

## International Conference Call

Randon

### 4<sup>th</sup> Quarter 2016 Earnings Results

March 24, 2017

**Operator:** Good afternoon everyone thanks for waiting. Welcome to Randon's 4Q and 2016 results conference call. With us here today we have Mr. Daniel Raul Randon, VP Director; Mr. Geraldo Santa Catharina, Financial and Investor Relations Director and Hemerson Fernando de Souza, Planning and Investor Relations Manager.

We informed that this event is being recorded and all participants will be in a listen only mode during the company's presentation. After we will begin the Q&A session when more instructions will be supplied. If any of the participants needs assistance during this call please press asterisk zero to reach the operator.

This event is also being broadcast live via webcast and may be accessed through Randon's website at [ri.randon.com.br](http://ri.randon.com.br) where the presentation is also available. Participants may view the slides in any order they wish. The replay will be available shortly after the event is concluded.

We remind you that the participants via webcast may pose their questions on our website. They will be answered by the investor relations team after the conference is finished. Before proceeding we would like to say that any forward-looking statements are based on the beliefs and assumptions of Randon's management and on information currently available to the company. They involve risks and uncertainties because they relate to future events and therefore depend on circumstances that may or may not occur.

Investors and analysts should understand that conditions related to microeconomic conditions, industry and other factors could also cause results to differ materially from those expressed in such forward-looking statements.

Now I will turn the conference over to Mr. Geraldo Santa Catharina, financial and investor relations director, who will begin the presentation. Sir you have the floor.

**Mr. Geraldo Santa Catharina:** Good morning and thank you for participating in this teleconference concerning the results of 4Q 16, reinforcing that we have Mr. Daniel Randon, Hemerson, myself and the investor relations team with David and Carol in order to make this presentation.

This morning we had the conference and thus we are closing the cycle with Fras-Le concluding a difficult year but also with many conquests and in the midst of the greatest crisis that we had.

Here we will have a vision of the market, the capital markets, financial results, perspectives and questions.

We began 2016 with many uncertainties in the market, low foreseeability and many question marks concerning the economy and politics of our country. After historical highs that we had in 2013 in production we began to have drops and more drops in the market where we are present, especially in the market for trucks and semi-trailers.

The year of 2016 should have been the beginning of a recovery. We expected a lot for the second semester but unfortunately numbers did not change: the GDP, which was negative, a negative surprise to all of us with -3.8 had no changes in 2016 and dropped another 3.6% with the greatest recession in history in the last 40 years.

We cannot deny that important things, important definitions happened in 2016: we had the continued effort of the Lava Jato and then many were sent to jail; and Dilma left the government, Michel Temer became president; and we had the positive evolution in some indicators; we also had the drought which affected the grain harvest; and also this added another negative environment to our business environment. The end of the problems was a little further.

But we acted and one of the goals for 2016 was to decrease debts because we had closed 2015 with a high degree of leverage, which was 8.3x and so we focused on investment and in working capital, we decrease structures and controlled each and every expense in disbursement.

Our debt is already close to the one when we had the market was three times greater. During the presentation we will see other topics.

Now I would like to go on to slide number four to see the numbers for the production and sales of trucks, buses and trailers. The production in 4Q 16 showed stability in trucks, a growth in buses and a significant drop in semi-trailers, 28%. YTD production was lower in three segments with drops of 13 and 18%.

In comparison with 4Q 15 sales in the domestic market dropped 27.5% in trucks, 39% in buses and 33% in semi-trailers, so a drop in each segment. During the whole year we sold 50,562 trucks in comparison with 71,655 in 2015, a 30% drop in the sale of trucks. Also we sold 23,000 semi-trailers in comparison with 29,000 in 2015, drop of 22%.

Although we began 2016 with a lower level of inventory than in 2015 the domestic market did not react and sales were very low. With a high number of unemployment and reduction in consumption the need for transportation was lower. Also the low prices of transportation and freights also delayed the decisions of buyers to buy new trucks.

