Operator:

Good morning. Welcome to Randon's audio conference regarding the results of the 2Q14. We have today with us Geraldo Santa Catharina, CFO and Investor Relations Officer, and Hemerson Fernando de Souza, Planning and Investor Relations Manager.

We would like to inform you that this call is being recorded and simultaneously translated, and during the presentation all participants will be in a listen-only mode. Next, we will start a Q&A session only for analysts and investors, when further instructions will be provided. Should you need assistance during the call please request the help of an operator by dialing *0. Both the audio and the presentation can be followed on the internet, at the address www.randon.com.br/ir.

Before proceeding we would like to say that every forward-looking statement that may be made during this conference call, regarding the business perspectives, operational targets and financial results are based on the beliefs and assumptions of Randon's management, and on conditions currently available.

They involve risks, uncertainties and assumptions relating 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 lead to results that differ materially from those expressed in such forward-looking statements.

Now we will give the floor to Mr. Geraldo Santa Catharina who will start the presentation. Mr. Santa Catarina, you have the floor.

Geraldo Santa Catharina:

Good morning to all of you attending this conference. We are here to talk about the 2Q and the 1H of 2014. I have with me Hemerson Fernando de Souza, Planning and IR manager, who I am going to share the presentation with.

As usual, we will present the highlights for the period, we will give you an overview of market behavior, we will talk about the operating and financial results, the company's performance in the capital market, and we will also talk about our expectations for the next months. After the presentation we will have time for Q&A and you are all welcome to participate.

The 2Q14 showed a slowdown in economic activity as a result of low domestic growth and scarce funding in the 1Q14 – which impacted sales in the 2Q – and due to a reduction in demand due to expectations regarding the elections, investments and forecasts regarding the country's economic growth. Poor performance in Argentina due to crisis they are currently facing is also another negative component.

In spite of the glooming scenario, we believe the Company has been correct in the practices it adopts, reducing costs and expenses and trying to use holidays and shutdowns to adjust production volumes to the current pace of demand by automakers.

Please let us move to slide four, where we can see some figures for the period. Total gross revenue without elimination among group companies totaled R$1.4 billion in the 2Q13, 13.3% down compared to the 2Q13. Consolidated net revenues totaled R$1 billion, down 4.2% in the quarter-over-quarter comparison against 2013. Exports totaled R$48.6 million, 21.8% drop vis-à-vis the same quarter in 2013, which totaled R$60.2 million.

We reached the end of the period with a gross margin of 25.8% compared to 25.1% in the 2Q13. EBITDA margin went from 14.3% in the 2Q13 to 13.9% at the end of the 2Q14. EBITDA totaled R$140.7 million, down 6.8% quarter-over-quarter. Maintaining gross cash generation is associated with gross margin improvements and costs control, as I said. In spite of the drop in sales volumes, we managed to reach economies of scale as a result of our measures to adjust production according to the demand.

Net income totaled R$67.4 million in the 2Q14, against R$68.9 million in 2Q13, i.e. 2.2% lower in the quarterly comparison. Our company invested US$15.5 million in the 2Q14, down 59.6% compared to the 2Q13. That drop reflects the company's decision to be conservative in its investments, in line with the guidance issued for this year. Regarding the capital market, in the 1H14 our company recorded an average trade volume of R$10.8 million against R$13.7 million in the same period in 2013.

Now I am going to talk about each one of the indicators in this presentation. When we go to slide number five we have an overview of Randon and the market it operates. The economy was hit by a lower activity level during the World Cup period, which led to a drop in demand in seven different areas. In fact, fewer working days in the month of June during the World Cup period also had a negative impact on trade and business, thus impacting the entire productive chain.

We also realized that our customers have been conservative in their investments, influenced by the fact that it is an election year. They are waiting to see what is going to happen to the Brazilian economy during the rest of the year. The impact on the sales of trucks and towed vehicles reflect this. Low results amount to more than 20% in each of the lines. Some bureaucratic procedures and restrictions in credit lines also added to a negative scenario.

The drop in sales has created increased inventory in the industry, which has adjustments in production levels in the coming months, prompting the company to remain cautious in its investments, with extra discipline in terms of costs and expenses and with lots of creativity to conduct these activities.

