Operator:

Good morning. Welcome to the conference call of Randon to announce the results of the 4Q12.

Here with us we have Mr. Astor Milton Schmitt, Investor and Institutional Relations Officer, Mr. Geraldo Santa Catharina, CFO of the Holding Division, and Hemerson Fernando de Souza, Planning and Investor Relations Manager.

We would like to inform that this conference call is being recorded and simultaneously translated, and during the Company's presentation all participants will be in listen-only mode. Then, we are going to start the question and answer session only for analysts and investors, when further instructions will be provided. Should anyone need assistance during this conference call, please request the help of an operator by pressing *0.

The audio and the presentation are being simultaneously transmitted on the Internet, at www.randon.com.br/ri.

We would also like to clarify that any statements made during this conference call pertaining to the business prospects of Randon, its operational and financial targets and projections are based on assumptions of the Company and based on information currently available. They involve risks, uncertainties, and assumptions because they refer to future events and therefore depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions, and other operating factors may also affect the future performance of Randon and may lead to results that are materially different from those expressed in such forward-looking statements.

Now, I would like to turn the conference over to Mr. Astor Milton Schmitt. Please, Mr. Schmitt, you may start.

Astor Milton Schmitt:

Good morning to all, ladies and gentlemen, listening to us today. As said before in the conference call of today we are going to announce the results of the 4Q12 and also the performance of the year of 2012 as a whole. As usual, we are first going to focus on the highlights and then we are going to give you a general market overview, our performance, and the behavior of the capitals market, and we are going to close by sharing with you our perception in terms of the outlook into the future, especially focusing on the year of 2013.

As a highlight for the period, if you look at slide four you can see that the total gross revenue of the Company totaled R$5.3 billion in 2012, with a drop of 16.2% over 2011. The net consolidated revenue totaled R$3.5 billion in 2012, with a drop of 15.7% as compared to the previous year. The gross margin was 20.9%, EBITDA margin was 8.2%, thereby generating R$286.6 million in the year, with a significant reduction as compared to the previous year. Obviously these two indicators have suffered the consequences of this reduction of scale economy and a consequent greater operational leverage. And then the net income was R$42.6 million, 84.2% lower than 2011 in addition to all factors already mentioned for the gross margin and EBITDA, which, I repeat, were the behavior of pricing, the drop in scale economy, the consequent greater leverage in operations, also influencing the bottom line and, as a consequence of the reduction of activity and generation of EBITDA, we had the account of financial expenses and revenues. So, we went down from 60 to 30 in terms of expenses and revenues. Obviously that had a significant impact on the final net income.

Investments that totaled R$276.9 million in 2012 had their course maintained in spite of the slowdown in the market and in production, especially because of the fact that most of them, of those investments, as they were import projections, they were at a point when we could not reverse them, such as it is the case of the expansion of North America, of us taking over the control, especially in Rio Grande do Sul, and also as it was the case of the continuing construction of our manufacturing plant in Rezende and as also the case of the new logistics center and the headquarters, our new headquarters in a process of insourcing logistic activities and product distribution, and so and so forth.

Undoubtedly, when we talk about 2013, we will certainly review all the schedule of some investments that we were not able to secure in 2012, and then we are going to adjust. Within this scenario that is quite challenging that we were faced with in 2012, obviously we also had some positive aspects, and one of the highly positive things was the continuing growth in daily average volume traded of our bond, thereby reaching R$12 million in contrast with R$8.6 million in 2011. And also a significant growth in the Company clearly showing that, in spite of the scenario difficulty that we dealt with in 2012, the market was obviously noticing and seeing the economic and financial health and managerial health, the market leadership of Randon companies somehow drew the capitals market sending the message that there has always been macro economic difficulties, but we are confident that this will soon change.

