



## **RANDON S.A. IMPLEMENTOS E PARTICIPAÇÕES INTERIM MANAGEMENT REPORT 2ND QUARTER/ 2005**

### **Dear Shareholders:**

Below we present information relative to the activities of the Company and its affiliates, as well as the summarized accounting statements for the quarter ended on June 30, 2005.

### **Initial Considerations**

Randon Companies achieved positive results during the first quarter of 2005, with a 30% increase in the consolidated net revenue in relation to the first six months of 2004, and a consolidated net profit of R\$ 68,2 million accrued during the period.

Randon Companies operate within different markets and products, the result of continual investments over the last years. This broad range of operation attenuates the company's dependency on the performance of specific sectors as in the case of the grain sector. Business includes several segments of the primary market, namely the agribusiness, mining of metallic and non-metallic, wood-pulp, sugar-alcohol, as well as the industrial segment, railway, and foreign market, OEM of commercial vehicles, and services. Eighty percent of the earnings come from the domestic market and twenty percent from the foreign market. The corporate structure includes partners with a world-class strategic profile, which receive a significant part of the produced goods. This broad profile creates a reasonable shield against specific oscillations, whether they take place in the economic area, such as exchange rates, or in the marketing area, such as loss of crops.

### **Highlights**

At the end of these first six months of the year, Randon has one more reason to be congratulated. The company has received the "Open Companies Distinction Award". "Everybody in the company knows ours is an open company and, therefore, everybody works to maximize returns to shareholders". With this statement, the chairman of Randon Companies highlighted the importance of the award in the history of the Company and in the decision made in the past to open its capital, thus helping the company overcome difficulties and grow throughout the years. The "Agência Estado" and "Ecomática" has evaluated the 2004 results in 149 companies in the country, and Randon S/A - Implementos e Participações was ranked second among the most noticeable companies and among those that have produced more return to their shareholders. The Award evaluates indicators that are very significant to investors, such as profitability, appreciation of shares, stock exchange price in relation to their book values, dividends, liquidity, governance practices and others.

## Performance in the Period

Randon S/A Implementos e Participações had, in the second quarter of 2005, a consolidated net profit of R\$ 35,2 million, accumulating R\$ 68,2 million in the first period of the year, representing a growth rate of 12,7% over the Jan-Jun/2004 period. The net consolidated revenue was R\$ 977,8 million, 29,8% higher than that of the same period in 2004. The total gross revenue before consolidation amounted to R\$ 1,46 billion or 38,3% higher than that of the same period in 2004.

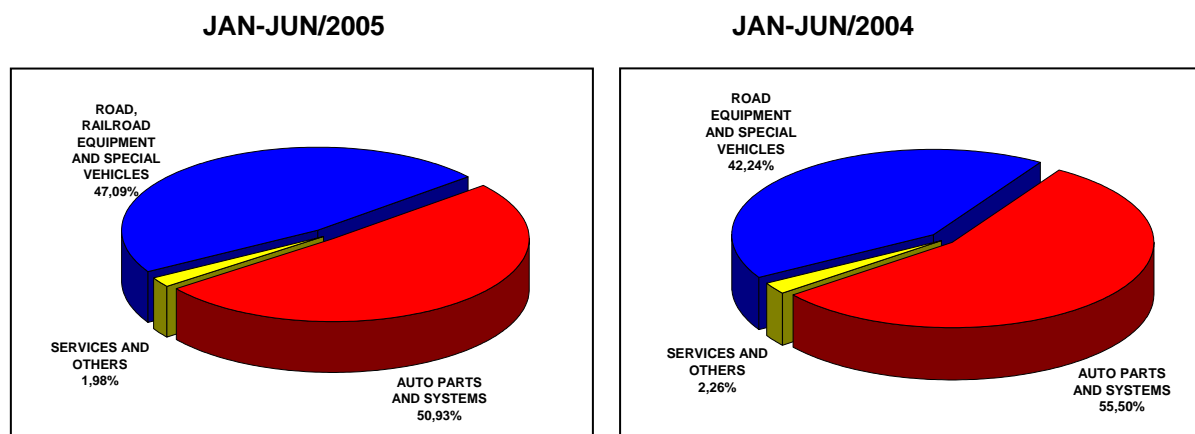
The first half of the year faced, on one side, the challenging scenario that resulted from the persistent valuation of the Real and from the negative effect of the long draught in southern Brazil on the demand for grain semi-trailers. On the other side, however, there was a favorable atmosphere, with a strong demand for products connected to the transport of industrial loads, wood, sugar-alcohol, mining, and with the consistent growth of exports and strong demand for auto parts. Data from ANFAVEA, (National Association of Vehicle Manufacturers), made public in the press, indicate positive growth in the sale of commercial vehicles during the first period of the year, mainly trucks, resulting in the good demand for Randon products.

