

**Operator**

Good morning. Welcome to Randon's conference call regarding the results of the third quarter 2014. Today we have with us, Daniel Raul Randon, VP of Administration and Finance, and Geraldo Santa Catharina, CFO and Investor Relations Officer, together with Hemerson Fernando de Souza, Planning and Relations Officer.

I would like to inform you that this event is being recorded and simultaneously translated, and during the presentation, participants will be in a listen-only mode. Later we are going to open for Q&A only for analysts and investors and further instructions will be provided. Should you need any assistance during the call, please press \*0 to reach an operator.

The audio and the presentation are being continuously broadcast at [www.randon.com.br/ir](http://www.randon.com.br/ir). We would also like to make clear that any forward-looking statements made during this conference call regarding future business of Randon and outlook for operating and financial measures are based on beliefs and assumptions of Randon's management and on information currently available to the company.

They involve risks, uncertainties and assumptions because they relate to future events. And therefore depend on circumstances that may or may not occur. Investors should understand the 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.

Let me now give the floor to Mr. Geraldo Santa Catharina, who is going to start the conference. Mr. Santa Catharina you have the floor.

**Geraldo Santa Catharina:**

Good morning all who are listening to us. We are here meeting the requirements of our events agenda today, we have the honor of having our VP of Administration, Finance, Daniel Randon, Hemerson de Souza who is the Investor Relations officer and myself I am going to start with this first part of the 3Q14 review. So, we are going to see a channel review of the market, operating and financial results, the Company's performance and the capital markets and we shall also talk a little bit about the outlook for the next month. After the presentation, we are going to have time for questions-and-answers. I would like to invite you all to stay.

So good morning or good afternoon here in Brazil, also it covers those who are listening to us abroad. So the first month of 2014 has felt the impact of this spring event, which is part of the 3Q. Among them, we would like to highlight a late carnival, the World Cup and the elections. The confidence crisis which occurred to the country during this two years have attracted fewer investors. In addition to that consumers are ever more careful regarding the investments. They are concerned with the increase in unemployment and this has increased the drop in the economy.

In order to adequate the full capacity to the current demand, our company approved the flexible work schedule for August, September and October. So we worked for four days a week for three months, having Friday off. Additionally, we also adjusted our commercial strategy and also our fixed cost structure. In spite of this uncertainty

scenario, our fast reaction allowed us to keep our financial and other indicators above what we expected.

On slide number four, you can see some of the figures for this period. Here, you have total gross revenues totaling R\$1.3 million, a drop of 29.5% over the 3Q13. Our consolidated net revenues amounted to R\$887 million, in other words, a reduction of 21.8% when we compare it to the 3Q13. Exports amounted to US\$50 million during the same quarter, a 21.9% vis-a-vis the same quarter 2013, when it was \$34 million. We got to the end of the period with a gross margin of 23.1% vis-a-vis 26.9% in the 3Q13.

EBITDA margin went from 15.5% to 10.8% at the end of the 3Q14. The same EBITDA amounted R\$96 million during the period, a drop of 45.6% when you compare the same quarter, and this quarter also, it had a low scale and other non-recurring expenses, which we shall talk about during the presentation. Our net income totaled R\$32.7 million in the 3Q vis-a-vis R\$78.7 million in 3Q13. In other words, a drop of 58.4% when you compare the two quarters.

The Company invested R\$37.4 million in the 3Q14, a 77% drop vis-a-vis the 3Q13. This very important graph is basically relative to the acquisition of Suspensys quarter in July 2013, which totaled R\$136.3 million in investments. So the base for last year was very much increased due to this one-off effect. We are careful about investing in line with our guidance, which has already being disclosed in 2014.

Regarding the capital markets and the YTD2014, the company posted an average daily volume of R\$10 million, vis-a-vis R\$13 million in the same period 2013. Next, we are going to talk about each one of the indicators.

So let us go to slide number five, where you have a general idea of what happened to the market. The difficulty that we see in the economy continues to promote the reduction in activity in the 3Q. The hangover after the World Cup was expanded due to the elections and extend shutdowns until two weeks ago.

Our customers were very careful with their investments, waiting for the movement that the economy could take during the year. We have to adapt our strategy, our commercial strategy, we reduced our production scale, and this led to an increase in fixed costs, in spite of all the efforts made to reduce fixed cost.

