undoubtedly we had an increase in our inventory levels, given the reduction of the demand and the adjustments made in the production pipeline led to investments in higher costs, in terms of working capital, higher investments costs, the appreciation of the USD in the period, which affected the funding in USD, which created some loss.

Although this aspect will probably be normalized, although being negative in the 1H of the year, throughout the end of the year I think it will be back to normal again.

On slide six, we have an overall behavior of the various segments of vehicles and auto parts, where we see a reduction of towed vehicles, 16.5%, specialty vehicles had an exceptionally good performance, driven by the area of public services, Government services.

Also in the 1H, we had a strong reduction in the demand for rail wagon, and today we have a clear sign that in the 2H of the year this deficit of 50% in the production will not be covered totally, but will go back to normal probably, because the prospects for the 2H of the year are much better.

In auto parts, we had friction materials that in the 1H we have incorporated and consolidated the acquisition of Controil, which affected the indicators of activity as well as a strong demand from the United States market for friction materials, which was strongly met by Fras-le, as well as the replacement parts market.

The Company had a reduction of 30%, 40%, which is aligned with the decrease in the demand in the car assembly industry, and since most of our demand from auto parts are directed to bus and trucks assembly manufacturers, cars, trucks, and buses manufacturers, that also affects our business.

In the following slide, we show the quarter and the 1H of the year, and its share of several product lines. We see that auto parts are 48%, financial services 1%, and that was the breakdown. By looking at this slide, you see that towed vehicles, which accounts for 77% of vehicles, trailers, and semi-trailers sector, the most important item that influences the most this result.

On slide eight, operating results. We see the performance of our exports in the overall business of Randon in the 1H of the year, that is probably the area that has the most balanced performance, relatively speaking. 125 against 130 in the 1H of last year, so we repeated a very good performance.

Our traditional purchases with a few changes in their share continue to be South America plus Mercosul, which buy 33% from everything we do in Brazil, 37% goes to NAFTA, the North American market, and then we have the African share, now responsible for 11% of our exports and is a growing market.

Exports from Brazil continue to increase, last year was a very good year for exports, which remains true this year as well. We reinforce in this slide also that our business abroad had a very good growth on the 1H12, and now their share is much more relevant than the historical shares.

We estimate that units sold abroad, our international units such as Argentina and China, this year will produce revenues close to US$130 million, US$150 million. So, slowly they become more and more important in the figures of Randon, especially if you add that figure to exports, causing the external market to really respond positively to our important efforts to make our business more and more global.

Now, I am going to talk about financial results, slide nine, talking about the total gross revenue and consolidated net revenue. Both had a strong decrease when compared the 1H of the year with last year, 20% for gross revenue and 21% for net revenue, for all of these reasons that I have reported to you previously when I was making my comments about the overall economic situation.

The gross margins decreased below historical levels, 21.7% or R$341 million, which is slightly lower than historical levels, around 21% to 25%, and we expect to recover at least part of this, with a progressive improvement in the 2H of the year.

In the consolidation of cost of goods sold, we had a composition close to historical levels, and the participation of labor is about 11%, but this time it ended at 13.7%, the share of labor in cost of goods sold.

This is due to the contingency of labor we had to maintain during this economic slowdown period, with a strategic goal of keeping our basic team, keeping our basic structural human capital untouched on one hand. On the other hand, because we believe that the unfavorable situation on the 1H12 was very specific and we will change the scenario throughout the 2H12, and certainly labor will go back to its historical levels in terms of shares.

On slide 11 we show the behavior of EBITDA and net margin, net profits, we had a significant reduction as a consequence of, first, the loss of scale economy given the reduction in the activity of the Company, in production levels as a whole.

Of course, this had an impact on production costs, administrative costs, etc., as well as in very significant effect of financial costs related to additional working capital and specific working capital for inventory levels, which of course we are gradually reducing, and it will go back to normal levels.

Third, but not less important, the good news of the progressive correction of USD exchange rate values, which affects us favorably. This exchange level correction must be accounted for on liabilities, given, in other words, on imports and our USD-based debt, and the rest, which is accounted for the additional exports margins that will take place progressively throughout the year.

So, although we had a negative exchange variance in the 1H, this would be offset and will produce a positive effect in the whole year. And together with the reduction of our financial exposure and with the gains of scale, given the production levels, that will cause the EBITDA margin, as well as the net margin, to go back to historical levels or maybe closer to historical levels. Maybe we will not reach historical levels until the end of the year, but certainly we will get much closer to those levels.