The road equipment and railroad wagons order-book remained stable, around 4 thousand units, or 3 months of production. In Randon Veículos purchase orders also reached the end of June with orders for 3 months production. Auto parts depend on customers` schedule on a weekly or monthly basis (usually OEM of vehicles/ equipment, and Distributors) and so they do not form an order-book.

In some of its industrial units, the Company carried out exchange rate hedge operations with the aim of preserving export margins and minimizing the effect of currency fluctuation on financial liabilities. In addition, sources of funds which, by their nature, allow for some arbitrage, were pooled together in order to finance working capital and fixed assets. These measures, along with investments at a slower pace than that initially planned, cooperated in the achievement of the positive net consolidated financial result of 4,6 million in the period.

The consolidated gross cash flow generation (EBITDA) amounted to R\$ 143,5 million in the first period of 2005. Based on the first EBITDA`s six months of the year, the consolidated net indebtedness on June 30, 2005 was R\$ 170,8 million, which is equivalent to 7 months.

## Revenue Breakdown per Segment



## Participation by Company in the Consolidated Net Revenue

COMPANIES	NET REVENUE	INTER-COMPANY SALES	NET CONSOLIDATED REVENUE	%
Randon S/A Implem. e Partic.(Control.)	427.453.033,33	25.042.536,21	402.410.497,12	41,1543
Master Sist. Autom.	140.159.042,11	26.851.891,13	113.307.150,98	11,5878
Randon Veículos Ltda	42.799.750,36	45.396,60	42.754.353,76	4,3725
Fras-Le (Consolid.)	189.744.964,00	13.379.858,00	176.365.106,00	18,0367
Jost do Brasil Ltda	64.830.874,77	20.626.008,04	44.204.866,73	4,5208
Suspensys Sist. Autom.	240.691.037,84	76.516.308,19	164.174.729,65	16,7900
Randon Consórcios	19.346.253,88	0,00	19.346.253,88	1,9785
Randon Argentina	15.596.036,48	349.026,53	15.247.009,95	1,5593
<b>TOTAL:</b>	<b>1.140.620.992,77</b>	<b>162.811.024,70</b>	<b>977.809.968,07</b>	<b>100,0000</b>

## Sales in Physical Units

There was a reduction in the orders for grain semi-trailers and a significant increase in orders for general cargo van semi-trailers and dump semi-trailers. This change in the product mix caused a reduction in the demand for Jost tractor-truck equipment, which is also used in the Interlink System, predominantly in grain semi-trailers.

SEGMENTS	2ND QUARTER 2005	2ND QUARTER /2004	Δ %	Jan-Jun/2005	Jan-Jun/2004	Δ %
Trailers / Semi-trailers	3.905	3.676	6,2	7.350	7.396	(0,6)
Special Vehicles	74	60	23,3	148	84	76,2
Off-road vehicles	36	31	16,1	77	42	83,3
Backhoe Loader	38	29	31,0	71	42	69,0
Brakes	135.275	102.236	32,3	262.074	207.917	26,0
Fras-le Friction Materials (Ton.)	13.960	13.283	5,1	27.440	24.783	10,7
Tractor-truck equipment	2.548	6.571	(61,2)	6.771	12.037	(43,7)
Landing Gear	6.031	7.527	(19,9)	12.947	14.450	(10,4)
Total of fifth-wheels	9.487	10.492	(9,6)	19.816	19.455	1,9
Hub/ Drum	50.482	37.749	33,7	90.985	71.732	26,8
Suspensions	13.968	11.738	19,0	26.058	22.584	11,5
Railroad wagons	28	30	(6,7)	162	31	422,6

