



RANDON 1Q20 RESULTS CONFERENCE CALL

June 5th, 2020

Operator: ... Conference call of Randon S/A Implementos e Participações for the earnings of 1Q2020. We have with us today Mr. Daniel Raul Randon, Chairman, Mr. Paulo Prignolato, CFO and Investor Relations director, Mr. Hemerson Fernando De Souza, Fras-le's Investor Relations Director, and Mr. Esteban Angeletti, Financial and Investor Relations Manager, as well as the Investor Relations Team.

We inform that this event is being recorded and all participants will be in a listen-only mode during the Company's presentation. Next, we will begin the Q&A session, when further instructions will be supplied. If you need any assistance during this call, please press *0 to reach the operator.

This event is also being broadcast live via webcast and may be accessed through the website at 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 via webcast you may send questions to Randon. They will be answered after the conference by the Investor Relations team.

We would like to clarify the any declarations that may be made during the conference call concerning the business perspectives of Randon projections, operational goals are based on beliefs and assumptions of the Company's Board and also based on information currently available. Considerations about the future are not guarantees and involve also the referred to circumstances that may or may not occur.

Investors and analysts should understand that general conditions, conditions of the sector and other factors may affect our future results of Randon and may lead to results that may differ materially from those expressed in the statements.

Now I would like to pass the floor to Mr. Daniel Raul Randon, Chairman of the Company. He will begin the presentation.

Sir, you have the floor.

Mr. Daniel: Good morning. Welcome to the conference call for results of Randon for 1Q 2020. I am here with our CFO and Investor Relations, director Paulo Prignolato, and Mr. Esteban Angeletti, Finance manager and also Investor Relations manager, who will help me in the presentation.

Today we will talk about the highlights of the 1Q and also general view of the market and each business division. We will comment on capital markets and economic results and financial results of the Company.

I'd like to begin talking about the scenario, the pandemic we are going through in the last few months. During February, as a result due to the fact that we have a plant in China, we felt the first symptoms of the new coronavirus in our business.



Our unit in that country had to close its doors under the guidance of the Chinese government and we had to make the first decisions concerning this topic.

In March, when the facts of the pandemic arrived in Brazil, from the beginning we were concerned especially with the health and safety of our employees, their families and the community where we are present. Our first measure was to put on vacation the employees to contribute with social distancing and to organize our structure to make the work environment safer.

Apart from this, we already have a pilot project for a home office, and it was expanded to the departments where this type of work is possible, especially in the administrative areas.

We looked also for ways to help the communities where Randon's plants are present. We donated masks and protection equipment. We helped in the purchase of respirating machines and other measures. Concerned also with the health of the truck drivers, who are the end clients of our products and fundamental to transport products to society, we distributed more than 50,000 bottles of alcohol gel to help them with hygiene.

Conscious of the importance of our business for the economy and for society, we began to prepare our companies for the comeback of operations and we adopted measures to guarantee the continuity of our business and preserve our cash in this time of crisis. Since we have a global presence, we analyzed the best practices around the world to mitigate the impacts of coronavirus. We reactivated the Contingency Committee and we made the investments and we analyzed the budget and continuously are looking at the changes in the scenario.

Right now, Randon companies have two main focuses: the preservation of the health of the population and sustainability of the local and global economy. Thus, we are taking measures to protect the health of our employees and their families, and to ensure the continuity of our operations.

Now, yes, beginning the quarterly presentation, which was restructured as you can see, we have the objective of bringing more qualitative data and giving you more details about ESG aspects and innovation which will be covered during this conference call.

I would like to highlight three initial points about our results which summarizes 1Q at Randon.

- Stability of the revenue in relation to 1Q19.
- Volumes in the market suffering a drop when compared to 2019.
- And EBITDA and also net results under... having a reduction due to expenses and non-recurring items.

So, we will also highlight how our diversified business model contributes to attenuate the adverse effects we are going through now.

Reminding you that 2020 began with a good outlook for Randon. In its planning, the Company had assumptions that we would have a year a little better than 2019, and this was indicated in our projections.