And we also had the exports. These rose 2.7% in trucks, rose 33.3% in buses and rose 18.9% in semi-trailers in comparison with 2015. These numbers can be checked in the associations' sites, Anfavea and Anfir.

On slide number five let us see the indicators for the company. In 4Q gross revenue without the elimination of intercompany sales totaled 867 million BRL, 20.6% less than the revenue in 4Q 15.

Consolidated net revenue arrived at 622 million in 4Q, 23.6% less than 4Q 15. The drop is justified especially due to the sale of railway cars. In 4Q 15 the volume of railway cars was 50% then in 4Q 16 thus affecting our revenue.

YTD total revenue totaled 2.6 billion BRL, 15.3% less than in 2015. This drop shows the current market situation in 2016. In the other slides we will see the scenarios of each segment.

Analyzing the export sales we observe a growth in the quarterly comparison of 7.5% and a drop of 4.2 in the whole year. One of the strongest markets for exports in highway products was the African market. They represented 29% of total exports in 2015 and dropped 14% in 2016.

With the drop in oil prices some countries had difficulty in having foreign currency thus the importation of semi-trailers was not possible in the volume we expected. Also there was priority for the importation of food and medicine. The relationships and partnerships with these markets are maintained. We understand that we are in a position to have a rise again as soon as things get better.

Now the net result we see a loss of 67.2 million in 2016, 48.5 million in 4Q 16 due to low performance and also accruals and nonrecurring expenses. The margins suffered due to the fact that we were not able to raise prices and also surplus capacity, which did not allow us to dilute fixed costs.

Here we can see in this graph the Ebitda: 142.7 million, a margin of 5.4% and nonrecurring 109.4 million. So the expenses that we see here, expenses with restructuring 44.7 million; write-off of assets or impairment 29.6 million BRL and the effect of hedge accounting 26.6 million. The two first and internal restructuring were due to the closing of the plant in Guarulhos, São Paulo.

This unit began in 2016 with 364 employees and the main activity was the manufacturing of a light line, one of the segments that suffered the most with the crisis. The non-usage of the assets should be recognized in accounting with...

And here we see... And the value of hedge accounting is linked to the USD. Some contracts linked to hedge accounting already have a positive revenue in the result because they have raised close to 4 BRL to a dollar.

Adding up all the expenses, the nonrecurring expenses... Called nonrecurring expenses we reach an adjusted Ebitda of 252.1 million and an Ebitda margin adjusted 9.5% on net revenue.

On slide number seven here we see the adjusted results so you can see without interference of the nonrecurring. At the end of 2016 the adjusted net revenue reached 2.650 billion BRL and the gross margin 19.9 to 22% and Ebitda 252.1 million during the year.

Now I would like to pass the floor to Hemerson and he will talk about the business environment and a general review of the segment and main indicators.

**Mr. Hemerson Fernando de Souza:** Good morning to all those who are participating in our conference. On slide number eight we will talk about the business environment. 4Q of the year is traditionally weaker than the average due to vacation, year-end celebrations and also lower production.

Together with the economy which did not react significantly in the period and the impact of the drought on the harvest which was felt in the last three months of the year the truck and accessory market had further drops in terms of volume of production during the last quarter. The surplus capacity of the plants was high and automobile and truck companies decided to stop production and some began to foster retirement and also layoffs.

Although the economy did not show improvement we can see that at the end of 2016 the drop in interest rates, Selic, and a drop in inflation which closed at 6.29% in 2016 in comparison to 10.67% in 2015. These changes have not had impact on results; but they allowed us to have a good start in 2017.

On slide number nine we will focus more on each segment, business segment of the company beginning with semi-trailers. 4Q closed with 4717 units semi-trailers, a drop of 33.4% in comparison with SQ 15. The drop also happens when we compare 4Q with 3Q 16, almost 20% less.