## Comparative Performance

Consolidated Indicators	2 nd.Q-2005	2 nd.Q-2004	Var. %	Jan-Jun/2005	Jan-Jun/2004	Var. %
Total Gross Revenue - without eliminations (R\$ 1.000)	751.426	561.972	33,7	1.458.900	1.054.596	38,3
Total Net Consolidated Revenue (R\$ 1.000)	510.465	401.433	27,2	977.810	753.429	29,8
Consolidated Net Profit (R\$ 1.000)	35.205	36.083	(2,4)	68.176	60.508	12,7
Operating Profit - EBIT - ( R\$ 1.000)	52.824	70.366	(24,9)	123.933	133.489	(7,2)
EBITDA (R\$ 1.000)	62.931	78.737	(20,1)	143.546	150.026	(4,3)
Net Financial Indebtedness (R\$ 1.000)	-	-	-	170.844	90.850	88,1
Net Financial Result (Financ. Earnings-Financ. Exp.) - R\$ 1.000	7.793	(2.533)	407,7	4.580	(7.353)	162,3
Adm/Commercial Expenses (R\$ 1.000)	(67.779)	(61.740)	9,8	(123.826)	(110.227)	12,3

## Investments

As mentioned in the 2004 Annual Report, the Company developed a 5-year Investment Plan for the period 2005/2009. The plan shall include investments related to maintenance, modernization, expansion, new businesses and working capital. Some projects are ready for implementation, while others still do not have definite technical and financial details. In 2005, priority is being given to the expansion of the production capacity practically in all companies of the group, since their utilization rate is very close to limit, and there are expectations for continued growth in demand. Initially, the estimate was to spend about R\$ 150,0 million in fixed investments in 2005. Until June, R\$ 56,9 million have been invested and there is the possibility that the initial estimates may not be completed within 2005.

Sources of funds will be focused on cash generation, "Project Finance" lines, resources from partners and search for new fiscal incentives related to modernization and expansion processes that may be eventually available. Both the projects and the provision of sources will be made public as they are effectively implemented.

## Exports

In the second quarter of 2005, exports had an important role in the consolidated sales. Their good performance still continues and the volume of business generated by them has helped the companies recover losses related to the exchange rate. The consolidated exports in the 2nd quarter of 2005 were US\$ 43,5 million, accruing to US\$ 77,6 million in the first six months of the year, representing an increase of 50,4% compared to the first six months of 2004.

### Exports per Company – US\$ 1.000

COMPANIES	2 ND.Q-2005	2 ND.Q-2004	Δ %	Jan-Jun/2005	Jan-Jun/2004	Δ %
Randon S/A Impl. e Partic.	15.966	8.943	78,5	26.663	13.394	99,1
Master	7.122	3.348	112,7	12.721	5.634	125,8
Randon Veículos	1.086	650	67,1	1.746	833	109,6
Jost	406	391	3,8	775	667	16,2
Fras-le	17.182	15.188	13,1	32.321	27.408	17,9
Suspensys	1.751	2.007	(12,8)	3.388	3.661	(7,5)
TOTAL:	43.513	30.527	42,5	77.614	51.597	50,4

## Tax-Related Aspects

The Government of the State of Rio Grande do Sul has made some changes in the legislation concerning ICMS (Value-Added Tax on Sales and Services), with the curtailment in ICMS credit transferences on exports and in the presumed credit limited to the ICMS debit balance. As a result and as pursuant legislation, Randon companies have filed with the Government of the State applications for "Agreement Terms", requiring appropriation above the percentages established by law. The companies are waiting for the Government's decision in this concern, whose results still cannot be measured at this point.

## Environment

In the second quarter of 2005, Randon S.A. Implementos e Participações finished the expansion of its Effluent Treatment Station at the Interlagos Complex, which will start

to be fully operational by the end of 2005, with capacity to treat 30 m<sup>3</sup> / hour of industrial and waste effluents, on average. This project should make possible the re-utilization of 50% to 60% of the treated volume in toilets, painting booths and wet filtering systems. The measure is part of the company's environmental responsibility program, showing its true zeal for nature.

## **Corporate Governance**

### Performance of Shares

The preferred shares of Randon S.A. Implementos e Participações ended the first six months of the year with a 26% devaluation compared to December 2004, ending the month of June/2005 at R\$ 5,50 per share. In addition to a slump in the stock market in general, the company underwent a quiet period as a result of a market operation filed with the Securities Commission on March 4, 2005, that has been now canceled.