Now, as I conclude my comments, I would like to thank the recognition that the Company had by Institutional Investor in the ranking Executive Team Latin America 2020. As you can observe on slide number 5, Randon was one of the highlights of this edition, leading practically all the categories of capital goods considering the general ranking with all the companies in the sector, small medium and large caps, and also in its specific segment small caps. We're very satisfied and thankful for this recognition for our hard work. In previous editions we had also been recognized but not in this way. This evolution shows us that were on the right track and also gives us a great responsibility to continue making progress in transparency, governance and return to our shareholders. And to me, especially, after one year as CEO Randon, it is an even more special recognition showing that the succession plan, which began in 2009 when our Chairman of the Council David Randon became Chairman, and also the improvement of governance, both these things have been working well. I thank you all for this allowing us to continue this project, to have an innovative and leading Randon, always connected to new technologies and trends and knowing its responsibility with society. Once again thank you very much.

To conclude I would like to thank and reinforce that we are prepared for these times. This is not the first nor the last crisis we went through. Therefore, the way we conduct our business makes all the difference, maintaining a robust cash position and a diversified model makes us more resilient and better prepared to go through this crisis. And this guarantees that we will continue accelerating changes such as the digital transformation, which is fundamental for the future our Company, and continuing with our purpose of connecting people and riches generating prosperity.

Now I would like to pass the floor to Paulo to continue the presentation.

Mr. Paulo: Thank you, Daniel. Good morning to all who are participating with us in this conference call. I would also like to express my thanks for the capital markets for the recognition by Institutional Investor and all of Randon's team, specially Investor Relations team for their efforts in doing this work. This is very gratifying and makes us proud of our Company.

As Mr. Daniel mentioned, Randon has a diversified business model. Our revenues are based on three divisions: OEMs - 42%, auto parts - 53% and services – 4%. When we expanded this analysis with the number of companies that are part of these divisions, we see 35 units, between offices, distribution centers, plans and financial institutions, located both in Brazil and abroad. This reinforces even more the diversified profile of our revenue.

In analyzing the revenue per geography, we can see that Randon companies export to all the continents. The main destinations of our exports are Mercosul and Chile, and the region USMCA - United States. Mexico and Canada, specially United States and Mexico, countries where we have plants and offices.

On the graph of revenue per product, you can see that the most important are semi-trailers - 36%, friction materials - 21%. All the other represent less than 10% of the net revenue individually. This diversification is fundamental to capture opportunities in different markets where we are present.



When we detail the sales per segment, we observe that, although 60% of the products go to OEMs, there is diversification between this group in semi-trailers, trucks, heavy trucks, semi-heavy trucks and medium trucks, light trucks, also cars, railway cars, buses and others. In the consolidated numbers, the sales to the aftermarket represent 17% of the revenue and the revenues in export markets, 18%. This diversified profile that we saw contributes not only to reduce the impact of volatility in the markets where we are present, as well as shows us that the expansion of Randon will always be linked to this type of work aimed at more resilient businesses and more stable businesses.

Also, we are ready to access new geographies as we have done in the last few years, making the Company Randon more globalized Company.

Now please go to slide number 7, where we will detail better the volumes in the market and the economic scenario. On these tables we observe the performance of production and sales to the truck market, semi-trailer markets and buses. As mentioned in the beginning of the presentation, these markets had a drop in comparison with 1Q19 and with 4Q19. Part of this drop is a result of that paralization of some businesses in the second half of March due to the pandemic. When we look at the expectations and of the main economic indicators, we see that 2020 will be a year with the strong economic recession with the forecast about 6.25% drop in the GDP of Brazil, as said on May 29th.

The Selic rate is at its historical lowest level showing the economic activity of the country.

The exchange rate is another factor. With the appraisal of the US currency and sales abroad, specially industrialized products, some volumes did not happen, since the markets around the globe are still suffering the effects of coronavirus and all the uncertainties it brings.

