



## **RANDON S.A. IMPLEMENTOS E PARTICIPAÇÕES INTERIM MANAGEMENT REPORT 3rd Quarter / 2005**

### **Dear Shareholders:**

We present below information on the activities of the Company and its affiliates, as well as the summarized accounting statements for the quarter ended on September 30, 2005.

### **Initial Highlights**

Much of the market attention has been on the issue of exchange rates in the last months. The topic has taken on growing importance for Randon Companies as their consolidated exports rose from US\$ 75 million in 2003 to 119 million in 2004, and are expected to be around US\$ 160 million in 2005 (By September, they have reached US\$ 125 million).

This performance is the result of an export project that Randon Companies launched in the 1980`s and that is still in progress. The international partnerships with strategic partners (ArvinMeritor, Jost), the manufacturing units (Argentina), the opening of branches (Dubai – Arab Emirates), the appointment of representatives and distributors, the setup of commercial offices (Chile, Germany, Mexico, United States), the creation of distribution centers (Argentina, United States) and the partnerships established for the assembly of products in CKD (Africa, Middle East, South and Central Americas, and the Caribbean region), show Randon`s general strategy to go global. The Companies` approach proved to be so efficient that markets where Randon has not traditionally been present such as NAFTA and Europe already account for more than half of the consolidated exports. Despite the significant growth achieved in the last three years, the market share gained in the world trade segments is still small in relative terms against the excellent opportunities our level of competitiveness opens up to us.

Based on these premises, the Management emphasizes to its executives and investors in general that the companies` goal towards the improvement of foreign sales remains unchanged even with the current appreciation of the Real.

The annual budget for 2006 is being drawn up upon a conservative basis as far as the devaluation of the Real is concerned. Therefore, the Companies` challenge will be to make up for this variable in 2006 through a management policy more focused on aspects determining export profit margins. The set of actions proposed includes the improvement of imports, re-negotiation of the product prices, adoption of hedging mechanisms and firm and effective management of raw-materials and expenses costs.

On the other hand, the domestic market will continue to have a leading role in the level of earnings due to factors that have a positive effect on demand, such as the age of the fleets and the excellent performance of important segments, namely, forest, wood and pulp, mining, sugar-cane, railway, enclosed loads, etc. In addition, the increased production level of buses and trucks has boosted the demand for auto parts and systems.

## **Overall Performance**

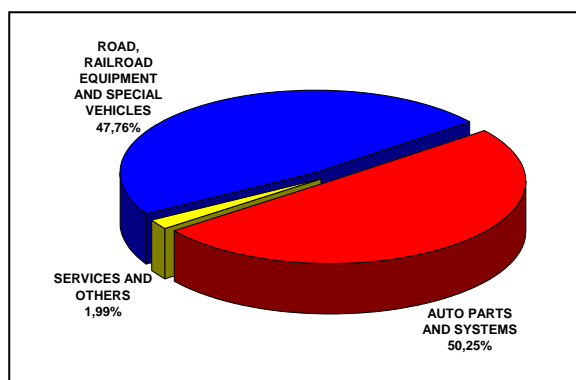
The net consolidated revenue during the quarter accounted for R\$ 484,4 million, reaching R\$ 1,46 billion in the period, a difference of 22,7% over the amount of the same period in 2004 (R\$ 1,19 billion). The total gross revenue before consolidation and with taxes reached R\$ 2,2 billion in the accrued period Jan-Sept/2005, or 27,2% more than the equivalent period in 2004. In the 3rd quarter, the amount reached R\$ 708,8 million, a 9.8% increase. The accrued consolidated net result in the period reached R\$ 89,9 million, representing a decline of 2,2% over September/2004 (R\$ 91,9 million). The consolidated gross mark-up margin during Jan-Sept/2005 was 26.0% against 33.0% in the same period of 2004, contributing to a drop in the gross cash flow generation measured by EBITDA during these nine months, reaching R\$ 202,5 million or 13,8% over the consolidated net revenue (19,4% in the accrued amount in September/2004). The exchange rate had a crucial role in this matter. Another factor that contributed to the reduction in the gross margin was a product mix change in the road equipment segment. There was an increased demand for products with more added value, resulting in increased earnings. The side effects were an increased level of stocks and a decreased financial net result, in addition to a lower economy of scale. A more flexible commercial policy was adopted in this market area with a view to regaining market share. The strategy was successful and in nine months the companies regained 3% of their market share. On the other hand, there was a reduction in the margins. Lastly, the high increases in the prices of steel and iron experienced until the beginning of this business period – a situation that began to gradually reverse in the last quarter – still had negative effects on the remaining stocks and on the margins. At the same time, the net financial indebtedness which in June/2005 was R\$ 170,8 million was reduced to R\$ 162,6 million in September/ 2005.