Now let me turn to Hemerson who will talk about some other indicators and operating results.

Hemerson Fernando de Souza:

Good morning to all of you attending the results conference. Moving on to operating results on slide number six, you see sales broken down by segments, with their share of revenues. The road supplements and towed vehicles are strongly linked to the economic activity of the country. Low customer confidence regarding an economic pickup caused the number of orders to drop and therefore production adjustments will be made to adapt to current events.

The rail sector, on the other hand, has already picked up. We are to deliver around 1,100 cars in 2014 and we have new negotiations in the pipeline for 2015 deliveries, and that is what we expect for the next year.

The 20.2% drop in truck production impacted the auto parts sector in the 1H of the year. Due to the accumulation of inventory in new trucks, automakers have revised their projections for 2014 down and therefore our company has taken measures, such as extended holidays and shutdowns to keep pace, except for friction materials, which are more exposed to the international market for all the parts and therefore we are not subjected to those adjustments.

On slide number seven you see the total gross revenues reached R$1.4 billion in the 2Q14, down 13 p.p. compared to the 2Q13. In the half-year comparison, total gross revenue totaled R$2.9 billion in the 1H14 against R$3.2 billion in the 1H13 – therefore a 9% drop in the period.

Let me remind you that in the end of last year we integrated the operations of Suspensys with Randon S/A. Suspensys used to be a controlled company, so their sales to Randon S/A were booked as gross revenue. Now it is part of Randon, so the sales do not show anymore – they only show as transfers. That has no impact on the consolidated net income, but it does have an impact on the gross revenues – that is why you see a difference between the two years.

Consolidated net revenues for the quarter totaled R$1 billion – 4.2% lower than the 2Q13. In the six months of 2014, it reached R$2 billion – down 2.6% compared to the first six months in 2013.

On slide number eight we see the behavior of our gross profits and gross margin and then the consolidated composition of COGS. Gross profit decreased 1.5% comparing the 2Q14 to the 2Q13, totaling R$261.3 million. Gross margin went from 25.1 in 2Q13 to 25.8 in 2Q14 – an increase of 0.7 p.p. And in the half-year comparison, we see an increase of 6.6% gross profit, which totals R$522.8 billion, as well as an increase of 2.3% p.p. in gross margins.

The charge with our consolidated COGS shows the most important item, which is raw material, accounting for 75.6% of the total, followed by labor, 12.4%. Analyzing that raw material, we notice that the most significant item is metal, or steel, which accounts for 63% of the total. In the 2Q costs of goods sold amounted to 74.2% of consolidated net revenues, or R$753.1 million. Regarding the 2Q13, COGS decreased 0.7 p.p., amounting to 74.9% of net revenues.

It is worth highlighting that the new ERT, implemented between 2011 and early 2012, which was very complicated to manage in the beginning, today it adds very importants tool for company management. It allows us better control of devices, efforts with suppliers, service suppliers – be it due to the re-evaluation of current contracts or the implementation of new processes such as the shared services center, which has a very good address in other calls. This has all helped us to better control our costs.

Slide number nine we see EBITDA and EBITDA margin achieved for the period. In the 2Q14 EBITDA decreased by 6.8% compared to the figure of the same period of 2013, reaching R$140.7 million, below R$151 million in the 2Q13. EBITDA margin reached

13.9% compared to a margin of 14.3% in the 2Q13. In the half-year comparison, we went from 1.4 p.p… from 13.3 to 14.7, comparing the two half years.

Re-composition of cash flow is associated with cross margin improvements and cost control, as we have already mentioned. Although we experienced some drops in sales and adjusted the amount of volume produced, we still managed to reach scale gains due to the adjusted production level.

Next you see a comparison of the quarter in the last period. And we see that we have shown lots of efficiency, even with adverse environments in production and economy, which shows our effort in improving our management to keep the company at adequate levels. So even though this seems to be an adverse scenario we see the pricing in an even more adverse situation.