The positive points for us Brazilians is agribusiness. This was the only sector in the economy to have growth in the 1Q 2020. Also, a record harvest also has given us an excellent demand for transportation. Most of the harvest is exported.

Now slide number 8, to see the markets and our revenues. In the comparison with 1Q19, the net revenue had 3% growth. This is due specially to business diversification and a favorable exchange rate.

In the analysis per division, we see a rise of 3.4% in OEMs due to 10% higher in semi-trailers sold, and also, the evolution of aftermarket. The negative points are those expected in the sale of railway cars and special vehicles.

In auto parts we had an increase of 2% in the comparison with 1Q19 due to the rise in the exchange rate and a robust product mix. The stagnation of the production of trucks together with the challenging aftermarkets did not allow better revenue in this division.

Finally, services division had an evolution, rose 12.5% in comparison with the same period in 2019, especially due to the activities of Randon Bank. Randon Consórcios pool sales also had a drop in the in the number of units sold and this due to coronavirus. In comparison with 4Q19, the drop in net revenue was 9%



because of the non-programmed stop in production due to vacation as a result of coronavirus 19.

Let's see in slide number 9, to talk about exports. For some quarters we have seen difficulties to export and the current quarter was not different. A drop of 22.3% and 39.3% when compared to 1Q19 in 4Q19, respectively. Factors such as low price of commodities, specially oil and ores like copper, economic crisis and political crisis, which happen in countries to which we export, also the problems between China and the US, and also deacceleration in the global economy have affected the business environment. Coronavirus was only one ingredient, one extra ingredient in the challenges that we already had, and which were not few.

On the other hand, when we look at these revenues converted in local currency, we see sustainable margins in the products exported and, in some cases, even a rise in price, such as semi-trailers.

The export goals in *reais*, in local currency, were practically reached due to the devaluation of 30% in the local currency in the exchange rate during this period.

Now going to slide number 10, I will talk about EBITDA. As you know, as you can observe on the graph, had a drop of 20% when compared to 1Q19, and 33% when compared to 4Q19. Here we would like to highlight that if it were not for some non-recurring events, the margins would have had more stability in these comparisons.

In the OEM division, we have the effect of hedge accounting, with a great difference between the exchange rate during sales and the current one, we had 26 million impact in 1Q20. Also, the sale of a non-operational asset, with an impairment of BRL9 million.

In the auto parts division, the non-recurring expenses were impairment of an investment in JURID worth BRL5.7 million and an adjustment due to the inventory of assets at Fras-le worth 2.2 million.

Adjusting the consolidated EBITDA which represented 107 million, with a margin of 9.2% in 1Q20, the non-recurring expenses, we would have an adjusted EBITDA of 150 million and a margin, adjusted EBITDA margin of 12.6%. We can also mention as factors that affected EBITDA the reduction in volumes and the sales mix.

Let's go on to the next slide, number 11, to talk about the net results of the Company. When analyzing the net consolidated result in 1Q20, we observe that non-recurring expenses mentioned earlier also had an important role in the drop presented in quarterly comparisons. Also, we recorded the writing off of taxes in some units, 12.3 million in the quarter. Adding all the non-recurring effects, our results was affected negatively by 50 million.

Let's, please, go to slide number 12 to talk about cash, debt and working capital. We do not even have to remember that when we are well there is a lot of credit at attractive loans. But, in the first, as soon as we have any difficulty, things change. For Randon to maintain it's a robust cash position and a conservative



cash position, this is very important when the Company is going through difficult times.

Currently the net debt without Randon Bank is 847 million, with the leverage of 1.3 times the EBITDA in the last 12 months. As you can observe on the graph, there was an increase of the debt in the last three months and this is due specially to the growth and the need for working capital, BRL225 million more. At the beginning of the year, this is natural when we come back from vacation and the additional ingredient in this quarter was also the higher exchange rate. Of the total gross debt of the Company, BRL2.8 billion, 16.7% are in foreign currency and 83.3% in local currency. The average annual cost of that debt is 4.1% and 5.5%, respectively, with an average payment term of 2.7 years.