Sales of trucks and towed vehicles still are slow, the drops are more than 20% in each one of the lines. This drop has created additional inventory in the industry for the next month. In order to adapt the installed capacity, we had periods of flexible working hours between August and October 2014, so this is over, the flexible working hours are over. In spite of the adverse market conditions, our fast adoption between the markets made the Company keep the figures in levels above those of the industry.

Now, let me give the floor to Hemerson, I am going be back at the end of the presentation. Hemerson, you have the floor.

**Hemerson Fernando de Souza:**

Good morning to all listening to us at the conference call. Talking about operating results. On slide number six, you see physical sales divided by segment with their share in the revenues. So, you see that the trailers and semi-trailers are connected to

the infrastructure activities in the country, and those were impacted by the crisis of the Brazilian elections. Waiting for the results of the elections, the market was very slow at placing new orders as they were waiting to see the new range that we were going to have for Finame PSI. When we compare quarter to quarter, we see a drop of 42.2% in towed vehicles. This drop is potentialized because the 3Q13 was really the peak in sales for the company. In terms of specialty vehicles, you also see a reduction of 66%. This is mostly due to the fact that in 2013 we had a very important delivery of Backhoe for municipal work and it did not happen in 2014.

Now, on the opposite direction, we have the rail wagons, which posted an increase of 225% YTD and the demand is still high, an accelerated base. This might be the best year of Randon's history in this segment with very good expectations for next year as well. The projection for deliveries in 2014 is 2,300 units.

In auto parts, basically 49% of our net income in the 3Q you see a drop of around 30% in brakes, coupling systems and suspension, in line with production of trucks, which dropped 32%. So, it went from 53,000 units to 36,000 units comparing this 3Q with last year's. In order to adjust production in this scenario, we had collected the holidays in July and the flexible working hours between August and November. The friction has not suffered a big impact because that market is more geared to exports and also replenishment.

On slide number seven, you have total gross revenues reaching R\$1.3 billion in the 3Q14. EBITDA stood at 30% if you compare to last year. When you compare YTD, the total gross revenue was R\$4.1 billion vis-a-vis R\$5 billion in the 9M13, therefore a reduction of 16.4% in the period. Consolidated net revenue totaled R\$887 million, i.e., 21.8% below the figures for the 3Q13. YTD 2014, we reached R\$2.9 billion, a drop of 9.5% if you compare to the 9M13.

On slide number eight, you see our gross profit and our gross margin and then COGs. Gross profit dropped 33% in the 3Q14 as compared to 3Q13, totaling R\$204.6 million. Gross margin went from 26.9% of 3Q to 23.1% in the 3Q14. This is a reduction of practically 4 p.p. When you compare the 9M you see a drop of 8.5% in gross profit, totaling R\$727 million, an increase of 0.3 p.p. in the gross margin.

The COGs consolidated composition shows that the most relevant item is raw materials, 74.9% of the total. Next comes labor, 12.6%, and when you analyze raw material, you see that metallic items are the ones that carry most weight, with practically 63% of all the material cost spread up. During the 3Q14 cost of products sold reached 77% of consolidated net revenues, R\$682 million. Vis-a-vis the 3Q13, COGS increased 3.8 p.p. over the R\$829 million, which represents 73.1% of net income.

Slide number nine shows EBITDA and margin EBITDA for the period. In 3Q14 EBITDA posted a drop of 45.6% vis-a-vis the same period of 2013, i.e., R\$96 million. In the 3Q13 this figure was R\$176.3 million. YTD 2014, EBITDA amounted to R\$387.1 million, a drop of 13.4% compared to the 9M13 when we had R\$446.9 million. EBITDA margins reached a level 10.8% in the 3Q14 vis-a-vis 15.5% in the 3Q13. When we compare the 9M14, we see a reduction of 0.6 pp. So we went from 41.1% in the 9M13 to 13.5% YTD2014.

Slide number ten, talks about exports. Comparing first quarters, sales abroad posted a reduction of 23% in the 1Q14, exports totaled US\$50 million vis-a-vis 64 million in the same period for the previous year. Exports for the first nine months, reached US\$151.6 million vis-a-vis US\$181.5 million in the same period of 2013. That is a drop of 15.5%. So foreign market is also boosted by our foreign plants, it showed US\$84 million in the first month of 2014, vis-a-vis US\$90.8 million in the first month of 2013.