When I talk about macro economic conditions on slide five, I am saying in other words that the Brazilian economy had a performance that was below expectations and maybe the growth of our GDP in 2012, which has not been announced yet, will be around 1% against an initial forecast of 3%, and therefore quite disappointing. Something that influenced this performance was the behavior in consumption, investments, and also especially in the South of Brazil, in the summer of 2012, the harvest was strongly affected. And also in 2012, at the level of the decision of the Government of trying to contribute and encourage a more dynamic economic activity, which was positive, however the successive changes, such as for example in the area of funding for investment with funds generated by BNDES, we had frequent changes in rules, such as, for example, in 2012 with interest rates for the funding of loans, it dropped considerably from 7% to 5%, and then we ended with 2.5%.

Obviously, on one hand this is very good because it facilitates the economy, but at a time of implementation, because there are too many changes and there is not a continuity of a stable platform that last for a longer period, this initiative may create some difficulties. The drastic migration of generation from Euro 3 to Euro 5 in trucks really drops the production of the truck industry, which fell by about 40% in 2012. And also the drop in the production of trucks affected the production of towed vehicles, with a drop of about 12% in the year.

Undoubtedly these highlights in the production of the industry strongly affected our segment of auto parts and systems, because 60% is meant for truck manufacturers, and of course, if they are not manufactured, we suffer the consequences directly. And this is all very important. The 2H12 progressively started to show a recovery in sales, the 4Q, when we analyze, already show production levels that are better, and certainly we are starting 2013 with a quite intense level of activity and therefore with a new profile, and fortunately way better than what we had in early 2012.

All these initial considerations being made, I would like to turn over to the operating results. Here you can see the behavior of physical volumes, both for vehicles and trailers and semi-trailers, for the year of 2012, and also in 2011, and the difference between these two years.

So, you can see here the performance of vehicles, trailers, auto parts, and financial services. I think we should pay special attention to the niche of special vehicles thanks, of course, to the good performance of some segments in civil construction, for example, housing industry, public services, especially at state and city levels, and we should also be fair to mention the positive effects of the PAC equipment, a plan by the Government to anticipate facilities for road machines, schools, vehicles, and other civil vehicles, which certainly had a positive effect in this industry, and that is why in Randon industry special vehicles is the only line with a significant growth in terms of physical sales along 2012, with a growth of 30.4% from 832 units in 2011 to 1,085 units in 2012.

Now, on slide number seven, you also have here the net revenue by segment. And here again you can see the positive performance of special vehicles and also in terms of materials, which in spite of the difficulties in our businesses with OEM, we kept the pace of our exports, we increased the number of units sold overseas, and of course it also consolidated the acquisition and the results of the acquisition of São Leopoldo, which was acquired in 2012, more precisely in January.

Now, going to slide number eight, you can see exports. There was a slight drop of 10% year on year, dropping from US$294 million to US$264 million in the year. And these exports from Brazil, even though they were incentivized by better exchange rates, they found economic difficulties in other more relevant markets. If you look at distribution of exports on this pie chart, you are going to see that the region which used to account to 45% of our exports, Mercosul + Chile, only accounted for 32%, thereby repeating in a very emphatic way the difficulties of political and economic nature, especially in Argentina and Paraguay, and also the consequences of the draft, which really affected the summer crop of 2012, not just in Southern Brazil, but also in our neighboring countries, more notably especially Paraguay and Argentina. This was certainly the main driver for the 10% reduction in our exports.

Our businesses were relatively stable in NAFTA area, which started at a good pace, but then at the end of the year it was at a quite slowdown. But on the whole, the behavior was stable. There was also notable growth in our businesses, with the continent of Africa, which accounted for 11% and now accounts for 14% of our businesses, and this growth was driven by some traditional markets such as Kenya, Mozambique, and Angola in West Africa.

In South and Central America, except for Mercosul, we had quite significant businesses, especially with Venezuela and Colombia, which raised the share of this region in our total exports from 7% to 18%, and therefore we had a year that combined regions with very good performance with some other regions with a smaller performance for the reasons we have already mentioned.

And the total growth revenue reached R$5.3 million, therefore it is a reduction of 16% as compares to 2011. The net consolidated revenue is R$3.5 million, and I think that this new slide has already been widely talked about, and then the gross profit closed at R$732 million, with a drop of 29%, obviously affected by the competition and the challenging competition and predatory price competition, especially in terms of trailers and semi-trailers, because of a lower demand and also because of the drop or our loss on scale economy and increase in operational leverage, which was a consequence of everything. And as a consequence, the EBITDA margin followed the same path, thereby reaching R$286 million and therefore 8.2% of net sales, and therefore, slightly different from our traditional levels of EBITDA margin.