Slide 12, we see the consolidated accrued income statement by market, vehicles and trailers, semi-trailers, auto parts, financial services consolidated, and how gross revenue, net revenue, and EBITDA are distributed.

In investments, given the reality of 2011, accelerated in the 2H11, they also had a very good development in the 1H12 accounting for R$155 million with a 20% growth when compared to the same period of the previous year.

Obviously, we are now entering the 2H of the year with a change in our investment structure. This decrease is not causing us to cancel any project in the Company, either organic or non-organic. What we are doing is reducing new funding in an unfavorable economic period. We are reprograming some investments that were supposed to happen in the 2H of the year and postponing them, so the 2H of this year, the level of investments, probably the pace of investments will decrease a bit given the current economic conditions.

The return on equity, which is historically of 20% to 25%, has also suffered a significant drop, as a consequence of this economic development that I mentioned. But we also expect this indicator to recover until the end of the year and we should get closer to historical levels.

On slide 14, we see the composition of our gross debt and net debt, and we see clearly that about 30% of our debt is denominated in foreign currency, 70% in domestic currency, and that has had an effect of the negative exchange corrections. That probably would be corrected as the exports hedge in the 2H of the year, and we expect a positive gain in exchange, exchange gains with a positive balance in the 2H.

The indebtedness over net debt, net debt over EBITDA, 1.94x, given basically by the need for working capital and also for inventory, that was very specific. With a progressive reduction of inventory levels in the 2H12 and the rescheduling of some investments, we will certainly go back to levels that are much closer to historical levels by the end of the year. These levels are quite conservative. These are the levels that the Company has had in its many years of operation.

Of course, the USD exchange correction has also had an impact on that, and I also would like to make a particular comment that the growth of activities in the financial services area through the Randon bank, whose goal is to leverage its operations, that also has an impact on these figures.

And certainly, on our next meeting, when we will report on the earnings of the 3Q12, we will probably highlight this indebtedness just allocating the amount represented by the Bank, as well as by other activities; this is an improvement in our reports that we will make for the next quarter.

Slide 15, stock market. We see here that despite everything we said, our shares, since the beginning of this year until the end of June, had their value appreciated about 5.6%, which is against Bovespa, or the Brazilian stock exchange, which reduced in the same period.

Although I am not an expert on the stock market, it seems to me that people who are informed and aware of this market certainly, at the end of last year, have priced the scenario that we had in the 1H12. And now, at the closing of the 1H12, it is probably pricing this likely and very noticeable recovery that shall take place gradually throughout the 2H12 and, therefore, the good results.

As for the traded volume, it grew by 15% in the period, which shows the good pending of Randon shares in the market, and the way it is traded, at high liquidity levels.

On slide 16, we are reporting recent news, a communication we made to the market that we have signed a memorandum of understanding with a Chinese Company, China Sinamarch Heavy Industry Corporation, to make a joint venture in Brazil for the production of excavators.

I would like to highlight that this notice to the market has a lot to do with our process, our principles, and our attitude of total transparency to the market place. But I would also like to emphasize as well that this process is at very initial stages, and it will certainly take some time until we have new information about this project, which will be reported on a timely basis.

On slide 17, we show our new guidance levels, a revised guidance for 2012. As you know well, usually when closing the 1H of the year, we review our annual operating plan. This year we did this as well, and given the fact that the scenario for the 1H12 was below the general expectations we had at the end of 2011, when we made the original plan, of course given the circumstances we revised it down, and now we estimate a total gross revenue of R$5.1 billion, a consolidated net revenue now adjusted to R$3.5 billion, exports estimated at R$280 million, which is very close and comparable to the performance of last year; imports also decreased, given the reduction in the activities in general, but also given the replacement of the USD exchange correction and the new exchange reality.

We now have many suppliers, domestic and international, in a migration process, which is normal in an open market. And also we are looking for other suppliers.

CAPEX amounted to R$155 million in the 1H, is now estimated at R$230 million for the year, which is quite lower than what we had originally forecasted for this year. And this is not due to the cancellation of any projects – I repeat: projects are maintained –, but it is just an adjustment in the schedule, given these new temporary market circumstances, because there are different needs of capital in terms of CAPEX as well as reaching levels that are consistent with the historical ones.