During the 9M14 naphtha accounted for 34% of our exports destinations. Therefore 10 p.p. vis-a-vis 2013. Next to Mercosur and Chile with 29% of our exports, a 14 p.p. drop over the same period of 2013. Difficulties concentrated in Argentina, Chile and Paraguay ended up impacting exports to these destinations.

On slide 11, we have the Company's net income for the 3Q13, which reached R\$32.7 million vis-a-vis R\$78.7 million in the 1Q13. Therefore a drop of 58.4%. Net margin, consolidated net margin percentage reached 3.7% in this quarter vis-a-vis 6.9% on the same period of 2013. In the 9M14 it increased 5.7% vis-a-vis 5.9% in the 9M13, therefore a reduction of 0.2 p.p.

Now, here we have our consolidated income statement per segment, with a summary of the main figures for discussion and analysis.

Slide number 13 also shows an evolution per segment, showing the participation in the several segments. With EBITDA and net profit and their margins.

On slide number 14, we see Randon investments. In the 3Q our investments amounted to R\$37.4 million, a drop of 77.7% vis-a-vis the same period of last year. When we compare the 9M of both years, we see a drop of 70.8% in investments, which now totaled R\$69.4 million YTD 2013. As Geraldo has already said, in 2013, we had the acquisition of Suspensys quotas, which were prior to that a joint venture with Meritor. Next, you see the variation of equity in the last five years. You see an increase of 7.5%, totaling R\$1.3 billion in 2013. Out of that, 17.2% is the return on equity for the period. For the 9M14, ROE was 17.1 with equity of R\$1.5 billion.

On slide number 15, you see the gross debt from January to September 2014 and the net financial debt. Total gross debt reached R\$2.4 billion. In that, 22.3% were in foreign currency and 77.7% in domestic currency. Our net debt totaled R\$1.1 billion in the 9M, equivalent to 2.1x EBITDA.

With the exclusion of services, Randon Bank and Randon Consorcios, industrial net debt amounts to R\$779 million. That would be 1.6x EBITDA for the last 12 months. In our release, you could see the amortization schedule for the debt, which has a peak in 2016 with projections of payment for R\$631.5 million for that year. We are already moving to have some funding for this debt.

So capital markets, you see that compared to the end of 2013, YTD 2014, there is a drop in preferred shares of 28.1%. On September 30<sup>th</sup>, 2014, our preferred shares were at 6.44, and in the same period in Ibovespa, showed a positive variation of 5%. During this period, we had R\$242.5 million preferred shares traded in 600,472 businesses. So in the first 9M14, the company traded R\$10 million vis-a-vis 13 million in the same period for 2013.

Slide number 17. You have the guidance reviewed in August this year with our outlook for 2014. If you see, there is no change, there has been no change, the Company still seeks for practice of reviewing the guidance every six months. The indicators are validated in the strategic planning building of Randon. We are backed by the macroeconomic scenarios, both in Brazil and abroad, as well as indicators for the industry, for the automobile industry and the behavior of the market in its different segments.

Now, let me give the floor to Geraldo before we open to questions.

**Geraldo Santa Catharina:**

So, before talking about the projections for the 4Q, when we talked about rolling the gap for 2015. It is important to remember that, we are making the most of our credit lines available, which we have not used for three years, with very attractive cost. And there is no questions that R\$600 million in 2015 will be relieved by these opportunities of credit lines. So it is not a structured operation, it is nothing more elaborate it is just opportunities for refinancing that we feel the market or opportunities connected to export.

I would also like to say that, just like in the other quarters, our focus this year is the generation of free cash this may have caused some strangeness to some of you. In practice, we are working both in terms of investments and working capital up to September, we had a position to create quick cash above what R\$170 million. This helps us putting our leverage at adequate level in the economics of uncertainty and keep us ready for the economic pickup which we expect will come.

So, on slide number 18, you have some of the outlook for the next quarter. FOCUS Report which was disclosed on October 24, 2014 0.28 GDP growth of 0.27% for 2014 and 1% for 2015. And these indicators are usually fluctuating down, so we wanted to explore this information, there is a correlation between the economic performance and Randon's performance. Of course, if GDP goes down, we may face more hardships. Then if it goes up, the harvest also has a very important role and the first numbers that we have for the agricultural harvest is that it should reach 201 million tons of grains, which is 3.2% higher than the previous cycle. This is a good leveraging of sales to rails or rather rail and road equipment.