The final net income, on slide number 12, reached R$42.6 million, a significant reduction of 84% as compared to the year immediately before. However, considering the domestic and international scenario in 2012, which affected our businesses, considering this very challenging scenario, we still could have R$42 million, shows us the positive phase of the economic, financial, and managerial health of the Group, which in spite of an extremely challenging structure, we managed to remain above the balance point.

On slide number 13, you can see our consolidated income statement per segment, and obviously I am not going to go into details about these numbers, because they are self-explanatory. I would just like to draw your attention to our main businesses, vehicles, trailer, and semi-trailers on one side, and auto parts on the other side, which practically are half and half of our activities, they are businesses of completely opposite behavior. Auto parts classically is a business that is B2B, where obviously the commercial profile is of very high concentration of customers and negotiation and prices that are based on technological development that is specific for certain types of vehicles, and normally prices are regulated by economic indexes, and therefore they are not affected whenever there is variable or volatile macroeconomic.

However in terms of B2C, the sales of vehicles and they are very pulverized sales, they are almost comparable to retail sales. They are very highly sensitive to demand, and obviously once demand shrinks, prices drop proportionally when demand heats up prices will go up again in the same direction, in the same pace. Therefore it is a much more unstable situation and it suffers much more directly the effects of the market than auto parts. This is part of the nature of this activity, and obviously along the more than 60 years in this business, we have already seen this happening before, and certainly we either accept reality or we should change industry, which is not our intention.

On slide number 14 you can also see our consolidated financial results quarter by quarter, which is self-explanatory.

On slide number 15 you can see some of our investments, and these investments, unlike production sales and results, have kept their pace and increased 11.5% as compared to the previous year, thereby reaching R$276.9 billion.

Certainly our expectation, which is the most obvious and deductive in terms of investments, would also be to form contingency in face of a challenging scenario. We were not able to do that, especially because some special projects that were already going on at a point when we could not go back, and this obviously produced this 11.5% growth.

I could mention, for example, that we took over the control of Controil in São Leopoldo in January 2012, the expansion of North America in Alabama, in the United States, and the factory of breaks, and then our logistics center of Fras-le, which was an insourcing process of logistics activities that in the past were outsourced. The implementation of a factory in Rezende, Rio de Janeiro, by Suspensys, in addition to other fronts which we obviously could no longer stop the pace and the process of implementation. And when you see the outlook for 2013, obviously this adjustment in our pace of investments, which in theory could have been done at some point last year, was not possible.

On slide number 16 you can see the debt breakdown, the gross debt breakdown, 68% in domestic currency and 31.8% in foreign currency, and we closed the year in terms of net industrial debt at R$627 million, which is still a point 2x the EBITDA.

Historically, the net indebtedness of the Company has been lower than the EBITDA, and now we are at 2.2x, well above our historical levels. However we should recognize that it is within acceptable numbers for our industry. Obviously this level of net indebtedness has been generated by the low generation of EBITDA in the year, on one hand, because it shrank from approximately R$600 million to about R$300 million in the year, and also obviously because of the maintenance of the pace of investments.

In 2013 certainly, as we temporarily hold or adjust the level of investments plus the expectation of EBITDA generation at historical levels, traditional levels, certainly that level of net debt will drop to its normal levels, and this is one of our top priorities.

On slide number 17 you can see our performance in the capital market with daily liquidity and the prices of RAPT4. And you can see that this year that was very challenging, obviously the capital market, our performance was really superior. We had an appreciation of 48.9%, and that was the appreciation in the value of our stock, the market cap of the Company, as well as a 39.5% growth in daily volumes traded.

And this indicator is very important because it shows that the capital market, the financial market obviously realized and understood to the right extent the macro scenario we were going through in 2012, and we could also clearly see, and the numbers reflect that, once we improve the scenario and the business scenario, obviously the Company will resume its traditional levels of performance in the market production sales and results.