On slide 18, for the outlook, Brazil's GDP forecast is to grow at 1.9% against 4% that was the forecast in 2011. We also believe that we will have a crop output in 2012/2013, which will be a record, since for the next crop the planting is already taking place and all the land is being prepared, and the agribusiness industry works with an outlook of great crop output as well as climate conditions that will be more favorable than last year.

And also given the price of commodities, which are really good, with unprecedented levels. For example, soy and corn in the Chicago Exchange are at very high levels, which is an important behavior predictor. Argentina and Paraguay and neighboring countries show that they also work based on this outlook.

The truck market that feeds the auto parts segment will probably recover its production levels slowly; Anfavea, the national association of manufacturers, works with a preliminary estimate of production of 150,000 units in the year. In the 1H the production was 66,000 units. So, of course the 2H12 will show more positive figures gradually.

Lower interest rates and public investments should encourage growth in this segment of vehicles and trailers in the 2H12. Also the slowing of the production rhythm caused us to restructure some of the processes and the structure, which will have an improved operational efficiency in the 2H.

Overall this is the information, these were the comments we had to make about the 2Q12 and the 1H12, and I would like to conclude by saying that yes, we did not have such a good half of the year and the decade, which imposed a great sacrifice to us, but at the same time we clearly see a situation in which the worst is certainly over.

And as of July, the market shows progressive and clear signs of gradual improvement. It will certainly not recover the exceptional performance we had in 2011 until this year, but we will certainly get much closer to that, and we will start 2013 under circumstances and a scenario that is totally different from the beginning of this year.

I would like to conclude by saying that we started 2012 with our foot on the break, and the evidences now and our expectation is that we will start 2013 stepping on the accelerator.

This is what I had to say. Thank you very much for your attention during our conversation and presentation. I consider my presentation finished right now. And along with my companions here, Geraldo Santa Catharina and Hemerson Souza, we are available to answer any questions you may have as honestly and sincerely as possible.

Renato Mimica, BTG Pactual:

Thank you. Good afternoon, everyone. Thank you for this call. I have two questions. First one, if you could talk a bit more about the EBITDA margin on vehicles and trailers. Could that be attributed to the weakness of the market or maybe concessional prices, given market share issues?

And what are the drivers for the recovery of margins especially in the segment in the 2H12? Would that be volumes given the operational advantage, or your changes in structure that would result in more profitability? That is the first question.

Astor Milton Schmitt:

Renato, I will ask Hemerson to answer you because he has all the details and information to talk about EBITDA and margins.

Hemerson Fernando de Souza:

Good morning all. Yes, in fact this division was the one that had the strongest reduction in margins, and that has two reasons. First, that unit in which we operate with more leverage in operations. You must be very loaded to reduce its cost and provide better results. That is the first thing for vehicles and semi-trailers.

Also there were some price reductions in this half, totally influenced by the market demand and volumes. The demand was 12% lower when comparing the 1H12 with the 1H11. Also we had some specific problems regarding the implementation of the new system, as you all know, which for some reason caused an impact on the costing and specific adjustments made to a few product lines. Of course that had an impact on results.

What do we expect from now on? We see an improvement in demand, so probably that will bring better results in the composition of margins, and we also see that competition is more adapted, it is not as stiff as it was in the first months of the year. That would give us conditions to provide better margins than those provided so far. But I would not say that that would save the year, because of the losses we have accumulated so far.

Astor Milton Schmitt:

Good morning. I would like to add that among these factors we have also a period of accommodation in the railway industry, and we kept our labor intact because we have other orders in our portfolio, and we have to comply with those. And also we have some inventory. And given the financing condition, it took us longer to transform this inventory into revenues, so we have stopped some fixed costs, overall speaking. I would like to add that.

What is the next question, Renato?

Renato Mimica:

Thank you for the answers. Next question is about working capital. We have noticed a deterioration in the cash flow. If you could, please, detail a bit more what is behind this deterioration in the cash flow and the cash cycle, given the presentation that you said that there were prospects and improvement for working capital. Where would that improvement come from, since we expected growth in volume from now on?

Astor Milton Schmitt:

Geraldo will answer you.

Geraldo Santa Catharina:

The main point about working capital is the reduced… the inventory levels of vehicles and trailers, which is above historical levels, semi-trailers, given the internal accommodation of the system, as well as given the constant changes in the funding system of BNDES. So, for two or three months there were changes in the funding mechanisms for better, so many processes were returned to the agents, and clients would try to obtain better funding conditions, or better… And we had our products in stock, and that inventory accumulated and probably the level of inventories will reduce until the end of this year.