The deadline at BNDES for the PSI program was November 31<sup>st</sup>, 2014. Now we have heard that this has been extended until December 5<sup>th</sup>. This will perhaps give us some room to make the most of the traditional 20 days to outflow our inventory of machines and equipment in several areas. We have not seen great movement, but we have heard from people in banking industry that people are doubling or tripling their cash to use these credit lines of 6%.

OEMs or rather truck manufactures have been talking about shutdown and collective vacations to reduce their inventories. And fortunately the economic slow activities have been bringing the inventories up and sales down and the segment of railcars is accelerated. We expect to deliver 500 units during the 2H14. This is a very relevant segment for us because it helps offset the area of other trailers and other equipment.

The uncertainty regarding the new cycle of growth should remain until the government announces new measures. Of course, we are hoping that these initiatives will bring

back confidence and reflects positively in the economy, which would be good for Brazil and for Randon Company.

We will have our Q&A session only for investors and analysts.

**Tomaz Mckellen, JPMorgan:**

Good morning. I have two very short questions about the railcars. Is there any risk of not delivering the 360 that you have to deliver by the end of the year? And regarding next year who are the large customers that are buying these railcars and where is the demand going to come from?

**Hemerson Fernando de Souza:**

I would like to say that Geraldo is here, Daniel Randon is also here. There are no risks regarding the dispatch, which is going to be delivered by this year, at the end of this year. We have delivered a very material portion of this in October, and of course we have a very good chance to deliver all the volumes scheduled for the year, which will reach around 1,300 units.

We already have financing authorized. So, there is nothing that we expect would put a crimp on this performance. We already have some orders with a considerable amount of backlog, we will talk about in extracted volume in backlog and some of them are being negotiated. We cannot tell you the name of the customer I am sorry, due to contract grievance. But these are contracts that have already been celebrated and the production will start in January. So the 1H of the year should be very intense in terms of rail wagons.

This reinforces our strategy to keep investing in those areas. But we started the cornerstone, we inaugurated the cornerstone of the Araraquara plant, which will enable us a more direct operation in rail. We think this is an industry that has very good perspective for the future, not only for Randon, but for Brazil as a whole and we want to be part of this market at the same levels that we have today. Sorry for my accent.

**Carlos Fernandes, Yarden Investimentos:**

Good morning. Thank you for the call. I have two questions. The first one has to do with your market share in your domestic market of vehicles and trailers. You have something around 27% of market share. And if you look at the curve of evolution, you see that we have increased almost 9% vis-a-vis the other competitors. So, the question is how do you explain this drop in share, considering that you have much more scale, you have a good distribution network, you have quality. So, what happened in the last three years that has blocked market share?

And the second question –

**Daniel Raul Randon:**

No, go ahead. You can go ahead and ask the second question.

**Carlos Fernandes:**

Second question has to do with the level of investments. So working capital base and fixed assets, looking at this, you see that the investment per unit has been growing. How do you see the variables for the future? Do you think you are going to keep the same level or are you going to reach a stable position at lower levels?

**Geraldo Santa Catharina:**

OK. Thank you for your question. We are going to answer... Different people will answer it. So regarding the market share, you are right. We had an increase in the number of manufactures, so small workshops became final producers of equipment because there was a lot of demand and a lot of credit.

So, Randon lost volumes, because it shows to manufacture more added value products. But if you consider the money amount, you see that the drop was not as pronounced. So this is something that draws our attention we have been implementing strategies to grow in the domestic markets. One of the reasons was low demand, small manufacturers have closed their activities and stopped operating. So our quality is assured, we are the preferred products in the market, so we have a good chance to re-conquer market share.

But this is not a great concern of ours, because we are not only trailers and semi-trailers we are also producers of the vehicles and parts. This is what makes us strong and what has made us strong in the last year, Of course, we have different market niches, each one with its own strategies. In terms of investments, I will ask Daniel to comment on that.

**Daniel Raul Randon:**

Thank you very much for asking the question. In the last year, we have been investing a lot in terms of trailers, semi-trailers and parts and due to the GDP scenarios for this year and for next year, we tend to be more conservative in terms of investments. So, we are keeping our investments close to depreciation. Today, we have more capacity in terms of market demand. Our company has been trying to improve its return on investments. Therefore, we are investing less for the next year than what we used to.