Now on slide number 18 you can see the outlook for 2013. Here you can see the numbers, we imagine a total gross revenue of R$6 billion, in contrast with R$5.3 billion in 2012, and therefore it is a number which already envisages a more positive scenario, which specifically lies between the R$5.6 billion of 2010 and R$6.3 billion of 2011. The consolidated net revenue will be R$4.1 billion, and certainly here the same comments are applicable, but oppositely the same factors that affected the scenario in 2012.

Here we can say that yes, the numbers do take into consideration a better performance of the Brazilian economy in 2013, and we are working in line with the overall expectation of the market, Government experts, analysts and so on, that the Brazilian GDP may grow 3% or more in 2013, and this may be a determining factor for the better performance of national consumption, and also a better performance of investments as a whole, especially with private capital.

This outlook of a better performance is also helped by the pressure of major events in 2014 and 2016, also is helped by harvest of grains, which has already started and indicates unprecedented volumes in the history of Brazil, at prices at very high levels too. And this improvement also takes into account a growth of about 20% to 25% in the production of the truck manufacturing industry, which affects directly the demand for auto parts and systems that Randon provides, so we are expecting that the industry expects 20% to 25% in the production of 175,000 trucks. And also the towed vehicles is indicating a prospect of production of 60,000 units in the year, therefore well above the 52,000 units we had in 2012.

Investments are suffering an adjustment. They will total something like R$130 million, and in terms of organic investments, obviously this amount does not include possible or occasional business opportunities in the area of mergers and acquisitions and the like, which are opportunities that are obviously very occasional and we need to assess them whenever they appear and treat them as an opportunity if any of these things emerge.

In terms of exports from Brazil, we expect them to add or to total US$300 million in the year, therefore better than 2012. And obviously as a consequence of the good business scenario in terms of market in South America, Central America, Mercosul, markets that should resume and recover specially Argentina, Paraguay, and Chile, and a good performance in the African continent. We should also mention that in addition to exports from Brazil, there are revenues that are generated abroad from our manufacturing operations of Randon Argentina, the United States, and China that are distribution centers to our auto parts and systems in Fras-le in Argentina. And in the United States and Germany we expect it to reach something like US$92 million, which is a contribution, showing the progressive relevance of the units recently installed and expanded abroad.

So, imports should total US$120 million within the normal core and within the normal profile of the input that we usually import from other countries. And here there is nothing relevant that should be mentioned.

In this manner I think that we are ending our presentation. And today I would very much like to say that I was very happy and I consider it a privilege for you to listen to us, and therefore I thank you very much. And certainly next we are going to move on to our question and answer session. Thank you very much.

Rogerio Araújo, Brasil Plural:

Good morning, everyone. Thank you for the call. I have two questions. The first one regards a possible expansion of the Inovar Auto for the auto parts industry. Are you expecting anything, and which measures could benefit Randon?

And the second question regards trailers and semitrailers. What is the outlook for 2013, and what is the level of margin that you are expecting in trailers and semitrailers with the orders that you are closing now in January? Thank you.

Astor Milton Schmitt:

Well, Rogério. First, this Government program is part of a context of preserving the auto parts and systems industry of Brazil, and to induce or encourage levels of local production in the chain, both in terms of processes and also in terms of Brazilian manufacturing.

Obviously we comply with the strategy and we agree with this policy, because obviously we need not to close the market, but to preserve our industrial base of auto parts and system manufacturing to protect it from an external predatory invasion. This is going on, we praise that, and this comes not just to preserve and encourage and actually our industry has been somehow affected by this process, but this will be very good for the auto parts industry in Brazil as a whole.

At the trailers and semitrailers, as I was making the presentation, I was saying that this was a B2C business, on retail, very highly sensitive to prices, and therefore obviously considering the competitive scenario, the price competition at moments of slowdown in demand as we had in 2012, at moments of high rates in an environment where there is markedly a huge number of small and medium sized manufacturers, predatory competition becomes fierce. And this is absolutely normal. However, at a moment of resumption of heating up the dynamics of normal standards, this competitive environment with a predatory bias is completed inverted and this undoubtedly here the trend is to have price adjustments and a competition that is so to speak more regular.