Randon launched in this third quarter its new model of interlink semi-trailer, the “Brasilis”. After five years of study and an investment of US\$ 2 million, the model replaced the former product line in this segment. The main advantages feature higher mechanical and abrasive resistance, longer life, lower weight and total sealing of the cargo box, significantly reducing the loss of grain. In the railway sector, the company delivered 266 wagons in the period Jan-Sept/2005, a result of deals made in 2004 and during the first period of 2005. At the end of September, Randon concluded the negotiation for 400 other hopper type wagons with the company MRC (Mitsui Rental Company) for the transport of grain for Bunge Alimentos S.A. The delivery of the final batch is foreseen to take place in March 2006. This segment is growing and Randon is prepared to produce 6 wagons a day. The major difficulty rests on financing, which has demanded a complex structure that, in some cases, has been responsible for delays in production.

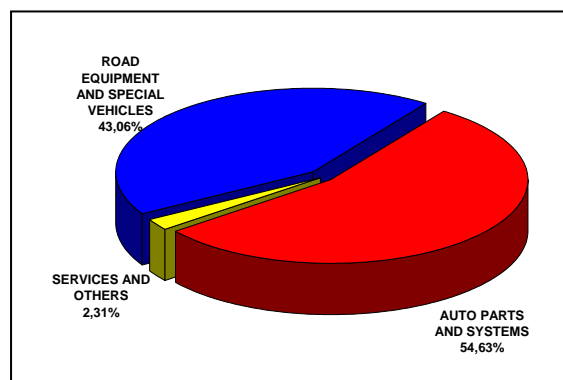
## **Earnings Breakdown per Segment**

The demand for products with more added value and a jump of 82.9% in the accrued exports during the period have resulted in the improvement of sales in the segment of road equipment in the composition of the consolidated revenues.

**JAN-SEPT/2005**



**JAN-SEPT/2004**



**Company`s share in the Consolidated Net Revenue**

COMPANIES	NET REVENUE	INTER-COMPANY SALES	NET CONSOLIDATED REVENUE	%
Randon S/A Implem. e Partic.(Control.)	656.398.640,83	42.789.924,43	613.608.716,40	41,9642
Master Sist. Autom.	203.488.327,56	39.445.992,32	164.042.335,24	11,2187
Randon Veículos Ltda	62.720.009,35	61.432,42	62.658.576,93	4,2852
Fras-Le (Consolid.)	283.907.937,00	18.611.364,27	265.296.572,73	18,1434
Jost do Brasil Ltda	95.349.975,18	29.413.006,37	65.936.968,81	4,5094
Suspensys Sist. Autom.	350.746.276,27	111.270.479,31	239.475.796,96	16,3776
Randon Consórcios	29.045.929,20	0,00	29.045.929,20	1,9864
Randon Argentina	22.620.401,94	467.008,78	22.153.393,16	1,5151
<b>TOTAL:</b>	<b>1.704.277.497,33</b>	<b>242.059.207,90</b>	<b>1.462.218.289,43</b>	<b>100,0000</b>

**Sales in Physical Units (UN.)**

Whereas the physical units volume of road equipment has had a decreased participation in the mix, the volume of suspension components has kept up with the growth in the production of trucks and buses. The area of specialty vehicles is undergoing a very positive moment and has also had a substantial growth level during the period.

SEGMENTS	3rd Quarter/2005	3rd Quarter/2004	Δ %	Jan-Sept/2005	Jan-Sept/2004	Δ %
Road Equipment	3.790	4.109	(7,8)	11.140	11.505	(3,2)
Specialty vehicles						
Off-road trucks	29	32	(9,4)	106	74	43,2
Backhoe Loaders	46	29	58,6	117	71	64,8
Brakes	117.085	124.364	(5,9)	379.159	332.281	14,1
Fras-le Friction materials (Ton.)	12.305	12.769	(3,6)	39.745	37.552	5,8
Tractor truck equipment	3.776	6.841	(44,8)	10.547	18.878	(44,1)
Landing gears	5.575	8.329	(33,1)	18.522	22.779	(18,7)
Total Fifth-wheels	9.074	10.415	(12,9)	28.890	29.870	(3,3)
Hubs/ drums	44.342	38.751	14,4	135.327	110.483	22,5
Suspensions	11.264	13.993	(19,5)	37.322	36.577	2,04
Railway wagons	104	0	-	266	31	758,1

## Comparative Performance

The performance until September shows that despite difficulties in the area of exchange rates and costs of materials, earnings have grown significantly in line with the target set for a 20% growth during this business period.