Moving to slide 10; it shows the performance of exports. Quarter-on-quarter, sales abroad fell by 21.8%. In the 2Q, exports totaled US$48.6 million versus US$62.2 million in the previous year. In the 1H14, exports reached US$101 million, below R$117.5 million in the same period of 2013, a drop of 13.5%. Foreign market is reinforced by our foreign plants, which earned US$57 million in the 1H of the year, virtually in line with the US$67.8 million in the 1H13.

Looking to the markets that experienced more difficulties, we would highlight Mercosur and Chile, which are traditional markets for Randon, which are going through difficulties due to different reasons. In Argentina we know the reason, but Chile started the year with very high inventory, therefore they dropped the amount of sales. It is still a very important market, but this year operating at different levels.

Slide 11 shows the net income of the company in the 2Q14, which totaled 67.4 million against 68.9 million in the 2Q13. The percentage of consolidated net margin was 6.6% in this quarter versus 6.5% during the same period in 2013. And for the 1H14, we are at 6.5% against 5.3% in the 1H13 – an increase of only 1.2 p.p.

On slide number 12 we see our DRA consolidated by segment, with some of the most important figures discussed for your appreciation. Again, the segment of road implements has recovered. It was very much impacted by the drops in the economic market in 2012 and also due to the fact that we were changing our ERT, so we had, at the same time, to proceed with some adaptations.

The good performance only shows that our management actions are correct – in spite of the difficulties, we are going to work with our resources to do our best. In 2012 we were focused on our ERT deployment.

On slide number 13 we see the consolidated DRA by segment, showing the share of each segment in terms of net income and gross income and EBITDA and its margins. We see that parts have 50% and our vehicles and parts also have already been addressed. And we see a peak of trailers and semi-trailers had an effect.

In the 2H of this year investments totaled 5.5 million – a drop of 50% vis-à-vis the same period. In the half-year comparison it dropped 57%. 32.1 million is the total for investments in the 1H14. Then we see the variation of net property in the last five years, which grew 7.5%, totaling 1.3 billion in 2013; in that ROE was 17.7% in the 1H14.

On slide number 15 we see the gross debt for the 1H14 and the financial net debt for the company. So, total gross debt was 2.5 billion – 19.6% in foreign currency and 80% in our domestic currency. Our net debt totaled 1.2 billion in the 1H14, equivalent to a multiple of 1.98 of EBITDA.

With the exclusion of values relative to services – Banco Randon and Randon Consórcios; when we exclude the cash of Randon Consórcios, the industrial debt is R$847 million, a multiple of 1.5x the EBITDA for the last 12 months. We need to look at those industries separately. The bank is always improving its operations, so that is a natural trend.

On slide number 16 we see that between the end of 2013 and the beginning of 2014 our preferred shares are the ones that are more liquid, with 31.3% devaluation. In June 2014 our preferred shares were at 6.16 per share; at the same time, the IBOVESPA index showed a variation of 3.2%+. So that is what we see in an adverse time, which might point to what will happen in the future.

We see, for the same period 161.3 million preferred shares being traded in Bovespa. The company posted an average daily volume of 10.8 million vis-à-vis 13.7 million in the same period of 2013, also a result of the drop in the shares.

On April 30, 2014, Randon S/A has incorporated its Randon Brantech. It has as its main purpose the conversion of social issues, the redefinition of our structure, trying to gain some positive results in administrative and social aspects.

Slide number 18 shows that Randon has reviewed its guidance. We prefer to review our guidance every six months in order to show a more disciplined trend, and even though we have anticipated some of the points which impacted the first half of the year; we understand that the projections are no longer in line with the market situation, so we reviewed our guidance.

Our gross revenue was reviewed from 6.3 billion to 5.4 billion; consolidated net debt from 4.4 to 4; projections for investments and revenues abroad were kept. Exports went from 260 million to 210 million; and finally, imports were reviewed down from US$110 million to US$85 million. Those indicators are validated in the process of building the strategic planning of Randon and are affected by the evaluation of the macroeconomic scenario – both domestic and abroad, with the countries that Randon has business with.

Now I would like to give the floor to Geraldo again for his final remarks before we open for questions.