The great project we have is at Araraquara, because we need to improve our production efficacy especially in the area of rail wagons. Let me also highlight the fact that we bought half of Suspensys. This was an investment which was concentrated in the 2H13. So, when you look at the curve, you see an increase in investments but anyway, these levels tend to be more rational and lower in the next two years.

**Carlos Fernandes:**

OK. Thank you. Sorry for the mixture of Portuguese and Spanish.

**Felipe Pezerico, Quantitas:**

Good afternoon. We noticed that you have reduced working hours vis-a-vis the weak demand. This market has still not shown any signs of recovery. Do you have any other measures to have an even leaner structure, perhaps just personnel cases, or is it too early to think about that?

**Daniel Raul Randon:**

Thank you very much for your question. During the 2H, we worked to reduce working hours and this was a very timely measure. We also did not replace some of the people who left the company, more of a turnover we have. So, we reduced working hours. Now we have a period of collective vacation. We have some three week vacations.

By the end of this year, we are going to have more information because we could return to this reduction in working hours for another three months, if we notice that the scenario for the 2Q is more or less active next year. So with some tools, some measures that we can make use of, to adapt our structure, we have good alternative and we are reviewing our processes and our fixed cost and seeing other opportunities for reduction in addition to having fewer people.

**Ricardo Schweitzer, Votorantim:**

Thanks for the call. Thanks for the opportunity. I want to ask a question regarding vehicles, trailers, semi-trailers and also make the most of Daniel's presence to talk about parts. So I would like to know, do you see any changes in the competitive environment in terms of commercial practices by other players, and if you see any opportunities or any needs to resource to more aggressive commercial actions or attitudes than what you are known for?

And also, the news have been reporting some positive developments regarding the renewal of truck fleet. This is something that has been discussed by many organizations in the industry. What do you think about the possibility of this program being deployed in the next month?

**Hemerson Fernando de Souza:**

I am going to talk about the trailers, semi-trailers and the competitive scenario in this industry. Of course, if we look at the year as a whole, you see pressure on prices, since the end of the 1Q. So, the demand is very narrow. We have installed capacity for around 80,000 units per year, so we need to adjust in order to keep up with this one. Many of our competitors have resorted to flexible working hours, fewer employees and so on just like we did.

We do not see a possibility of an explosive demand in the near future. We expect a hard scenario, a difficult scenario, but by looking at our average prices for this quarter, you see that we are not into giving discount. We do engage in other programs like large sales, longer financing terms, sometimes better conditions for one batch or another one in one marketplace or another one, and also trying to reduce cost, vis-a-vis our suppliers and our entire productive chain.

So, we do not see any movement of our competitors for results or for cash. And we do not think that this should happen in a disorganized way for the next period. As market leaders, we need to maintain the prices. We have to mind our bottom lines and we are not going to change this strategy.

Regarding your second question, could you be more specific?

**Ricardo Schweitzer:**

Daniel, I would like to know what you feel, because I know that you are very close to people at Sindipeças. The fleet renewal program was a proposal which was quite advanced for the federal government. But what I heard, you were just waiting for the definition of the elections in order to resume discussions. Is that what you see or do you have any news on that front?

**Hemerson Fernando de Souza:**

Both Sindipeças and Anfavea have been working with the government to keep on fostering the auto parts and trailers and semi-trailers industry. So, this can be a very good opportunity for us, the fleet renewal, I mean. So, there is a feeling that this opportunity may occur. But we are waiting, we still do not know when this may become official. But we expect as something will happen next year. Not only this, but also Inovar-Auto, Reintegra, some programs which have been trying to help the auto parts industry when Brazil faces this drop in competitiveness.

**Ricardo Schweitzer:**

Thank you.

**Fernando Leitão, Hoya Corretora:**

Good afternoon, gentlemen. Thank you for the call. In October, can you tell us a little bit about the performance and how the EBITDA margins should be for the last quarter? And the next question has to do with the guidance, this R\$150 million investment, will it be reached, is that something you intent to reach?

**Hemerson Fernando de Souza:**

Thank you for the question, Fernando. We are now reporting the 3Q and, of course, we have some legal restrictions. We cannot currently talk about the 4Q, but I wanted to tell you that nothing has changed, nothing has changed very much regarding the previous three months, nothing points to a change in actions. We have no other information about Finame PSI. This is not representing anything significant there.