Our sales for the primary segment represented 50% of the billing of semi-trailers and the drop in the harvest, grain harvest really had a great interference in volume

and now it is... It will be... Although the volumes are lower the company made important decisions in this segment.

In 2016 we launched new products, a new dump truck and the S line. This is a product line that is less customized and more similar to that of the competition, which... And this helped to recover part of the market for Randon.

At the end of 2015 the market share was 26.2% and at the end of 2016 it went to 29.1%. The drop in the competition also helped. In 2016 we had 148 competitors and in 2015 we had 161 competitors. Although they sold it does not mean that they produced; some sold inventory and we know that many competitors left the business. The small companies that began to make semi-trailers when there was lack of capacity lost to the large companies, which have fought hard to conquer client and sale.

In some months of the year we saw a price war instead of rational competition; but as financial results also decreased the market went back to rationality and we can see a price recovery in the next few quarters.

On slide 10 we have a general review of railway cars and special vehicles. As we had announced in previous calls we hoped to bill around 1600 railway cars in 2016 and we did that. We billed and delivered 1584 units and during the whole year we reached 40.6% market share in this market.

The contracts for railway concessions are nearing their end. They will expire around 2018/19 and the main clients for railway cars are talking to the government to renew the concessions. While we wait the trend is for the railway cars market to be a little weaker than in the previous years and this will become normal as we have definitions in contracts. For 1Q 17 we have a portfolio of products to be delivered and we have a portfolio almost for all 2017 and we are also looking for new businesses.

Now special vehicles segment has suffered a lot with the lack of the investment on the part of the government and had a drop of 45% in comparison with 2016. For 2017 we will launch a new vehicle which we call mini loader. It is a multifunctional product with great acceptance in the market. There are no competitors in Brazil, so we have advantages and also we have high hopes to sell in the export market due to partnerships that we have with large distributors and manufacturers outside the country.

On slide 11 let us talk about the auto parts division. 4Q concentrated a smaller number of trucks being sold, 11,695 units; during the total year 50,562 new trucks, a drop of almost 30% in relation to 2015 which was also a very bad year.

In this segment we work strongly to expand our sales, export sales and we see the results in the numbers. We can observe in the fiscal volume chart on page 5 that the sales of auto-parts fell less than 10% in most of the segments mainly with the support of increased sale for maintenance and exports.

With the data we have for 2017 from Anfavea we see an increase in the production of trucks when compared to 2016 and the exports are pushing the numbers up. Although in a timid way we are prepared for greater demand, although as we said in many forms we have no guarantee concerning volumes. We trust that there may be growth in volume but we are not very optimistic in terms of seeing this rapidly.

On slide 12 we have a graph that shows the daily average volume of our preferential shares, RAPT4. On December 31 RAPT4 reached a price of 3.45 BRL, an increase of 40.8% in the year and daily average financial volumes had an increase of 95% reaching 8.1 million, reaching this amount as I said of 8.1 million.

In 2015 and 16 the company did not make any payments for interests in dividends as a result of the situation.

On slide number 13 we have the composition of the gross debt of the company and NCG consolidated. Gross debt was 2.4 billion and of this 72% is in local currency, Brazilian currency and 28% in foreign currency. At the end of 2015 the gross debt was 3.1 billion and there was a drop of 665.6 million in the debt. I will make more comment about debt on the next slide.

Concerning working capital needs there was a reduction of 266.3 million during the year especially due to the client accounts, inventories and vendors. To have these reductions we had support from all the departments of the company with new processes and alternatives to improve our debt situation. This was the main result that we had during 2016, very close to 300 million that we used to reduce the debt.

Going on to slide number 14 we see the net debt without the numbers of Randon Bank. We closed December with a net debt without Randon Bank of 385.6 million BRL and it was 1.1 billion in 2015; leverage 1.61x with adjusted Ebitda and this was already mentioned how we do it. If we consider the reported account the Ebitda 2.95x.