In the period Jan-Jun/2005, 6,912 trades accounted for 16,5 million shares of the Company traded at BOVESPA - Bolsa de Valores de São Paulo (São Paulo Stock Exchange).

### Relevant Fact

On June 3, 2005, the Company sent to the Securities Commission and Bovespa (São Paulo Stock Exchange) the following relevant fact:

Randon S/A Implementos e Participações ("Company"), pursuant Directive no. 358/02, of the Securities Commission, informs its shareholders and the market in general the following:

Dramd Participações e Administração Ltda., the controlling shareholder of the Company, in conjunction with other shareholders of the Company ("Selling Shareholders") has decided to cancel its Public Offering operation for the Secondary Distribution of the Company's Preferred Shares, which was being put in place by the Selling Shareholders in the terms of the relevant facts published on February 4, and March 7, 2005, due to the current market conditions, which are not favorable to the launch of such an operation.

### Dividends and Interest on Ownership's Capital

On May 18, 2005, the Company credited dividends in the value of R\$ 21.919.364,62, relative to the fiscal period ended on December 31, 2004, according to decision made by the Ordinary General Meeting held on April 29, 2005. The dividends corresponded to the value of R\$ 0,14562075 per common and preferred shares and were paid to the holders of these shares on the date of the referred Ordinary General Meeting.

The minutes of the Board of Directors' meeting held on June 30, 2005 approved the payment of interest on ownership's capital relative to the period of January-June 2005. The credited amount was R\$ 12.118.657,85 or R\$ 0,08051 per common or preferred share. The credit operation was made on July 22, 2005 to all shareholders with common and preferred shares on the date of the meeting. Such a value may be allocated to the dividends concerning the fiscal period to be ended on December 31, 2005, according to decision to be made by shareholders in the next Ordinary General Meeting.

## **Awards and Distinctions**

- Export Award ADVB-RS 2005 – 33th Edition, granted to Randon Companies for their performance in their consolidated exports in 2004;

- Randon and its affiliate company Fras-le are among the 100 Best Companies to Work For in Latin America 2005. It is the first time that Fras-le is included in the ranking, while Randon was ranked for the second time. The assessment was carried out by the Great Place to Work Institute, which has analyzed 100 companies in all Latin America, including countries such as Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay.

- Randon S/A Implementos e Participações has received a prize during the fifth event of “ Destaqués Companhias Abertas” (Open Companies Distinctions), promoted by “Agência Estado” for its good performance in 2004;

- Quality Award RS 2005 – conferred by the “Programa Gaúcho de Qualidade e Produtividade (PGQP)” for 4 out of the 7 Randon Companies. The main prize – Diamond Category – was awarded to Fras-le, which appears for the fifth time in the PGQP ranking. For the second time, Jost Brazil has received the award in the Gold category, along with Randon Consórcio, which was awarded for the first time in this category. In addition, Suspensys has received the prize in the Bronze category.

- Prize “The Largest and the Best of Exame Magazine – where Master - Sistemas Automotivos Ltda leads the ranking in the automotive sector. Fras-le S/A. ranks forth in the same sector and Radon S.A. Implementos e Participações ranks seventh among the largest southern companies.

Caxias do Sul, August, 2005.

The Management

### **Board of Directors**

Raul Anselmo Randon – Chairman  
David Abramo Randon - Vice-Chairman  
João Luiz de Moraes – Board Member  
Ricardo Alves da Conceição – Board Member  
Ery José Bernardes – Board Member

### **Audit Board**

Wellington Geraldo Silva  
Luiz Fernando Júlio  
Benilda Waschow  
Zulmar Neves  
Werner Bornholdt

### **Executive Board**

Raul Anselmo Randon – President  
Alexandre Randon – Vice-President Director  
Astor Milton Schmitt - Director  
Erino Tonon – Director

### **Director of Investor Relations**

Astor Milton Schmitt

Financial Corporate Manager and Investor Relations  
Geraldo Santa Catharina

Controller and Audit Corporate Manager  
Ademar Salvador

Ieda Maria Onzi Perosa – Accountant : CRC/RS 49886/O-3