



## **RANDON S.A. IMPLEMENTOS E PARTICIPAÇÕES INTERIM MANAGEMENT REPORT 2 ND QUARTER /2006**

### **Dear Shareholders:**

Below we provide information on the activities of the Company and its affiliates, as well as the summarized accounting statements for the quarter ended June 30, 2006.

### **Initial Highlights**

The performance of the company and its affiliates was positive in the first six months of the year, mainly if we take into account recurrent difficulties in the exchange rate and agricultural areas. Data from June published by ANFAVEA (National Association of Vehicle Manufacturers) (ANFAVEA's Letter no. 242, dated July 2006) indicated a 9.4% drop in the production of heavy trucks, whereas the production of buses grew by 8.1% compared to last year's first period. Likewise, the production of road equipment, trailers and semi-trailers decreased 11.5%, from 18,523 units to 16,392 units when compared to last year's same period.

In this scenario, the Company reported a 5.4% increase in its consolidated net turnover in the same period. Randon S.A. Implementos e Participações grew by 17.7% on account of the strong demand for products related to the industrial and service sectors, such as semi-trailers dump equipment, vans, sidlers, equipment for timber transport, sugarcane transport, coils transport, reefers, tankers, silos and others, in addition to the good performance in the railway sector. An important role was also played by the growth of 47,6% in exports of road equipment. The segment of auto parts for OE declined proportionally to the decline in the demand for trucks. Master, Suspensys and Jost achieved lower net sales in the first half of 2006 compared to the same period in 2005. Fras-le's good performance in exports (12,8% growth rate) in the replacement market resulted in a total growth level of 2.1% in the consolidated net income. Randon Veículos's orders slumped, ending the period with net sales 29,6% lower than those achieved in the first period of 2005.

Much greater responsiveness came from the consolidated exports, which reached US\$ 100,6 million, an increase of 29,6% compared to the same period last year. The Company and its affiliates have effectively been able to address the exchange rate issue by adopting measures designed to reduce costs, increase imports of materials and components, expand markets, review prices and ensure hedge financial mechanisms.

In this scenario, Randon S.A. Implementos e Participações generated a consolidated net profit of R\$ 61,3 million in the first six months of 2006, 10,1% down from the first period of 2005, but 21,8% higher than that made in the second period of 2005.

Some opportunities are opening up for the rest of the fiscal period, which may likely cause an additional demand for our products. A new financing program from BNDES (National Bank for Economic and Social Development), projections of an accelerated industrial GDP, a reduced TJLP (Long Term Interest Rate), reduced interest rates and increased exports in the automotive sector are some of these factors.

In mid June 2006, the *Procaminhoeiro Program* (Pro-Truck Driver) was launched by BNDE (National Bank for Economic and Social Development) with a view to financing transportation vehicles such as self-carrying vehicles (simple trucks and tractors), towed

equipment (semi-trailers and trailers) and others. The Program includes the modes FINAME and FINAME Leasing, which are operated with BNDES's resources added of TJLP costs, spread and insurance. The product being financed serves as collateral for the operation. Amortization can be in up to 84 months. This shall contribute to easier credit access to our customers. The company is already negotiating with a few authorized banks to stimulate the utilization of this instrument.

### Performance in the Period

Randon S.A. Implementos e Participações posted a second-quarter consolidated net profit of R\$ 36,9 million, or R\$ 61,3 million during the first six months of the year, which is 10.1% down from Jan-Jun 2005. The consolidated net earnings reached R\$ 1,03 billion, 5.4% up from that of the same period last year. The total gross earnings before consolidation totaled R\$ 1,45 billion, 0.8% down from that of the same period in 2005.

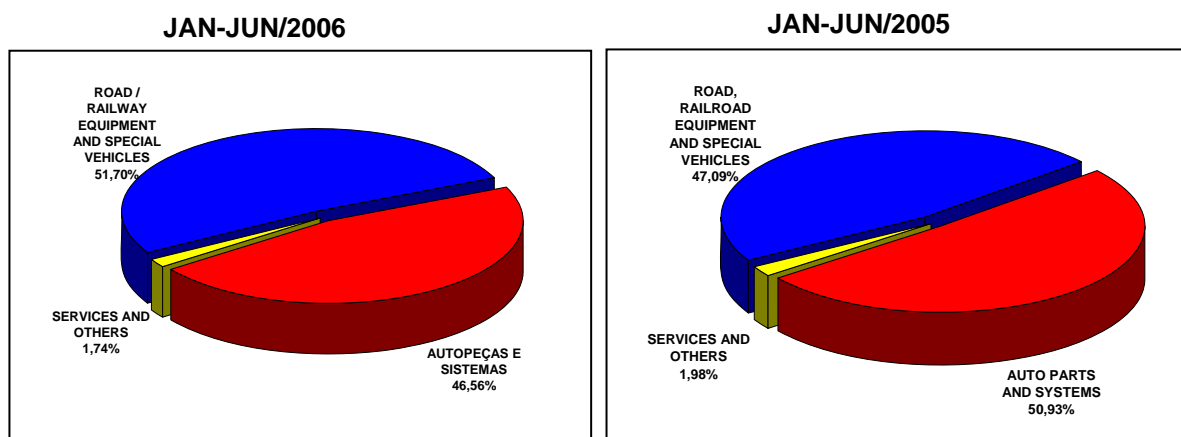
The consolidated gross cash flow (EBITDA) in the first period of 2006 amounted to R\$ 149,9 million, representing a 14.5% margin over the consolidated net earnings of the period. In the first half of 2005, the EBITDA margin represented 14,7% over the consolidated net earnings. The consolidated net indebtedness level was R\$ 62,9 million on June 30, 2006, or 3 months of annualized EBITDA.