So, the inventory account is the main one. There has been no major change in the customer account. And now we are working in the supply area, which is our main factor in the composition of costs, and we are working to try to reduce the ABC curve to increase the supply time, and reduce working capital by reducing inventories and improving the performance of suppliers.

Renato Mimica:

OK. Thank you very much. Perfect. Good afternoon to you all.

Ricardo Alves, Morgan Stanley:

Good afternoon. Thank you for the question. You have two quick questions. You have given a bit of the outlook for the 2H12 for the production of trucks, which will recover when compared to the past. What do you see in terms of truck production? Can we expect a better volume now in August when compared to July? How are sales? That is the first question.

Astor Milton Schmitt:

Hello, Ricardo. As for the 2H, we consider the 2H better than the 1H12 in terms of expectations. There are very clear signs in our business. Where are these signs? In the area of towed vehicles, we see a progressive growth in demand, which is driven by an improvement in the economic activity as a whole, as well as the prospect of a better crop, which is seen in the input industry of agribusiness, such as agricultural machine, fertilizers, which are related to preparing the land for planting. And all of that has a positive effect. This is already taking place.

In the area of wagons, which was virtually stopped in this 1H, the production. We had some production and sales activity in the 1Q, then we stopped in the 2Q, but today we are working with a production programing.

Well, I was talking to Ricardo, I believe. Yes, I am sorry for the interruption. I would say that in the area of semi-trailers we have signed a progressive recovery in the wagons that had stopped in the 2Q. We have an expectation of production until the end of the year, we will be operating regularly in the 2H and the beginning of next year, we know that already.

In the area of specialty vehicles, the construction machinery, the performance is good and remains good. And probably we will be better throughout the end of the year because we have Government investments with a very high amount of investment in excavators, which will be purchased and that will improve the performance of that industry.

In the 2H12 and the beginning of next year, as for international business, we think that exports will continue to be very good this year and beginning of next year, and we count on a significant growth of revenues from abroad, and given all that, Ricardo, the outlook for the 2H has very clear and concrete signs that the worst is over.

And I would like to repeat what I said when I ended my presentation that certainly we have removed our foot from the breaks and we are stepping on the accelerator again. And then we will start 2013 with a step on the accelerator and speeding up certainly.

Ricardo Alves:

The second question has to do with the 1Q and 2Q, that you said that things slowed down a bit. What is the average use of your capacity, which is 50%, 60%?

Astor Milton Schmitt:

I think Hemerson can answer that.

Hemerson Fernando de Souza:

We are working with 65% to 70%, 30% that was on road rail equipment and then auto parts a bit below that.

Ricardo Alves:

Would you expect to have it normalized in the 2H12?

Hemerson Fernando de Souza:

We noticed a reduction in activity, an improvement in activity, given by an additional demand of breaks and wagons and machines and equipment. So, we expect that to improve.

Rogério Araújo, Flow Corretora:

Good morning, everyone. Thanks for the call. I have two questions. First is a follow-up about the semi-trailer inventory level. I would like to understand the new levels given the change in interest rates. And we hear a lot about credit restrictions for heavy-duty vehicles. Would that be those sales are transferred to the 3Q, or a large amount of that was canceled, and this credit restriction for heavy-duty vehicles and semi-trailers will reduce the reduction of your inventory?

Astor Milton Schmitt:

I think Geraldo can answer this inventory and credit issue.

Geraldo Santa Catharina:

Well, first the credit is available, and the conditions are good. The credits terms are good, and that will give us a good outlook for the 2H. As far as I know, there have been no cancellations, no major cancellation given this process. What happened was really a red tape that a lot of paperwork that has to be done, and customers did not get the financing when they should have. But I do not think it is a credit issue.

Credit is available, and we noticed that the agents are more selective in their choices. But from the demand point of view, and since credit assessment from our customers is good. We have not had any default problems. I think the major problem was all the paperwork that had to be submitted and that will be improved and will get normal until the end of the year.

Rogério Araújo:

So, July and beginning of August you already noticed a reduction in inventory levels of semi-trailers?

Astor Milton Schmitt:

Well, we will have to talk about the 1H12, but in July there was a beginning of a solution of this problem, but still not as strong. It is a gradual process.

Rogério Araújo:

OK. That is nice.

Astor Milton Schmitt:

I think we need time until December to really reduce this working capital that has made up. So, we believe that September we will have more figures to present.