I invite you to go to slide 13 where we will talk about the Company's investments. In the first quarter we invested 29.6 million in investments, capacity increase in productivity. Apart from this, 60.5 million in controlled companies. As a consequence of the new coronavirus, one of the measures adopted by Randon was to review all the investments and now we are analyzing again the priorities.

Going on to slide 14, we see the behavior of our shares RAPT4 in the stock market, the daily liquidity of the share, the distribution of dividends and shareholder profile. At the end of March, the price of RAPT4, our share, was BRL5.45 in comparison with BRL9.7, in the previous year. The preferential shares reached a price of BRL14.92 in January this year. The general devaluation of the market, the capital markets in the world, also affected the Brazilian stock market and the price of our shares, which had a strong drop. The way we see it this value did not reflect the performance of our business. With this, we understand that if there is an... this was a window of opportunity for the Company to buy back its own shares. On April 9 we bought back... during 6 months buying... allowing us to buy 13 million shares.

Another point I would like to say is the shareholder base of the Company. Although the profile hasn't changed significantly, the number of shareholders more than doubled especially due to individual, shareholders that are individuals. So, this is important for Brazilians. They are diversifying their investments due to lower interest rates, lower interest rates in the banks.

Now I will turn to Esteban. He will talk about highlights of the business divisions.

Mr. Esteban: Thank you, Paulo. Good morning. I would also like to thank the recognition received through Institutional Investor. It gives us more energy to continue working and improving our work as a team and as a Company. We would like to remind you that this recognition is based on the work that we began to do earlier, and we received these results based on the work of the whole team.

Beginning with the OEM, we have the following points:

Growth in volumes in the domestic market, 5,086 units manufactured, increase of 25.4% in aftermarket and a drop of 40% in exported volumes.

The domestic market has presented growth during the last quarters, especially due to agribusiness who is doing very well.



Randon continues leader with 34% market share. As a result of the stop that we had in the government departments, this indicator should become distorted in the next months.

The market has many difficulties. Most of the semi-trailers are exported to Chile and Mercosul countries, which reduced their purchases due to social isolation. We are doing a follow up on a daily basis with our distributors, evaluating inventory and seeing how we can help them to expand their sales right now.

Another significant destination for our division is Africa, which already have low volumes before the coronavirus, and now they also have difficulties due to social distancing.

Now talking about railway cars, in the quarter we did not sell this product. The expectation for 2020 is a year with low volumes. The new element that it gives us hopes is the recent renovation, renewal for 30 years by Malha Paulista, operated by Rumo. So, as we have, if we have anything new, we will inform the market.

Slide 16, the performance of auto parts division. 622 million in revenue, 88 million in EBITDA and an EBITDA margin of 14%. To explain better this division, we separated them in three segments: braking, suspension and also JV's, joint ventures, as it is segregated internally.

Talking about braking, these are basically the businesses of Fras-le and controlled companies, which had a drop in volumes, but a growth in revenue due to a higher exchange rate. Some of the units of Fras-le were the first to be affected by the pandemic, for example in China, which paralyzed and then came back in 1Q.

Going on to suspension and hubs and drums, which refers to Suspensys and Castertech, we have different situations. Suspensys had a reduction in volumes especially due to the drop in sales of the clients. And Castertech expanded its portfolio supplying for different categories of trucks, and also agricultural market. They increased their volumes by 11.6%.

And finally, JV's, such as the controlled Master and JOST. Both had a drop in volumes due to their exposure of their sales to OEMs, in the case of JOST, and also reduction of exports of brakes in the case of Master.

Now the services division, we see now on slide 17. Randon Consórcios, or pool sales, had a reduction in the quota sold, but revenue grew 3.5%. This unit felt the reduction due to less fairs and exhibitions in the segment, where they sell, they'll make the pool sales.

Now, Randon Bank had an increase of 57.6% in net revenue in the comparison with 1Q19. This is due to the growth of the credit portfolio and financing volume due to having a favorable scenario for a new credit lines before the pandemic.