We have 503 million BRL in loans with covenants and the majority has the indicator 3x, 3.5x the debt/Ebitda and therefore we did not break covenants with the exception of one loan which is 1.5x and which will expire in 2017 and has no impact on the company.

Before passing the floor to Geraldo I would like to thank you all. The end of this year is very interesting. I am leaving the RI team and I am going to Fras-Le

investor relations team. It was... I had good contacts during these 10 years and I hope that will continue and then open to focus on the auto parts division. I will continue participating in the forums with the investor relations team.

It was a pleasure and privilege to participate in the history of the company, although the results this year and not that satisfactory; but I am sure that we are on the right track to go back to better days for our shareholders and stakeholders.

Now I would like to pass to Geraldo and he will make his final comments.

**Mr. Santa Catharina:** well we talked about what happened in 2016, so we can talk a little about expectations for 2017. We have some indicators that we bear in mind to do our planning for 2017. We did this and it is important that the Focus report from the Central Bank gives us forecasts about GDP. The forecasts have fluctuated; but we see a GDP of 1.5%, maybe in 2018 2.5% growth. If we compare that with 3.6% drop in 2016 it is a positive performance and can help business.

Other points that are important to highlight are inflation control; the reduction in the interest rate, less than 10% until the end of the year Selic and it might get to 9%; and also the injection of funds in the economy: the government allowed unemployed people to withdraw their FGTS funds.

And also I would like to talk about the trust indicators in the market for industries, for consumers. The trust indicator is more positive, people are trusting and this is based on the qualification, recognized qualification of the economic team of the government although we are having giant problems in politics; but the economic team is working and they seem to have everything under control.

In 2016 the population went to the streets to ask for change and the crisis until then was felt only by businessmen and then it reached the population the crisis. The number of unemployed persons arrived at 12.3 million in Brazil and the population was asking for changes. Technological changes and social networks are helping to request from the government changes.

I would like to say that although the numbers in the market are not the best change is happening and apparently for the better. We have to look forward as businessmen and see that the future may be better than the past guaranteeing the integrity of the companies and also the employment for people.

We took measures to ensure the perennity of the company and some of these measures as mentioned by Hemerson for example we had the increase of capital Randon and Fras-Le with success in 2016; another positive point is the next harvest and we are expecting 223,000,000 tons of grain, 19.5% growth in the harvest; and we can perceive already the next harvest influencing the orders we

have received and also the requests for proposals that we have received. We did not receive so many requests for proposals for a long time.

The two first months of the year were not good. One of the factors that affected the sale of semi-trailers was a resolution in December, mid-December allowing the expansion of cargoes from 72 tons to 91 tons capacity.

Since this market had a lot of demand some clients decided to delay orders and this caused problems to our business environment and also the billing in 1Q. We are doing a follow-up to solve this as soon as possible.

On slide 16 we have the numbers of the guidance for 2016 that we are giving to you today with all these factors. Based on studies and assumptions we understand that it is possible to have a total gross revenue of 3.9 billion and also net revenue of 2.8 billion. These numbers are in line with what we had in 2016.

Concerning investments we are imagining 100 million to be invested during the year and we are controlling this month by month based on what we are generating in cash and debt control. 240 million are expected, 240 million USD are expected as revenue from other countries and 45 million USD in imports.

On the next slide we would like to comment more on the current situation for trailers, one of the worst times in history. We have a capacity for 75,000 units and we are producing 25,000 units. Many competitors with this drop left the business and are going through serious difficulties.

During the year we tried to recover our margins and expand our position and the graph shows this. As we are harder in terms of price positioning our market share dropped and so we had the trend to follow the competitors in lowering prices to maintain our market share. We were able to improve our position as the graph shows, and some months 38% participation, well above the 30% that had been planned by the company in the medium term.