Geraldo Santa Catharina:

Well, in view of this scenario, I would point to slide number 19, where we are going to talk about the expectations for the next quarter and for the next year. We see that it is very difficult to make any projections prior to the elections. It is only natural that the market should show some concern and some doubts about what should happen in the future.

However, we have been working with lots of indicators so that we can keep on planning our production and our investments. We were basing ourselves for example, on the focus reports, which points to an increase in the GDP of 0.97% for 2014 and 1.5% for 2015.

However, the figures have been reviewed down recently. The agricultural harvest, which is very important for Randon, should be larger – 2.8%, reaching 193.9 million tons. This is the positive aspect. So it is not all bad news. We do have some positive expectations in the agricultural industry.

The PSI program is also being kept with very attractive rates. Until the end of 2014 we have a rate of 6%. The continuity the program for 2014 has been announced but not the terms. For us it is very important to know what the terms are going to be. Whenever the new rules will be issued, depending on the permission, we may reap some processes of pre-purchasing. We do not know how the market is going to behave along these lines, but it might accelerate the demand at the end of period.

Sales in the last months were not enough to reduce industry inventory – they are currently higher than the normal level. So that points to an even more complicated production in the next month. OK, sales might recover, credit might be released, but we still have to deal with those assets.

As we said before, we have very good perspectives in the rail cars area. We have some orders that have already been celebrated, others are in the pipeline, and this has been very timely in the spare parts and towed vehicles.

Well, wrapping up I would like to thank you for your attention and let us open for questions. We are entirely at your disposal for any questions you may have.

Lucas, Banco Safra:

Good morning, Hemerson and Geraldo. I have two questions. You mentioned the production adjustments in your release, to reduce the idleness of the plant. Could you give us a figure in terms of the installed capacity use, how much has developed from the 2Q to the 3Q?

And one second question – what do we see for special vehicles? How is the demand? And do you do with that capacity.

Geraldo Santa Catarina:

Good morning, Lucas. Thank you very much for your question. This is Geraldo. We were concerned with collecting data on capacity, because this is a very touchy moment. When you talk about adjusting we are talking about labor, and we want to preserve our associates.

We do not want, by any means, to discard our technical and productive capacity. This, for us, is a very precious asset. Therefore Randon has been working, mainly in June, with shutdowns and using the hour bank for long holidays, no overtime work and now we have just celebrated an agreement with the Union, to have the flexible four-day week.

So, with everything that we have to produce today we will use 65% to 70% of our installed capacity. So, we have an idle capacity of 30% and that is why we are closing one day a week.

At the auto parts plants, we are doing fine with the automakers, and if you take into consideration automakers and the parts industry, we are over 70%. Fras-le works with 90% in this level because it works with parts for exports, so this is most updated figure I can give you, in terms of capacity use.

In terms of special vehicles, I am going to start answering the question so you to be able to more or less add something to it. This is an area which has been changed in the last two years, and 2006, 2007 we had an unfortunate development in a new product, the backhoe.

We were benefitted in the last t4hree years mostly, by the government purchases, which were very relevant for two or three years. We say we do have capacity for 1000 backhoes per year, 200 or 300 off road vehicles.

However, now, the government purchases have been suspended, one of the reasons being the election year, it is a period of time when we are not allowed to place any orders. So, this is part of it, and also we are seeing some difficulty in terms of equipment sales, the whole industry is suffering this, and we also faced credit line reduction.

We are trying to motivate customers who are still ordering products, trying to provide credit with our own capital. We have customers we do know well, we can provide the credit, we are developing new products, we cannot tell you which products are being developed, but we do have some designs in the drawing board, and should this work maybe in the next two years we may have another product on the shelf with scale that will make it.

Do you have anything to say?

Hemerson Fernando de Souza:

No, I think that the government is not buying has an impact. We are trying to appoint a limit in a lean way, we are using only one yard, we could use the second one if we had more orders. So, it is more or less easy to adapt to demand.

Geraldo Santa Catharina:

Let me give you a very technical detail. After two July 5th no more equipment can be ordered, no more inaugurations and celebrations. So, even though equipment, which were being manufactured, BNDES cannot grant credit or release the funds before the end of the elections.