So, this happened in the everyday of the market as in the supply chain, and the supplier, considering the uncertainties and normal levels of 2012 and a price increase. And now obviously there is a pressure that is going to start, and this is inherent to the process, and the Company needs to seek above all the supply to manage through healthy management, to try to make compatible price adjustments demanding its efficiency and to gain efficiency and to control pressures. And as a consequence we have the aim of remaining at historical levels.

We traditionally do not decline and I will not decline margin indicators. But I can say that yes, it is the intention of the Company to have in 2013 back the margin through its main indicators, both gross margin and EBITDA, back to amounts that are within the historical band we have been dealing with.

And if you look at what happened recently, even including our slides that we used in the presentation, more precisely slides ten and 11, you are going to see that gross margin and EBITDA range at a level between 22% and 27% of the net margin between 12 and 17, and obviously it is a priority in terms of the objective of the Company to recover and to go back to that level so soon as the market goes back to normal.

Rogerio Araújo:

OK. Thank you very much.

Cristiane Ferstenseifer, Geração Futuro:

Good morning, everyone. I have three questions. First of all I would like you to talk about the stock market this year, and more specifically about special vehicles this year, if you are expecting any more strong growth. And the second, considering that the SAP is at a very final phase, should we expect any gains from its implementation? And third, what is the contribution that we should expect from operations this year?

Astor Milton Schmitt:

Thank you very much, Cristiane. If I understood your question well, it is related to investment guidance for 2013. Is that right? So, investments in 2013, we are mentioning R$130 million, therefore it is an adjustment compared to 2012. Obviously a process of making compatible our performance with the pace of investments. Obviously 2012 was not an easy year for us, and certainly this inspired the need of us adjusting investments in 2013. As to special vehicles, the investments will be normal in terms of modernization and development of products and everything, nothing going much beyond this level.

Also in terms of rail wagons, it is a factor where we have seen a quite stable demand in market, unlike previous years, where we had some years of zero production, with years of expressive production. So, I think that the main accomplishment in the sector of rail wagons, even though this is very concentrated, we only had three buyers in Brazil, we are coming to a stable level, and over the past three years the production of rail wagons was around 100,000 units per year, therefore with a quite stable performance.

In 2013 we think that things will continue to be the same. Maybe this year, at the beginning, it will be at a slower pace and a faster pace in the 2H13, but we are not expecting any relevant novelty, neither from the standpoint of the market nor in terms of investment.

As to SAP, I would like Geraldo Santa Catharina, who is here today with us, to answer your question, and about the results of Castertech, I think Hemerson is going to answer your question.

Geraldo Santa Catharina:

Good morning, Cristiane and everyone. Briefly speaking, SAP investment it is being amortized, and the group that handles the project is the IT department. And what we are doing today is that most of the Company is operating very well for us to buy and calculate production. Last year we experienced some difficulty in delivery of products, and now in January and February those problems have been solved, and today we can see the impact of the implementation of the SAP package.

Every day there are changes, we need to develop these additional systems to improve consulting services and internal services. I do not have any numbers to give you in terms to estimate the effective gains we are going to attain this year. What we will do is that we have been having positive results in the management of our assets, especially with regards to production.

Hemerson Fernando de Souza:

Hi. I will be talking about our production and Castertech. In the past year, Castertech had more than R$400 million revenue, going to 70% production capacity, and we have had quite a good year in terms of operation. The process is quite regulating in an ascending curve with approval of materials, and in 2013 the expectation we have for this operation is that as it has been growing we have started to have more favorable results in terms of profitability.

I have to say that we have overcome the more critical phases that we had in 2011 and 2012, and today we are heading towards a cleaner operation, so to speak. And then we are way better in terms of approval of the parts, and this year we should get very close to the capacity that was designed for the operation, which is 30,000 units of cast material.

Cristiane Ferstenseifer:

Thank you very much.

Juliana Chu, Santander:

Good afternoon to everyone. As to your strategy, are you thinking of any acquisitions or any type of investment of that type in 2013?