Finally, the newest controlled company, Randon Ventures, which has the business characteristic that is different from the other companies of the group. In order to really continue to work with startups, to help startups focused on logistics, financial services, insurance and also mobility.



Now, Mr. Paulo will continue the presentation.

Mr. Paulo: Thank you, Esteban. This slide is new in our conference calls for results. Sustainability is one of our new topics that we will approach due to its relevance for our business and for society. Here I will give you some important information in the quarter. I invite you to look at our sustainability report for 2019, which was aired yesterday, and you can see the Q. R. Code for this at the bottom left corner. We prepared this with a lot of dedication to consolidate in one document all our actions aimed at sustainability.

We did an analysis of materiality where we consulted more than 500 people to identify the material topics for the Company. This year we have a report with the GRI Standards and no longer in G4 formats.

Updating the aspects of the ESG of the Company in 1Q 2020, I highlight:

For our environment, we have also... we are spreading a culture of sustainability and now helping our employees to be conscious about resources and of water and energy. We also created a manual that will be delivered during the special week.

Also, apart from actions in the community through the Elizabetha Randon Institute and its program called "Florescer", Randon works strongly in the community to decrease the impacts of coronavirus, donating masks, equipment, alcohol gel and others.

Finally, governance, which is always in evolution. We have a long-term planning process and a multi-disciplinary team focused on working this front. Many actions were adopted, such as important alterations in the internal regimen and administration council, also policies that will be informed to the market soon.

Another topic added to this presentation is innovation. And it is a recurring topic in the Company's discussions. We are building a digital transformation which goes beyond the use of modern technological resources, and even a cultural change and new mindset, a new way of working with teams dedicated to think about innovation, disruptive innovation.

An important movement in this sense was the inauguration of the CTR Innovation Lab, located in the technological, Randon Technological Center. The CTR Innovation Lab is a space dedicated to join creation and experiments of strategic projects for partners and teams. 300 square meters is the space made up to really get all the potential of sustainable technologies. Currently we're connected with 40 startups in many types of services. It was possible to access through these connections' improvements in internal auditing until the use of drones to do inventory. So, there is a universe of possibilities. We're looking for the best alternatives to expand our productivity becoming more agile and more efficient.

Now, going on to slide number 20, here we have some measures that we adopted in relation to coronavirus 19, and some of the impacts on the business. I won't mention each one, many have already been mentioned. I would like to reinforce that everything we are doing has a direct focus on the preservation of the health and safety of people, maintaining jobs and mitigating the impacts of the



Company's results. The principles "People should be valued and respected" and "Randon is the sum of all", have been guiding these decisions

I would like to conclude thanking the participation of all and inviting you all for our Q&A session.

Operator: Ladies and gentlemen, we will begin now the Q&A session. To ask a question, please dial *1. To remove the question from the list, dial *2.

Our first question comes from Lucas Marchiori, BTG Pactual.

Mr. Lucas: Good morning. Thank you for the call, Daniel, Esteban. Two specific issues. The first, when you mention in the presentation the impact of coronavirus accelerating changes, what are the changes that you were... For example, you mentioned accelerating digital, but please talk about your sector changes because of the pandemic and changes that will be delayed. The new level of Capex we should expect for this year. That's the first question.

Second, very direct, you mentioned, you mentioned the renewal of the contract of the railway Company, when do you expect orders for railway cars and the timing for this? Do you expect orders for railway cars at the end of this year?

Mr. Esteban: Lucas, thank you for participating and thank you for the question. Concerning changes, acceleration of changes, we're seeing something that is very similar to what we saw in the crisis in 2014/16. We optimized corporate processes, we restructured supplies and we obtained great gains in scale and synergies in the purchase of raw materials. For example, we are working with home office. Most of the back office is working in a home office, and we have had it a good productivity. Another area is logistics, how we can optimize our logistics costs. Inbound and outbound. And, of course, we should mention Randon Ventures, this initiative with startups which certainly is looking for solutions for problems that are common not only in our industry, but also for our clients. All these initiatives are being very positive during the pandemic and we expect that they will continue after the pandemic. We will see what will be the new normal and whether this will bring gains. We began to apply these things.