Consolidated Indicators	3rd Quarter/2005	3rd Quarter/2004	Var. %	Jan-Sept/2005	Jan-Sept/2004	Var. %
Total Gross Revenue - without eliminations (R\$ 1.000)	708.798	645.562	9,8	2.167.698	1.704.496	27,2
Total Net Consolidated Revenue (R\$ 1.000)	484.408	439.854	10,1	1.462.218	1.191.919	22,7
Consolidated Net Profit (R\$ 1.000)	21.678	31.371	(30,9)	89.854	91.879	(2,2)
Operating Profit - EBIT - (R\$ 1.000)	48.290	72.899	(33,8)	172.223	206.388	(16,6)
EBITDA (R\$ 1.000)	58.920	81.200	(27,4)	202.466	231.226	(12,4)
Net Financial Indebtedness (R\$ 1.000)	-	-	-	162.636	100.548	61,7
Net Financial Result (Financ. Earnings-Financ. Exp.) - R\$ 1.000	(4.897)	(3.440)	(42,4)	(317)	(10.794)	97,1
Adm/Commercial Expenses (R\$ 1.000)	70.745	62.981	12,3	(194.571)	(173.208)	12,3

## Exports

The consolidated exports had a 44% increase in the period Jan/ Sept 2005.

### Exports per Company – US\$ 1.000

COMPANIES	Jan-Sept/2005	Jan-Sept/2004	Δ %
Randon S/A Impl. e Partic.	49.476	27.055	82,9
Master	18.045	8.382	115,3
Randon Veículos	3.054	3.206	(4,7)
Jost	1.215	1.006	20,8
Fras-le	48.581	42.313	14,8
Suspensys	5.219	5.172	0,9
TOTAL:	125.590	87.134	44,1

## Investments

The company expects to invest R\$ 120 million by the end of 2005. Of this total, R\$ 80,5 million has already been distributed per company, as follows:

MONTH / COMPANY	TOTAL
RANDON S/A IMPL. E PARTIC.	30.627.722
MASTER	16.414.300
CONSÓRCIO	300.039
SUSPENSY	10.935.221
RANDON VEÍCULOS	387.149
JOST	1.405.127
FRAS-LE	20.296.755
RANDON ARGENTINA	94.722
TOTAL	80.461.035

## Corporate Governance

### Performance of Shares

The preferred shares of Randon Participações S.A. underwent a 13.0% devaluation in the period Jan/ Sept 2005. Taking the quarter into account, the shares had an appreciation of 18.1%. Despite the slump in the accrued amount of the nine-month period, there was an improvement in the liquidity of bonds and the Company had an average daily trade volume of R\$ 981.164,51, representing an 81% increase in relation to the same period of 2004. The quotation at BOVESPA (São Paulo Stock Exchange) on September 30, 2005, was R\$ 6,50 per share for an equity value of R\$ 2,21 in 10.164 trades.

### Investor Relations

In this third quarter, the Company held meetings with APIMEC members (Brazilian Association of the Analysts and Investment Professionals of the Stock Market), as well as Road Shows abroad, with the presence of people from the financial area, stock market, shareholders, prospective investors and the Press. Below are some of these events:

- Meetings with analysts and investors in September at the APIMEC's premises in São Paulo, Rio de Janeiro and Porto Alegre. Many people from financial institutions, stock market, analysts, and investors participated in the meetings;
- *Non-Deal Road Show* in the United States (New York, Boston and Washington) in August;
- *Non-Deal Road Show* in Europe (London, Edinburgh, Amsterdam and Paris) in September.

### **Main Awards**

- Randon S.A. Implementos e Participações is among the 10 Best Companies to Work for – in 2005, in Brazil, with Randon ranking 4th. The award was given by the Magazine Exame. The affiliates Fras-le and Master were ranked among the 150 Best Companies to Work For in 2005;
- Fras-le, national leader and one of the five largest manufacturers of friction materials worldwide, was chosen as the best company in the sector Vehicles and Parts – 2005, at the *Anuário Valor 1000*, a publication of the newspaper *Valor Econômico*;
- Randon S.A., has been awarded the prize *Preference in Transport* for the ninth consecutive time. The event is promoted by the *Sindicato das Empresas de Transportes de Carga no Estado do RS (Setcergs)*.

Caxias do Sul, November 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 Director  
Alexandre Randon – Vice-President Director  
Astor Milton Schmitt - Director  
Erino Tonon – Director

**Investor Relations Director**

Astor Milton Schmitt

Financial Corporate Manager and Investor Relations Manager  
Geraldo Santa Catharina

Corporate Administrative Manager  
Maria Tereza Casagrande

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