Astor Milton Schmitt:

I am sorry, Juliana, I could not hear your question well.

Juliana Chu:

Your growth outlook, especially in terms of acquisition strategy, should we expect anything this year and next year with that regard?

Astor Milton Schmitt:

Well, Juliana, evidently in our pluriannual plan, which is already public, we are expecting to make organic investments, which, in other words, are investments of more of the same, they are related to expansion of our capacity, modernization, technology, replacement of assets and so on, which are expected to continue in 2013 as we did in 2012, however at a slower pace, adjusted pace due to the reasons that we have already mentioned.

So, we expect to invest organically about R$100 million in 2013, therefore this is a natural adjustment as a consequence of a very challenging year. On the other hand, in terms of non-organic investments in terms of acquisitions, of course they are in our minds, however this type of business is really not predictable and it is on a case to case, and obviously I think that this type of initiative, if it happens, it should include the special treatment case on case according to the circumstances. Right now, with regards to that, there is absolutely nothing else to add.

Juliana Chu:

Thank you very much.

Daniel Gewehr, Santander:

So, you reached the guidance of 400 with the range. What is your expectation for cash generation for you to deleverage the Company, and also working capital for this year's consumption?

The second question, in terms of the customers, we have that number of 0.9%, so do you expect a sustainable recovery, or do you think that your backlog last year will be more difficult?

Astor Milton Schmitt:

Daniel, thank you for the question. I will try to answer to you in terms of customers and demand, and then I am going to ask Geraldo to help us to answer in terms of working capital and margin.

As to the demand today, actually this decomposition in the pace of business has been occurring progressively since the 2H12. If you look back you will see that by July or August last year we were already operating at quite good levels in the businesses related to the area of civil construction, public services, state and city services, and then right afterwards we had the anticipation of the equipment by the Federal Government, which they called equipment PAC, and back then, in the beginning of the 2H12 this area that directly affects our so-to-speak yellow line of special vehicles, we were at a very good moment.

And then, around August or September, the contracts that were not extended by car dealers, and we know that we have three and these contracts became effective, and our production of rail wagons resumed its normal pace in the 4Q12, and in the 2Q we did not produce anything because there were no order. So, this movement is continuing.

Lastly, as Brazilian economy showed signs of revitalization, for many different reasons that we are aware, and as we had a prospect and a super crop for 2013, and as these prospects became clearer and as this very traumatic process of transition from engines Euro 3 to Euro 5, as it headed towards the solution, obviously businesses started to grow again in the area of auto parts and systems, and also road implements.

Everything indicates that this resumption is sustainable, yes. And we see obviously, when things are very retracted, at first resumption is factored than afterwards. But this does not go against our vision that 2013, although it will not be a record year, it is likely to be a good year, our guidance of revenue is R$6 billion, and therefore the number, if you look back a little, is an intermediate number between a good year of 2010, the super good year that was 2011, and 2012. So undoubtedly things are getting better. There is a new profile, indicators are quite consistent, but there is a resumption.

I send back to Geraldo to talk about margins and working capital.

Geraldo Santa Catharina:

So, we have the behavior that the market already knew. We should suffer the loss of margin, and we lost margin because of volume and price. We have already said that we have a positive guidance for this year with regards to revenue, and within this growth we have the issue that has already been mentioned, that we have to preserve margin fighting with the market with regards to prices, and absorbing the issues of cost.

In our opinion, the generation of margins this year should be way more positive than last year, precisely because we want to have more volume, and we should experience a price improvement in areas that are more sensitive, whenever there is a higher or lower trend. Of course, in terms of margin, the percentage is what we are expecting. In March we are going to have a much more favorable cash position than we had last year.

In our strategic positioning, one strategic issue, which is the generation of net cash, is based on the expected cash generation due to improvement in volumes and prices, and then, in the auto parts industry it is also based in the reduction of investments by about R$30 million, as we announced in the guidance, and lastly it is very much based in our intention of working capital.