Now concerning Capex projects that you mentioned. In fact, we are analyzing once again the priority of each one. We have two basic pillars: maintain the safety in our processes, investments linked to employee safety, and also to maintain our production capacity. Other projects are being reviewed. Of course, we will continue working with items linked to safety or production capacity.

Concerning the renewal of the railway company's contract, it's very good. We don't have concrete data in terms of demand by the Company. What I can tell you is that the sales cycle of railway cars is a little longer and it takes up to six months. So, if we get an order from this segment to be recognized this year, this would happen at the end of the year.

Mr. Daniel: Daniel. Lucas, reinforcing what Esteban said, at this time of crisis we obtained some synergies, we're working on opportunities and processes and reminding you that in 1Q we had a single COO for all operations. And also, Daniel, our CTO, Chief Transformation Officer, to help participate in this digital



transformation and others. And, as Esteban said, at this time of crisis, we are looking at our processes, concepts and the opportunity for the Company to become lean. And we have a lean structure and we're now revisiting projects and accelerating some movements, especially in digitalization.

Mr. Lucas: Perfect, Daniel, Esteban, thank you.

Operator: Our next question comes from me Victor Mizusaki, Bradesco BBI.

Mr. Vitor: Good morning. Congratulations for the award. I have two questions. A little on the second quarter, could you mention sales rhythm in the second quarter? New orders? Production capacity?

And the second question, Paulo mentioned working capital. When we look at accounts receivable, the aging of accounts receivable increased a little. Could you comment how you see this scenario? Do you need provisions? Are there any provisions for clients' accruals?

Mr. Esteban: Victor, thank you for participating and for the question. Concerning backlog and new orders, we've seen that in OEMs, we have three months. It's very similar to the period before the pandemic and the entrance of new orders is not at the same rhythm as before the pandemic, but we are recovering in a satisfactory way, reminding you that most of this portfolio is made of business with the favorable situation due to a record harvest in agribusiness. We're very alert to the markets. We're monitoring on a daily basis the evolution of these orders.

Now, concerning your second question, working capital and the aging of accounts receivable, we noticed, in fact, a request to increase payment terms, but not delinquency. So, we work together with our clients to give them better payment terms. We did not see any increase in delinquency. So, we don't see any need to write off anything.

Mr. Vitor: Thank you.

Operator: Our next question comes from Murilo Freiburger, Bank of America.

Mr. Murilo: Good morning. Thank you for the opportunity, supplementing the topic that Victor mentioned. How are your conversations with clients, not only concerning 2Q, but the clients' vision, demands until the end of the year to OEMs, conversations with OEMs? We'd like to understand how this recovery will happen. We have some positive and negative... we see some positive surprises in Europe. Recovery is a little faster than expected. Can you comment on this? Your vision about your conversation with clients' demand or disruption in production. Are there any problems you expect when recovering volumes? Do you think it will be a smooth process?

And the second question, for example, debts with banks. I know you have a comfortable cash position, but also availability of credit. Please comment.

Mr. Esteban: Murilo, thank you for participating in the question. Concerning the market in general, in terms of demand we commented that 2Q is a transition phase. It's early to see the new normal in terms of demand or to talk about reductions or increases in volume. We have most of the companies and us are



making adjustments in working capital and inventory. So, we have to see if a drop in volume is due to these adjustments or less demand on the part of clients.

In terms of supplies, the good news is that there is no lack of raw materials, no lack of raw materials. Since we gave vacation, our supplies team continued working with our suppliers for the comeback to have conditions and be ready for the comeback.

For international suppliers, we didn't see any problems in the supply chain even China or Europe. Supplies continued at least for our business line. Concerning your first question this is what I can tell you. And Paulo will comment on your second question.