Now on the last slide of our presentation, number 18, we show that the last two years were extremely complex with great adjustments in our structure, capacity and the way we operate. These changes brought many nonrecurring expenses and they grew a lot and we are showing this to the market. The great changes have already happened, although we cannot say that other nonrecurring expenses will not come. We are trusting our operation is prepared for the new cycles.

Now I would like to pass the floor to Daniel for his comments, Mr. Daniel before the Q&A session.

**Mr. Daniel Randon:** Good morning. I would like to thank the presence of all the participants. I would like to reinforce that 2016 was a very challenging year. The market was very complex but we were able to recover the main points in our economic feasibility decreasing the leverage.

This part of leverage grew a lot not because of the debt but because of drops in other areas in the market as Hemerson showed, an expressive drop in volume, high surplus capacity resulting at competitive prices and also due to the restructuring of the company.

I would like to highlight to the actions made, the deleverage, the increase in capital of the Randon companies reinforcing and improving our governance; and also working on working capital and cash generation even in a competitive market with the crisis.

I would like to highlight and reinforce that even and during these periods of restructuring the company maintained its investment capacity. We continued with some actions, we are continuing with some actions to decrease the debt of the company and we reinforce that we are ready for new growth cycle.

The signs are very positive. We see more trust in the domestic market, new concessions of airports; we see foreign companies investing in Brazil, the new airport concessions both in the fiscal area and political.

There is a trend for the GDP to rise again especially due to agriculture, which is important for our economy and for our sector and also the drop of the interest rates where our main clients will begin to have more capacity to obtain credit and loans.

I would like to reinforce that the company continues strong and is working to be ready for this new cycle. The company is better prepared, better restructured and in 2017 we do not know yet if we will have a lot of growth; we hope to have growth in the export market and in the domestic market.

I would like to thank you all and we are available for the questions. 2017 is a challenging year; but the company is now restructured giving it more capacity to be more competitive. Thank you.

### **Q&A Session**

**Operator:** Ladies and gentlemen we would like to begin the Q&A session. To ask a question please dial asterisk one and to remove your question please dial asterisk two.

Our first question comes from Mr. João Noronha, Santander Bank.

**Mr. João Noronha:** Good morning thank you for the call. Two questions: concerning the guidance revenue is based on which assumption concerning growth during the year?

The second in the guidance Capex of 100 million I remember previous conversations. The company was focusing on cash preservation and saying that Capex would be more compressed; so why did you have this increase in the estimate for Capex for 2017?

**Mr. Santa Catharina:** João thank you for the questions. Hemerson will talk about the assumptions in the guidance. In Capex 100 million were contemplating the possibility of really opening again the unit in São Paulo. We are accruing this value and there was a great effort for these 100 million to really happen, to become a reality - but maybe not recorded this year. It will depend on supplies area and we will have to control that.

We did not change our assumption in terms of controlling indebtedness, debts, investment and as I said in the speech we will make investments with cash generation. If our internal indicators for Ebitda and cash generation happen we will make the investments.

That is the difference between what we were saying and the current guidance. Hemerson can talk about growth.

**Mr. Souza:** I would like to supplement this issue of investments and also with Fras-Le we had a call this morning. Fras-Le had 10 million in investments last year, the minimum we need to really replace tooling. We have different realities in the group, situations are different. Fras-Le when making investments already impacts the consolidated investment; I am not talking about acquisitions, just maintenance and improvement of our processes.

The 43 million that Randon invested in 2016 are the lowest level in the last decade certainly, certainly in the last decade the lowest demand of investments. I do not know if we had lower numbers in the last 15 years. We were very conservative as Geraldo said, nothing has changed; but some investments are necessary for maintenance or also growth in business.

Going back to your first question, the basis, we have an indication that we may grow production of trucks around 8% in 2017 as a whole. This is in our plans. We also believe that semi-trailers may grow 10 to 15% in total and this due to the excellent harvest that we will have.