In terms of the investment guidance, it seems a little high because what we have done for the last nine months, but remember that at Araraquara has just started, and this might require some aggressive investment. So we thought it would be wise to keep the same guidance, because we have some investments to make at Araraquara. If we do not reach R\$150 million, it will be close to that.

**Fernando Leitão:**

My question regarding October is linked to the fact that I read that the performance for October, especially for trucks and trailers was a little better than in the previous quarters.

**Hemerson Fernando de Souza:**

Actually, that is not true. I read it too, I read it too, something to be affected, the drop in sales had stopped, so in practice, this is not what we saw. We saw very similar figures to what had happened so far. Actually, October started with different expectations because we were close to the end of the year. We had a PSI that was about to come to an end and there might be increase in sales due to that, but so far we have not seen anything like that.

**Fernando Leitão:**

I have read it also yesterday in the media, something to the effect that in the trailers, semi-trailers industry, things had improved a little, but this is not what we saw.

**Hemerson Fernando de Souza:**

Of course, there might be some changes because our production is very low. We have a lot of inventory, so the industry is selling inventory. In other words, there is no additional demand for production. And in terms of semi-trailers, there is sale of part of inventory.

**Fernando Leitão:**

Other data on a specialized journal, yesterday, we said this scenario improved, if we are talking about in light vehicles. Not exactly a heavy one. So perhaps this is what led to the questions.

**Daniel Raul Randon:**

Our segment, the heavy duty, there has been no change.

**Fernando Leitão:**

If you allow me one last comment at the philosophical level, perhaps, Randon today has a very comfortable business. The cash situation is very comfortable. The product certainly has the best quality. So regardless of the moment that you are going through, Randon is also one of the companies with the best indicators. Do you see a need to try to show anything to the market or do you want the market to assess the figures it really wants?

**Daniel Raul Randon:**

Well, our behavior for more than a decade now has been to let the market see our real values without any huge discounts or assessments, which are not true. We heard that Randon is very much exposed to the domestic market, and since the market is not performing well, this might give us some discounts vis-a-vis a player that is compared to us.

It is not that it does not bother us. It is something that we are keeping an eye on because after all we have 40% by the controller group and 20% by the minority group. So both are interested in the correct valuation of the company. So, also think this has to do with the stock exchange performance, 52,000, 53,000 points. So, we would have

a possibility of detaching ourselves to the fluctuation of the stock exchange. We do not have any specific actions regarding – other than the interest variance and showing our governance and showing the market what we are doing especially from 2014.

**Fernando Leitão:**

OK. Thank you very much and congratulations.

**Juan Tavares, Citibank:**

Hi, thank you and good morning, everyone. Just my first question is if you can touch a bit on the outlook with this assumption of 1% GDP growth next year? How do you foresee that heavy vehicle market in Brazil? And do you expect it to maintain kind of in this double-digit decline or do you see some stabilization and at eventual reduction of the inventories on hand?

And then my second question is to understand a little bit more on your shift in your strategies or the dynamics of your strategy in your environment. You mentioned in the press release that in vehicles and on equipment you are concentrating a bit more on niche markets. How much do these niche markets represent of your total sales and what could potentially be the shift in that mix as we move forward?

And also in the specialty vehicles, I know you mentioned that you are looking some shift in your business models there and began some distribution network. And if you can give us a little more color on what to expect there in specialty vehicles as well? Thank you.

**Hemerson Fernando de Souza:**

So, we are going to answer in Portuguese. Thank you very much for your question. Thank you very much for your interest. Yes, there is a very strong correlation between GDP performance and the transportation industry. Usually this is a ratio of 3 to 1. So, in the long-term GDP growth of 1%, transportation may grow up to 3%. This is valid for economy picking up or slowing down. So, when we say that in 2014, GDP was low, yes, there was a discouragement for investors to invest in equipment and transportation.

And next year, if GDP remains at 1%, we expect to have some additional facility. But basically we are working according to a scenario for 2015, which will be very close to 2014. In other words, in the first six months we are going to have some adjustments. We are going to establish the rules of the game where we are going to see the rules of the game established by the government, financing, funding and tax rules. And we hope that in the 2H of the year, we will be ready to resume our growth and have 2014, similar to 2014, of course, we have some challenges.

We have some inventory on hand. We know that agriculture is performing well, but agricultural commodities and other commodities have been impacted. And this might lead to also an impact in the motivation of large buyers. Anyhow, what we see for next year, our outlook is to have 2015 very similar to what 2014 was.