This is a problem, before we still have 90 days to go. So, even if BNDES has approved that products will be financed for the government, BNDES will not be able to actually release the cash. So, only next year will we see government purchases going back to the normal cycles.

Fernando Leitão:

Good morning, everyone, thank you for your call. Congratulations on the results. It was surprising to see such result, where we see lower levels of idle capacity, difficulties, but an improvement in the margin.

First, I would like to ask, with all this work you are conducting, optimization, trying to make the Company leaner, what is more important for margin gains in the last few months? In other words: what caused the greatest positive impact in the Company numbers' figures?

Also, in a few of the current situations, and we expect to see between Randon's qualities and figures, and the quotations, do you not consider buying your own share because your shares are actually low?

Geraldo Santa Catharina:

Very good question. Regarding the margins, we tried to find out, you are asking which one of our actions was most important. Well, cost reduction is a permanent pursuit of ours. There is no space for cost reduction, but right now specifically we are getting the results from our ERP and shared center, the results of these two deployments.

Also, we are not keeping up with the inventories and other measures are important, but I think the batch of railcars we produced in the period might be the most important factor. We had a constant production with stable margins and very low fixed cost.

Whenever we have large batches of products, especially rail carts, the margin will get better. You hear us talking about 800 rail cars, 3600 toll cars, so this margin, in a short period, was a great contribution, because cuts in costs and management people like holidays and so on, all this, let me say that we have R$55 million per month in pay roll. One day of not working would account for one over 30.

It is not a high amount, but you add what we did was personal adjustment, fixed costs, transportation, food and so on. But most of all, the fact that we are not producing inventory or surface inventory, if you add all this you have very important improvement. So, we also need the fact that we had many days off to promote a shutdown.

About the share price, I think we are always on top of this topic. We understand this is a positive expectation that we have. We need a long term scenario, it is hard to decipher, but we have a feeling that there is space for improvement in our prices, prices of our shares.

Taking all this into consideration, it would be good business to buy our own shares, but we have not make any decisions so far because we want to keep our cash liquidity sound, we want to be conservative and we have new projects, we have possibilities of additional investments, we want to maintain our cash, so we are thinking about buying our own shares, as we do always, but still, we have not made any decisions.

We are under the impression that the amount, or the current price would certainly justify.

Hemerson Fernando de Souza:

And also, it is very difficult to find investments that can be as attractive as Randon. I am not going to discuss prices, because this is your job, but I could read the report on Randon. You are all aware that we are doing a good job in terms of maintaining our margins and everything, but nobody knows what is going to come next. The current prices are not up to terms with our performance.

Fernando Leitão:

If you allow me a third question, just to complement, the decision of a worse scenario that would impact prices. I think the work in this scenario, I know your Company is a company with capital, a company that is ready to face adverse situations. The guidance this year talks about a turnover for the 2H at the same level as the 1H14. Is that it?

Hemerson Fernando de Souza:

Yes. The activity level, I mean, there have been many events which reduced the activity in the first half. Let me mention some: we had Carnival in a different period of time, we had difficulty in the beginning of the year, we had the World Cup, we had many holidays, so we had fewer business days and even with the possibility of flexibilization of working one day less per week, all this have already been made in a different way in the first half of the year.

We believe that the revenue will be the same. Our mix is more favorable in the second half, I should say because we have more real card. I believe that the revenue will be the same in the second half of the year. Production volume, automakers and so on might see a little lower, but very little as compared to the 1H.

They have an adequate inventory and whenever it picks up they will be producing at higher levels, we have a harvest for next year and so on. This might lead to improved sales and better production levels.

Fernando Leitão:

Thank you very much and congratulations on the job well done.

Italo Ferrara, Brasil Plural:

Good morning. In the conference call yesterday you talked about non-recurring R$5 million. In addition to this non-recurring, has there been any other factor in Randon in any area?

Hemerson Fernando de Souza:

Yes. In Fras-le there have been expensive regarding the capital expansion. This ended up creating additional expenses. At Randon there is nothing relevant to mention. Some accounts will oscilate, but Fras-le is really where we see the most important exception. It is really a non-recurring item.