So, working capital in 2012 was reduced, but actually we want to improve the performance of working capital. It is equivalent to increase in revenue, and for us to reach and to finalize a positive net cash this year at substantial levels, considering our R$50 million debt, to reduce it to levels closer to what we had in previous years, we have a lot of work to do.

So, the working capital should have a better performance, and we are expecting that, because all those issues, of funding and everything, and the first thing is that we are expecting a market performance as we are seeing.

Daniel Gewehr:

OK. Thank you very much.

Renata Faber, Citibank:

Good morning, everyone. About the auto parts segment, this year we are seeing a good margin, and you had a strong drop in revenues. Considering that you are expecting a growth in the manufacturing of trucks in 2013, I guess we should expect these margins to go back to historical levels. My question is: should we expect that the margin of auto parts industry, considering a normalized revenue scenario, should be above historical levels? My question is why were margins good in spite of the drop in revenue, and what should we expect in the future in terms of margins once revenues go back to normal levels?

Geraldo Santa Catharina:

This is related to the previous question. When we have a slowdown in auto parts, we do not have price variations, neither up nor down. The main advantage of our auto parts segment, even though it dropped by 40% in terms of revenue, we kept prices, and this is a good margin for us to maneuver, because cost was substantially smaller.

We talked about the difficulties that we have there. This is the recovery that we expect in the area of trucks. It comes from volume, and it is based on the maintenance or reduction of cost, then we are working intensely but and we closed it.

I believe that we are going to have more margin than last year, so we are going to recover margin to historical levels related much more to volumes than to price and costs, because the back off pressures. We started the year working in something fundamental, in the idea of free cash, there is also an idea of economical recovery, and we are working very intensely in cost reduction. This year we are going to pay much more attention to that aspect.

We spend a lot of energy in implementing ERP and everything, and this year we are freer to work on our everyday operations in terms of cost that impacted prices and the quality of products in the market, and so on. This is more or less the scenario we are dealing with, Renata.

Renata Faber:

Thank you very much, Geraldo.

Lucas Marquioli, BTG Pactual:

I am seeing here the number of rail wagons, and in novelty and implementation of the plant in Araraquara, what about the R$200 million investment made there?

Astor Milton Schmitt:

Lucas, thank you very much for your question. First, the rail wagon market is a highly concentrated market. We have basically three major customers – Vale, MI, and MRS – and all investments are totally determinant.

What we felt in past years is that the demand of our three customers is that our production has remained at stable levels, globally 3,000, 4,000 units, and our share is 850,000 units, so I think that this should not change in the future. So probably, in 2013 we will still see this reality. And I say that this is very good considering a stable market scenario, we managed to program better our factories, our production capacity, and so on.

Considering the long term, obviously the rail industry is indicating and showing very interesting opportunities, the grow in participation of the road model, considering cargo modal in Brazil, and also there is a major project, an objective that the Government is designing to progressively increase the rail modal for cargo transportation in Brazil, and this obviously represents an opportunity, and this represents why in our future expansion plans we included the relocation to a more strategic site closer to customers and to the railways, such as the Araraquara project.

But this project needs to respect some real signs. We took a first step, we decided the site, we found the area, we negotiated utilities, and obviously at the level of the Brazilian policy for growth there were tax incentive programs, so that then afterword we are going to start the process of production of units for future operations.

I believe that the whole process is a long-term process, and obviously this year and next year nothing will change in the current reality. We will continue manufacturing our rail wagons in Caxias do Sul.

Operator:

Thank you. As there are no further questions, I would like to turn it back over to Mr. Astor Schmitt for his final remarks. Please, Mr. Schmitt.

Astor Milton Schmitt:

Well, certainly I and on behalf of my partners here, Mr. Santa Catharina and Mr. Souza, it was very interesting to have the opportunity of presenting to you our performance in 2012, more specifically in the 4Q. It was also very important to interact with those listening to us. I thank you all very much for your questions, all of you who asked questions, Rogério, Cristiane, Renata, and Lucas, which have added and made our conference call better. So thank you very much, and see you next quarter.

Operator:

Thank you very much. The conference call for the earnings release of the 4Q12 of Randon has now ended. Please, disconnect your lines and have a good afternoon.