Mr. Paulo: Murilo, thank you for your question. In fact, it was a correct decision and we want to maintain a buffer of liquidity, liquidity buffer. So, we lengthened the profile of our debts, the average term is three years now for the debts and most of the debts in *reais* is in post fixed terms, and we have benefited from the lower interest rates in Brazil. For the year, we had a need to extend some loans in our planning. We have been able to lengthen the terms, longer terms, for the debts. Of course, the terms that are offered by the banks cannot be compared with the terms that offers we had before the crisis. Now we have shorter payment terms offered by the banks, two years, but the availability of credit for Randon companies has been fine, full and with access to other banks, access to other sources of resources that we did not have in the past. We have received these offers. So, liquidity will be maintained. We haven't had any difficulty and we have full support from all our partner banks.

Operator: Our next question comes from Catherine Kiselar, Banco do Brasil.

Mrs. Catherine: Good morning. Congratulations for the Institutional Investor award. My question is about Randon Ventures. What are the plans for Randon Ventures and the Innovation Lab after the coronavirus? Give us an idea about the plans of this unit to the new way of innovating by OEMs.

The second question, with this scenario of coronavirus and its impacts, will the Company have more products to agribusiness from now on?

Mr. Esteban: Catherine, thank you for participating, for the question. Concerning Randon Ventures, we identified a need for us to be closer to innovation systems, where solutions can be found for our industry in a faster way. And as Randon companies, we don't have the same speed to act in this eco system. A smaller Company dedicated to innovation can be faster, so we want to be close to the eco systems, working with logistics, insurance. We saw the possibility and we invested in this Company. We have one called TruckHelp, it's a platform that helps truck drivers with their basic needs, to find the closest gas stations and, with this, we will know in a better way the life of our end client. We will add new services to this platform too.

And, concerning your second question, can you repeat please?



Mrs. Catherine: I will repeat. My second question. Well, the Company look more at these new areas, like agribusiness, which is growing, and other sectors that are considered essential?

Mr. Esteban: Okay. Thank you. In fact, this exposure is happening naturally. We are being contacted because there is high demand in some areas. This is natural for agribusiness to represent even more business in our portfolio. And we see our portfolio with 73% of the products linked to agribusiness, 73% of our portfolio linked to agribusiness.

Mrs. Catherine: Thank you.

Operator: Our next question comes from Vagner Salaverry, Quantitas.

Mr. Vagner: Good morning. Congratulations for the recognition. I'd like to understand better how are you projecting the production of implements, auto parts, considering that you have the semi-trailers. What is their production rhythm? Will you adjust, increase or decrease production of trailer trucks and auto parts? OEMs, orders... talk about the OEMs for the production of trucks, from OEMs

Mr. Esteban: Vagner, thank you for participating and for the questions. This is an important component, operational restrictions due to a coronavirus. Today we have the demand, operational, our production capacity and now we have to live with the third element: the restrictions due to the pandemic. Here at Randon, we have a system of banners which shows which companies and sectors have greater capacity to operate in a safe way. So, in fact, we are looking by sector the capacity that can be used.

Concerning implements, we're seeing the productivity in June, July, with the capacity very similar to the period before coronavirus. Also, commercial vehicles, we see an operation very close to the period before coronavirus.

Now concerning OEMs, as I mentioned. In the first question, our portfolio we have three months, orders for three months. And when we see a positive situation, being able to handle the orders.

Auto parts, it's still early. We have OEMs giving us visibility for the next six months but as I mentioned, we don't believe that this variance in volumes is from adjustments from clients or a recovery of demand from the end clients. We have to see this more clearly to be sure of how the rest of the year will be.

Mr. Vagner: Right now, with your current production rhythm, you believe the portfolio will be stable in trailers or do you believe it can drop?

Mr. Esteban: Right now, our production rhythm, in relation to new orders, we want to maintain the stability of the portfolio with three months of orders.

Mr. Vagner: Thank you.

Operator: Our next question, Marcelo Motta, JP Morgan.