Italo Ferrara:

In terms of parts industry, can you tell us about the scenario? I think Fras-le has helped you not to have such bad results as one would expect. You also said in your release about the pressure of the automaker. What have you seen? How is July? Are you able to transfer the prices to the automaker? How are the automakers?

Hemerson Fernando de Souza:

Yes, the auto part has picked up more, so we do not have any problems with the performance and the automakers account for 20% of the turnover at Fras-le.

In this semester we had a drop of 22%-23% in volume of the production of trucks. This had a very important impact in terms of the parts. We had to reduce the base, in June we gave the employees 20 days of vacation and this has had an impact on the results. The margin that we see now, 13.6% is a reflex of this. So, in a difficult scenario we still have good results because we are efficient, we have low cost, low fixed costs for parts.

When we look at future demand or the behavior with the automakers, it is never easy to negotiate with automakers. We always have to prove why we want to transfer our prices. However, they know who much we have in terms of margin and on. They are also interested in maintaining in suppliers, they are strong enough to keep on producing with us.

It is difficult. We had success in some negotiations, in other cases we are still negotiating. July is not a good period for commercial vehicles. We have an expectation of better results in terms of production, not to grow at a 3% level. We are not talking exactly about positive expectations, but we hope to continue seeing levels and we are ready to do the best in this context.

Luiz Peçanha, Bradesco:

The first one is regarding the expectations for the 2H14. Market points to a reduction in productivity. The Company has worked a lot in the last few years, trying to restructure itself to make more efficient operations, but probably in the 2H we might see a deterioration in the margin. What do you expect in terms of margin and the results for the 3Q and 4Q?

The second question has to do with the exchange rates. We see a depreciation of Real vis-à-vis USD in the last week and should go on. Do you expect any gains in terms of market against imported products? In what areas do you expect this to happen regarding especially regarding spare parts? Can we expect any improvement around this line?

Geraldo Santa Catharina:

Thank you very much. Let me start by answering the second question. We have been discussing a lot the change rate. The market has been saying that there has been a depreciation in the lost month, there has been in the 2Q, but this is not true. In the last four year, when we had R$1.60 in 2010 to R$2.25 now, this is 36% improvement. IPCA was 25%.

When it was R$1.60, we were not competing with the exchange rate, there were other facilities. In the last month there has been a depreciation of 11%, 12% more or less, and the inflation, if you consider IPCA, at the same level. A USD at R$2.35 to R$2.30 as it is today is not attractive as it was normally as R$1,60, but we had increase in terms of labor costs, costs of raw material and other input which were way above that.

If you consider all this to the drop in production, which ends up impacting negatively the fixed costs, we see a scenario, even if the USD goes to R$2.37, which was our average USD in the budget, it would be minimally accepted. And remember the other costs we have are usually higher than that. This is one of the things we are working very strongly.

We want to the entire chain to understand that at the end there is a costumer dictating prices at international levels, and if we are not hear it, with all the player, in respect to first, second and third levels, we will not be able to sell abroad. This has also impacted and this is one of the reasons why we reviewed our guidance.

We are at a paradoxical situation. If the exchange rate increases it can have an impact on inflation and this is a problem for the Government to solve. The current exchange rate is a little bit uncomfortable.

Hemerson Fernando de Souza:

Let me tell you about the market expectations for the 2H. In addition to everything done, cutting costs, gaining more efficiency, being more conservative right now in our investments, in addition to all this we were benefited by something we did last year, we had a more robust commercial for this quarter, and also the wagon railcars. It is not that railcars had better margin; railcars do not incur into commercial expenditures. So even though the gross margin was flat, it helped us to reach better margins.

So now we have lower volumes of railcars, but the added value is important, so we have some agreements for 2015 in the pipeline and this can be very good, because the scenario can be really gloomy, and we have to be careful. So it is very positive that we have some orders being negotiated in 2015.

And you see that there has been a reduction in the margins, all in all. We are still at our levels, what we can expect. We are not saying that it is going to be catastrophic, because if you compare Randon to its competitors, you will see that we manage to make most of our assets to generate results. We still have the same mindset, we are always looking for reductions in cost and all, and be more flexible with labors.

Of course the scenario shows more difficult in sales, it is more competitive, but it is not a catastrophic situation. It is not something that is very different from what the market already knows.