And this will have an impact on Randon's business. We have challenges; we have some horizons and perspectives that we have to see more clearly. We know that the railway car market will be smaller; but we have some things already in exports, new lines. Also the weakness of the competitors will help us improve our market share.

And we understand that these first two months are not a clear picture of 2017, so it seems to me that we are on the right track and during this year of 2017 the reduction in the drop will happen, we have seen good signs. Marketing has been very strong, we have a lot of requests for proposals, we are receiving orders and we are seeing a new situation, we are seeing more optimism certainly better than the last two years, more optimism.

So we are very optimistic. We are trusting that business will pick up.

**Mr. Noronha:** Thank you.

**Operator:** Our next question comes from Mr. Paulo Valaci from Citibank.

**Mr. Paulo Valaci:** Good morning thanks for the opportunity. Two questions, the first on the guidance for 2017. What do you imagine we can expect in terms of profitability? A recovery due to the cost reduction or is it too early?

Second question backlog, current backlog. The level of backlog is similar to that of last year or is it higher as foreseen for 2017?

**Mr. Santa Catharina:** Thank you for the questions. We do not have an official guidance for profitability; but I can talk about what we are thinking for the year. 2016 we were careful to build the bridge to really wait to go to the next year. So we were able to build this bridge, we did not lose sight of the other factors.

Last year we centered our efforts on debt, indebtedness and 2017 we are thinking more about profitability. We have some difficulties: price increases are very difficult as we said, price increases are difficult; but we know that as of 2Q some price increases may occur. We are dealing with this and also we are trying to expand the volume.

In a nutshell we believe we can do better this year in terms of profitability, thus reaching the main objective for the year. Now we are only in March, the market is

not easy and we believe we will have a better recovery of volumes. Concerning backlog?

**Mr. Souza:** I was going to supplement the question. We insisted on showing nonrecurring numbers during the year because this shows the run rate the company. So if we could not have so many nonrecurring expenses - we cannot guarantee, there is no way we can guarantee this - and considering that we will not have so much restructuring, we closed a plant... and we also close the plant and we have a run rate that is different and this stabilizes and we can think of new possibilities without creating any commitment.

When we talk about real possibility of better numbers this has a lot to do with this. Last year was the year of adjustments and we hope that these adjustments have had their desired effect.

The backlog has improved. In March we see a good capacity to reach the expected objectives in the period. I will not give you numbers, I do not have them and it is not our custom; but we are satisfied with what we are seeing in terms of business in March. We had an expansion in our portfolio with orders for highway products and thus this creates this positive mood and we are hoping to have a better year than the last two years.

**Mr. Valaci:** Thank you.

**Operator:** Our next question comes from Mr. Lucas Barbosa, UBS.

**Mr. Lucas Barbosa:** Good morning Daniel, Hemerson. My question is concerning the prices of products. In Q4 the average price dropped 19%. Is this because of mix or prices dropping?

**Mr. Souza:** Thank you for your questions Lucas. The sale cycle the mix has an influence on the average price. Sometimes there is an impact of a package, a certain sale or a certain product. This happened in 4Q.

In general Geraldo mentioned this; we showed the graph during the presentation. Every time we increase price we lost market share; but this was also done by the competitors. There is no company that is healthy; everyone is in a fragile position, few orders so they are fighting for these orders.

So after one or two months the competitors also try to raise their prices - but we have a lot of pressure on price, it is one of the great challenges this year within our logic to try to expand the market, improve profitability. This is what will happen.

The fragility of the competitors this year will help us because they are at their limit; but also for some larger orders there will be a lot of pressure and competition and we will try to win them and then we have to analyze this. In 4Q there was a mix problem, purely mix.