Rogério Araújo:

The second, a question also talking about the prices of road rail equipment, you mentioned that competition was stiff, but we see an increase of 9% when compared to the quarter and 3% when compared to the year. Can you comment on the mix of products sold and the discounts given for this mix? It would be interesting to have that.

Astor Milton Schmitt:

Hemerson will answer that.

Hemerson Fernando de Souza:

Well, it is hard to comment on this, because if you divide a volume that would give you an increase in the average price.

The mix was the only responsible for the variance of average price calculation. We do not know if the mix was responsible or there were other factors that contributed to that. In terms of the mix sold in the 1H12, we have more data, but I do not know if that will give you an explanation of the increase in the average price.

I think competition was stiffer in the 1H12, we gave discounts. Probably people who bought the products now had a better deal than in the beginning of the year, or in the beginning of last year.

Also, it is important to highlight that we exported high volumes with a good exchange rate volume that contributed to a better average price, although exports do not account for such a great part of our revenue.

Rogério Araújo:

Thank you very much, and have a good day.

Cristiane Fensterseifer, Geração Futuro:

Good morning. My questions are about auto parts. Do you have any sign for the orders from the manufacturing industry in auto parts? If you can give us an idea of sales for August for road and rail equipment? What is the expected impact for the quarter?

Astor Milton Schmitt:

I am sorry. What was the last part of your question? The impact of what?

Cristiane Fensterseifer:

Of the collective bargaining agreement in terms of salaries for employees.

Astor Milton Schmitt:

I will answer part of it. Well, the orders we received from manufacturing plants of trucks and vehicles, the annualized plan is quite aligned with the forecast of Anfavea, which is the production of 140,000, 150,000 trucks per year. And since the 3Q our production of 66,000 units, if I am not mistaken, I am asking Hemerson – he said it is 63,000 in the 1H12 – if we want to reach 140,000 on a conservative estimate so the 2H12 will have much better production volumes than the 1H. This is what we know so far, and this is what we are saying.

Of course this is not yet fully reflected in all the truck manufacturers, because, as you know, they are making the orders every week, so we see a slow improvement, but an improvement. But I think we expect an improvement.

As for the road and rail equipment, that was, of course, affected as well by the overall demand levels. And our orders will probably be according to the normal levels, 60 to 90 days. As for trailers and semi-trailers, as for rail wagons, purchases are quite concentrated and they release their loan agreements slowly. What we have is the sign from the manufacturing companies that are slowly being agreed on that allow us to envisage a normal production level, that is five to six units a day, which have resumed in the end of June, and we will keep on doing that probably until February and March next year.

So, it is on one hand on the manufacturing plants that is happening slowly in the semi-trailers and wagons the adjustments are taking a place quicker. That is the message. We had an adjustment of 7.5% against 9.5% when compared to last year, for the salaries. With the comparable inflation levels, so undoubtedly the curve of actual adjustment of salaries is more stabilized, less aggressive than in the previous year. It has an impact on costs that we will have to correct by improving our efficiency. This is the reality we are living in right now.

Now, to complement on the costs, some news: there has been an increase in the price of metal. I think that has not affected us, but has limited the chances of success, because costs and prices, or in other words suppliers and customers, in a free market like us this operates based on the supply and demand. When demand decreases, prices tend to go down. And we also seek discount from our suppliers. When the demand is growing, the trend is for prices to go up, and the suppliers also want to take part in it.

So, I always say that the secret is to keep the balance between costs and prices. We are still not in the price increase moment. I do not believe that we will be successful in adjusting costs as well.

Cristiane Fensterseifer:

Thank you.

Operator:

Thank you. Since there are no further questions, I would now like to pass the floor to Mr. Astor for his final remarks.

Astor Milton Schmitt:

Ladies and gentlemen, we once again had the opportunity to talk and to make our presentation, and to see the material results. And on the outlook for the medium and long run, we would like to thank you all for your questions, your comments, the questions from Rogério, Renato, Ricardo, and Cristiane. And we hope we have given good answers to your questions.

And on my behalf, and on behalf of Geraldo and Hemerson, who are here also in this conference, we thank you for this opportunity, and we say goodbye. And see you soon, in three months. Certainly then we will have a chance to talk about the 3Q12 and it is my expectation that we will have a better quarter when compared to this current reality.

Thank you very much, and see you soon.

Operator:

Thank you. The conference call for the earnings of the 2Q12 for Randon is now ended. Please, disconnect your lines, and have a good day.