The second question regarding the business dynamics, I will ask Daniel to address this question, please.

**Hemerson Fernando de Souza:**

Let me just say a few words and then I will give the floor to Daniel. When we say that we operate in niche market in the trailers and semi-trailers, if you look at 100% of our trailer sales, 80% have to do with ten different mix lines. If you look at the competitors, they have only two lines, accounting for 80% of their sales in most cases. So, yes, we are quite advanced. I would say that 40% of our trailers and semi-trailers are in niche products.

So refrigerated semi-trailers, tanks, some special silos for cement, for polymers, so our specialty vehicles are niche line. And as you said, we also produce off road, backhoe. This production accounts for roughly 10% of our production of 5% or 6% of consolidated sales. So this is the difference between ourselves and our competitors. Now Daniel, could you please talk a little bit about strategy and the business as a whole?

**Geraldo Santa Catharina:**

Let me just confirm if the question has to do with the measures that we have in the release that we adopted, outstanding commercial strategies to advance our sales in the market and to overcome our challenges. Is that what you are referring to, sir?

**Juan Tavares:**

Yes, yeah. I guess to get a bit more visibility on what exactly that and what changes have you made and what potential targets that could be moving forward?

**Daniel Raul Randon:**

Thank you very much for your question. Yes, we did say in our release, especially when we were talking about trailers and semi-trailers, one of the important aspects is that we have with the Randon Bank, an opportunity to seek the best financing model for our customers or something attractive for our customers. And we also have consortium, so these are some strategies that we have engaged in, not to mention some field activities with our distributors, some events that were promoted with our main customers, some specific events at given towns and to show our products, to show our aggregate value.

In terms of the auto parts, we would like to highlight the field force, our strategy to sell through the field teams. We have more than 30 people working in the field, technical assistants and commercial assistants and this has made us the second largest group in independent auto parts.

This is what we have been referring to in terms of commercial strategy, sales strategy. We are also closer to our customers regarding market prices. We have a very clear perception of the dispute in terms of better funding or credit conditions. We, as market leaders, have been trying to work without touching our margins. There is also a strategy in the supply chain, production engineering to reduce costs. This is our great challenge right now.

**Juan Tavares:**

Great.

**Ravi Gein, HSBC:**

Hi. A lot of my questions were answered. One quick last question was on your export markets. So how do you see that? It is a smaller part of the business, but how do you see that kind of evolving in, let us say, in 2015 and especially in the NAFTA region et cetera. Are you looking to be more aggressive on the export markets? Thank you.

**Daniel Raul Randon:**

Thank you for your question. I think we need to split exports and auto parts. Today, Brado is the company that is more focused on the NAFTA market. The strategy, Brado's strategy is to keep on working to improve results of export capacity. But via China and the United States, we are also growing in the foreign markets due to the fact that we are closer to the consumers and some products are more competitive when they are produced in China or even in United States, especially, when they rely more on certain raw materials like steel. This is the case of brake pads.

So our challenge is to keep on trying to look for opportunities to export to Latin America. We had some problems due to the Argentinean scenario, because in Argentina there is a retraction in the market, this represents a challenge to us. But when we look to foreign markets, we see that sometimes we have some competitiveness problems due to our inflationary situation. On the other hand, our exchange rated at R\$2.50 or R\$2.60, helps us out to sell especially auto parts.

**Operator:**

Thank you. As there are no more questions. Let me return the floor to Mr. Daniel Randon for his final remarks.

**Daniel Raul Randon:**

Once more, thank you very much for attending the call. And let me reiterate that the Randon Company, in spite of GDP still well below the expectations that were last year for this year. So, the projections were close to 2% GDP, but we are still working hard diligently and we have a positive result in free cash flow. So, we have a positive free cash flow, we are within our targets, the targets set in 2013 in spite of the drop in the GDP, despite the drop in the automotive industry. So, we keep on working to improve our productivity. And in 2015 or rather this year, we are going to start the work in order to reduce or to offset the issues with inflation and low GDP.

**Geraldo Santa Catharina:**

If you have any questions, please do not hesitate to contact our IR department for clarifications. Thank you very much and see you next call.

**Operator:**

Thank you very much. Our call for the three quarter of 2014 by Randon now comes to an end. Please disconnect now.

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