Mr. Marcelo: Good morning. Two questions. First, please comment on the outlook for exports. You mentioned that it is not only the coronavirus that is having an impact, so please talk about exports. Some countries are reducing restrictions.



Do you believe exports can improve in terms of volume and price? The exchange rate will help, we know.

And the second question, margins. So 2Q, April has lower volumes but is there any initiative to improve efficiency expenses to have a better result in 2Q?

Mr. Esteban: Motta, thank you for the question. Concerning exports, in fact, we were having lower volumes. Chile, which is one of the main destinations, they had their economy deteriorating. Argentina too. And Chile had a policy that had an impact on our products. So, in terms of exports, exports are not in a very favorable situation. The exchange rate is good. But demand is being negative for exports. We don't see many positive perspectives in exports, but we're seeing clients from countries like US and Europe, substituting their suppliers of raw materials due to the fact that some countries had to stop their production and this brought new opportunities for Randon. Specially auto parts. So, we're seeing new doors being opened due to our quality of products. So, we want to maintain these doors open after the coronavirus. This will influence in a significant way our exports, yes.

Concerning margins in 2Q, we cannot say anything yet, but I can tell you that with the Contingency Committee, we took action quickly, specially decreasing expenses and fixed costs. Some actions were a law that allows us to reach use temporarily the work hours of our employees. This had a positive impact in reducing expenses for the Company. And this will help to decrease the impact of a reduction in revenue.

Mr. Marcelo: Thank you.

Operator: Our next question comes from Gabriel Rezende, Bradesco BBI.

Mr. Gabriel: Thank you for the opportunity. I'd like to add a point. How is the backlog? And please comment on prices. Some OEMs, light and heavy vehicles are increasing their prices for new vehicles, so how about implements? Is the price rising for implements?

Mr. Esteban: Thank you. Well, concerning prices from OEMs. What I can tell you is that we have seen the stability in prices. We must remind you that last year many manufacturers expanded their capacity, added capacity. This can put pressure on prices right now with the higher production capacity. And stability, agribusiness has brought more demand, helping us in our backlog. For the time being we see stability in prices.

Mr. Gabriel: Thank you.

Mr. Esteban: We have a question that came through web cast. Wesley, thank you. Whether we can talk about cash burn, use of resources during April and May.

Wesley, what I can comment is that we took all the necessary measures quickly to preserve as much as we could our cash. So, we are sure that we were correct ends acted in a fast way. And this helped us to preserve margins and cash.

Operator: Our next question comes from Vitro Mizusaki, Bradesco BBI.



Mr. Vitor: Just a last question. You capitalized Randon Bank. I would like to know why this was done now, the capitalization of Randon Bank.

Mr. Esteban: Thank you for the question, Victor. In reality, within the plans for the year, we had, in fact, made this decision, specially, to allow the Bank to be able to have more operations preparing Randon for the acquisition of Nakata. The acquisition. We saw some credit volumes that will increase and, as you know, the Bank helps Randon companies in vendor operations, also for discounts from suppliers. This was a decision that had been planned bearing in mind the preparation of the Bank, within the new regulations of the central Bank, to have to work with more operations after the acquisition of Nakata, that will be concluded during the next months after the approval from the authorities.

Mr. Vitor: Thank you.

Operator: We would like to close the Q&A session. I would like to pass the floor to Mr. Daniel Raul Randon for his final comments. Sir, you may proceed.

Mr. Daniel: I would like to thank you all for participating in this conference call and I reinforce three key messages in our presentation. The first, we believe it's possible to really have a comeback of our business, balancing the care with the health and the economy, that also initiatives to mitigate the impacts of the pandemic and also our work concern to work in a responsible way, conscious of our role in society and with the expectation that this moment will bring us great learnings and make us stronger for the challenges ahead.

I thank you all and if you have any comments or if you need any clarification, please get in touch with our Investor Relations department. We will meet again in the next.

Operator: This concludes our conference call. We thank you and thank you for using Chorus Call.