2012 still has some negative impact, but in our Company specifically we are dealing with this lower demand, and we are not going to have the same level that we had in 2012.

Ricardo Schweitzer, Votorantim:

Good afternoon. I would like to talk about vehicles and railroad equipment. Geraldo talked about bureaucratic impediments. Was he talking about the difficulties with BNDES, that we already know all from the beginning of the year, or there are other difficulties, which are putting pressure? And I would like you to give us some color, we were talking about having inventories in railroad equipment. Do you still have the same mindset?

And in terms of the possibility of flexibilization of the working journey, what would be the impact in your fixed costs if you reduce work weeks by one day?

How is the orders for railroad equipment?

And finally, in view of this difficult scenario, this very competitive scenario, could you tell us about how rational the other players are?

Geraldo Santa Catharina:

I am sorry, we have already exceeded the time we have for the call, so I am going to be very brief.

In terms of credit, we were talking about January, February, and March, when the PSI would not take-off, the market had to adapt itself, and from April on we noted, because we do have a bank, we know what the mechanism is, we saw a credit restriction, a credit contraction in the banks for all the industrial area. So the banks are more restricted because they see that the pay for the risk is very low.

In terms of inventory, we have an inventory which was created in January, February and March, because we thought July and August would be a Sunday market that we would need products to sell, but it did not happened. The market did not pick up, the economy did not pick up, so we had to adjust our working hours in order to sell our inventory. So it is not that the strategy has been eliminated, but right now we have to adjust it.

In terms of the fixed cost impact, it is very difficult to calculate how much is saved with the flexibilization of working hours. So for days not worked, the Company pays two days, the employee will be discounted. So, in a month of 30 days we are talking about R$1.5 million per month. And also, you have to add to this some indirect costs. Let us say we can save R$2 million per month, just to give you a ballpark figure.

As to the portfolio, or the orders, I will leave to Hemerson, and the competition.

Hemerson Fernando de Souza:

Thank you very much for the questions. Of course the fact that we do not work will reduce our inventory – if you are not producing more, you are reducing.

In terms of the orders, we have different lines of orders for three months, lower than what we are used to, but still a level of orders, which suffered the impact from June and July, the lower economic performance. Now we are already seeing some orders being placed in June to the harvest for this year.

And the competition is fiercer, and this is not only now. It started in March, when we had difficulties with the credit line. We are trying to preserve a good equation between market share and profitability, and we see that all the other players in the market are also worried about beating not only production, but profitability.

So we are in a rational position, as we always have. In 2012, again, the scenario was more difficult. We have always seen highs and lows, 2012 was the exception.

In 2012, perhaps we were more focused in implementation, and maybe this deviated the energy we needed to manage a more complicated situation. This is not what is happening today; today we are doing our most in order to improve our profitability.

Operator:

There are no more questions. Let me give the floor to Mr. Santa Catharina for his final remarks.

Geraldo Santa Catharina:

Let me say that we are very much supported by our cash liquidity, which will be positive; our debt is still under control, and we have been discussing with the banks about funding a credit availability, and I can tell you – and someone said during the conversation – that we do see that Randon is a very solid Company, consolidated, with credit available. So whenever the economy picks up, we are ready to take up our market share as always.

But right now, with the economy not performing adequately, the indicators that are getting worse, it is only natural to have some more difficult opinions, especially because we are facing elections. So, it is not a self-proposed prophecy. Perhaps we will grow, because we are not sure about the scenario, about what is going to happen.

So we need to go through this moment. Randon needs to be strong to go through this moment whatever the results are for the elections. We are most probably going to see adjustments in Brazil for next year, we will have to manage difficulties, and Randon has always revised plans for growth and investment. We see a reduction in the investment and more internationalization process.

So our Company is very solid, very strong. I have kept track of Randon for 30 years, and I think I have never seen it as solid as it is today, ready to face all the challenges.

Thank you very much for all the attendance. We are available for any questions you may have, and you all have a very good day. Thank you.

Operator:

Thank you. The teleconference regarding the results for Randon in the 2Q14 now comes to an end. Please disconnect, and have a very nice day.