**Mr. Barbosa:** Just one more question concerning your guidance 2017 what is your opinion about the exchange rate?

**Mr. Souza:** Our exchange rate for planning, for budget we defined at 3.10 BRL to the dollar, 3.1 BRL/USD. Of course this has an impact on our revenue in foreign exchange. 20% of our orders come from foreign countries and also the purchase of raw materials. Some raw materials, 8% to 9%, are imported materials and some are paid in US currency and this benefits us on the other hand and helps us to reduce our debt. So...

**Mr. Barbosa:** Okay thank you Hemerson.

**Operator:** Our next question Mr. Wagner from Quantitas.

**Mr. Wagner Salaverry:** Good morning. My question: in 2016 we had an increase of capital in Randon and also at Fras-Le. I believe this was strategic at Fras-Le and now we saw the announcement that one of the main executives, Hemerson is going to Fras-Le.

How will the company work with its governance with these two companies and the opportunities for investment and growth in each one of these companies? Will there be a difference? For example will there be a concentration of investments in other parts Fras-Le? And what investments will we have in Randon? Thank you.

**Mr. Santa Catharina:** I would ask Daniel. Is Daniel on the line?

**Mr. Randon:** Wagner thank you for the participation. In terms of Fras-Le this increase in capital was important. In 2014 the company tried to increase its capital with secondary issuance where they were able to go back to some projects they had with M&A and unfortunately the pricing at the time, in 2014, the market dropped and did not recover, even last year the capital markets were... Had a difficult situation. We had a partnership with Gávea and other investors to increase the capital. This improves governance the creation and committees and evolution in terms of governance. This was very important, the improvement of governance; and the second point also more liquidity to Fras-Le. So Hemerson is now going to Fras-Le.

He works in this area, the capital markets and he will help them with having more exposure and doing a follow-up of Fras-Le. Hemerson is... Hemerson will have a

greater challenge with controllership and also the M&A projects, so this is good for Hemerson. And he and others have this challenge working in this team. So we have two companies with shares in the stock, in the stock market and thus he will help improve the practices.

In terms of growth Fras-Le has less leverage than Randon and will have good opportunity to grow and especially in our market and there are also opportunities in the international market. So the two companies Randon in Fras-Le and thus Fras-Le can continue to grow in its projects without affecting leverage which would hurt its growth.

**Mr. Salaverry:** Okay thank you.

**Mr. Randon:** Geraldo if you wish to supplement the answer?

**Mr. Santa Catharina:** No I believe it is well covered Daniel. I would like to say since we have this opportunity, we have this opportunity to say that all the pillars that we worked on last year 2015, 2015 restructuring, 2016, this began actually in 2014 and we are continuing so we can really have a safe bridge to the future.

We built a safe bridge with a good structure, people, talents, a new type of governance, a new type of management. Evidently also with the support from McKinsey, Hay Group. All of this was very important to build this bridge and now in 2017 and 2018 we want to go back to normal.

One of the pillars we did not mention is the financial pillar. We have an enviable condition in terms of liquidity and capital structure. If we look at the numbers we have 39%, 40% is our own, well above the 30% in the market and in terms of debt okay, we still have debt; but an index of liquidity and we have more than 1 billion in cash, we are okay in 17 and we are well-prepared for 2018.

Our credit situation is very good as a result of this capacity and the actions we took and the way we have been working through this decade. So we are sure that we have full conditions as Hemerson mentioned, as Daniel said, to now be ready when the crisis ends because we are in very good conditions now to grow. Thank you.

**Operator:** Reminding you to ask questions please dial asterisk one.

We would like to close the Q&A session. We would like to pass the floor to Mr. Geraldo Santa Catharina for his final comments. Sir you have the floor.

**Mr. Santa Catharina:** Well once again I would like to thank you all for this opportunity, it was a difficult year.

I would like to say that we are available. If you have further questions please get in touch directly with our investor relations department for any clarifications.

Thank you.

**Operator:** We would like to end. We would like to thank you and thank you for using Chorus Call.

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