### Net Revenue by Company – R\$ thousand

COMPANIES	Jan-Jun/2006	Jan-Jun/2005	Δ %	2 ND QUARTER 2006	2 ND QUARTER 2005	Δ %
Randon S/A Impl. e Partic. (Controlling Company)	503.320	427.453	17,7	258.548	224.517	15,2
Randon Middle East	118	0	-	57	0	-
Master Sist. Autom.	129.130	140.159	(7,9)	69.537	73.053	(4,8)
R. Veículos	30.135	42.800	(29,6)	16.327	21.895	(25,4)
Consórcio	17.975	19.346	(7,1)	8.882	9.388	(5,4)
Suspensys	207.300	240.691	(13,9)	106.535	126.794	(16,0)
Jost	53.411	64.831	(17,6)	26.947	31.621	(14,8)
Fras-Le (Consolidated)	193.685	189.745	2,1	101.528	96.104	5,6
Randon Argentina	15.999	15.596	2,6	6.389	7.246	(11,8)
<b>TOTAL:</b>	<b>1.151.073</b>	<b>1.140.621</b>	<b>0,9</b>	<b>594.750</b>	<b>590.618</b>	<b>0,7</b>

### Consolidated Net Earnings Breakdown per Segment

The positive performance of road equipment in the industrial, service, and export markets increased the companies' market share in the segments of road equipment, railroad equipment and specialty vehicles over the total sales, as follows:



## Company's Share in the Consolidated Net Sales – R\$ Thousand

COMPANIES	NET REVENUE	INTER-COMPANY SALES	NET CONSOLIDATED REVENUE	%
Randon S.A. Implem. e Partic.(Controlling Company)	503.320	16.546	486.774	47,2
Master Sist. Autom. Ltda	129.130	19.667	109.463	10,6
Randon Veículos Ltda	30.135	12	30.123	2,9
Fras-Le S.A. (Consolidated)	193.685	7.129	186.556	18,1
Jost do Brasil Ltda	53.411	15.596	37.815	3,7
Suspensys Sist. Autom. Ltda	207.300	61.303	145.997	14,2
Randon Adm. de Consórcios Ltda	17.975	0	17.975	1,7
Randon Argentina S.A.	15.999	0	15.999	1,6
Randon Middle East	118	118	0	0,0
<b>TOTAL:</b>	<b>1.151.073</b>	<b>120.371</b>	<b>1.030.702</b>	<b>100,0</b>

### Total Unit Sales (Un.)

In addition to normal variations that occurred in the product mix, price adjustments were also made during the period. So, although the physical volume of road equipment sold in the period was 1.1% lower, the net sales of Randon S.A. Implementos e Participações increased by 17,7% during the first half of 2006 compared to the same period last year.

SEGMENTS	2nd Quarter 2006	2nd Quarter 2005	Δ %	Jan-Jun/2006	Jan-Jun/2005	Δ %
Road Equipment (trailers and semi-trailers)	3.709	3.905	(5,0)	7272	7.350	(1,1)
Specialty Vehicles	63	74	(14,9)	118	148	(20,3)
Off-road trucks	15	36	(58,3)	24	77	(68,8)
Backhoe Loaders	48	38	26,3	94	71	32,4
Brakes	116.521	135.275	(13,9)	221.663	262.074	(15,4)
Fras-le's Friction materials (Ton.)	14.091	13.960	0,9	26.061	27.440	(5,0)
Landing Gears	5.793	6.031	(3,9)	11.519	12.947	(11,0)
Total of fifth-wheels	8.930	9.487	(5,9)	16.959	19.816	(14,4)
Hubs/Drums	40.043	50.482	(20,7)	79.528	90.985	(12,6)
Suspensions	11.316	13.968	(19,0)	22.277	26.058	(14,5)
Railway Wagons	268	28	857,1	581	162	258,6

### Comparative Performance

The growth of 5.4% in net revenues was primarily due to the good performance in the segment of road equipment and exports:

Consolidated (In thousands of Reais)	2nd Q/2006	2nd Q/2005	Var. %	Jan-Jun/2006	Jan-Jun/2005	Var. %
Total Gross Revenue - without eliminations	742.837	751.426	(1,1)	1.446.903	1.458.900	(0,8)
Total Consolidated Net Revenue	531.886	510.465	4,2	1.030.702	977.810	5,4
Consolidated Net Profit	36.863	35.205	4,7	61.291	68.176	(10,1)
Own Operating Profit -EBIT	68.461	52.824	29,6	128.576	123.933	3,7
EBITDA	79.196	62.931	25,8	149.856	143.546	4,4
Net Financial Indebtedness	-	-	-	62.935	170.844	(63,2)
Net Financial Result (Financial Earnings - Financial Expenses)	(2.086)	7.793	-	(4.119)	4.580	-
Adm./Commercial Expenses	(71.748)	(67.779)	5,9	(132.691)	(123.826)	7,2

## Investments

The Company's consolidated investments in the period Jan-Jun 2006 were R\$ 64,5 million, mostly concentrated on the expansion of premises, construction of buildings, purchase of machines and equipment and improvements in production processes. Such investments are broken down by company, as follows:

COMPANY	TOTAL
RANDON S/A IMPL. E PARTIC.	32.010.259
MASTER	6.769.959
CONSÓRCIO	955.318
SUSPENSYS	8.323.285
RANDON VEÍCULOS	242.747
JOST	402.201
FRAS-LE	15.761.847
RANDON ARGENTINA	20.561
RANDON MIDDLE EAST	52.040
TOTAL	64.538.217

## Exports

Continuing its positive trend, exports grew 29,6% in these six months, compared to the same period in 2005, totaling US\$ 100,6 million (US\$ 77,6 million from Jan-Jun 2005). The best performance was shown by the road equipment segment, which grew 47.6% in the same period.

### Exports by Company – US\$ 1.000

COMPANIES	Jan-Jun/2006	Jan-Jun/2005	Δ %
Randon S/A Impl. e Partic.	39.366	26.663	47,6
Master	16.402	12.721	28,9
Randon Veículos	1.360	1.746	(22,1)
Jost	1.465	775	89,0
Fras-le	36.469	32.321	12,8
Suspensys	5.493	3.388	62,1
TOTAL:	100.555	77.614	29,6

## Social Responsibility

In June this year, the premises of the SENAI / RANDON Professional Educational Center were officially opened in an area of 750 m<sup>2</sup>. The Center is equipped with modern machines and has a teaching staff highly qualified to provide minors with professional education.

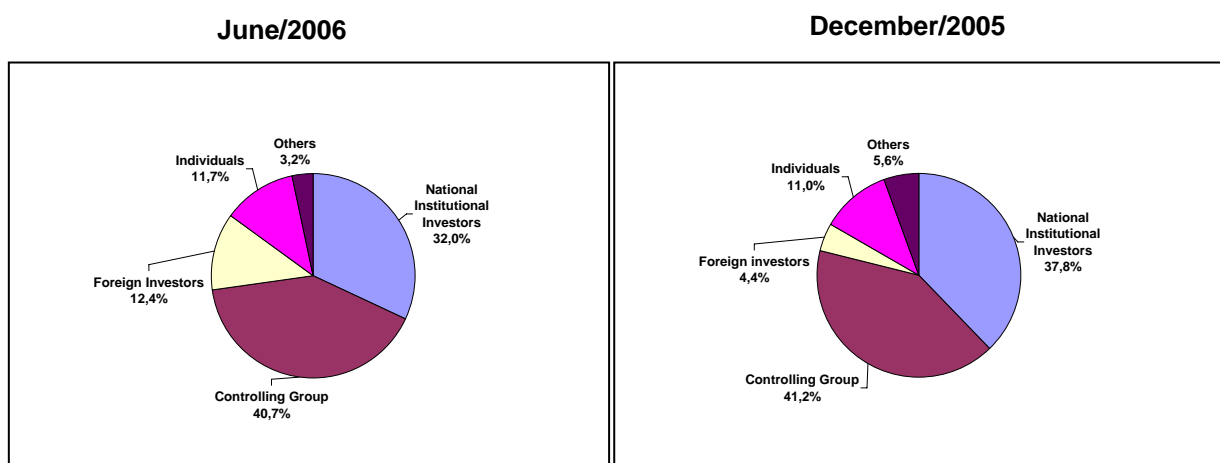
Back in November 2004, a Cooperation Agreement was signed between Randon Companies and the Fiergs/Ciergs System, through SESI and SENAI (Social Service for Industry and National Service for Commercial Training, respectively) for the implementation of the Qualifying Program and of the SENAI/ Randon Professional Education Center. The *Florescer* Program is part of the Agreement and has the aim of providing professional training to young people, thus raising the labor qualification level in the northeast part of the State of Rio Grande do Sul.

## Corporate Governance

### Performance of Shares

The preferred shares of Randon S.A. Implementos e Participações devalued 6,9% in the period Jan-Jun 2006, ending the month at R\$ 7,12 per share. In this same period, 16,176 trades involved 50,2 million of preferred shares of the Company at Bovespa – São Paulo Stock Exchange (spot market). The daily average volume of trades was R\$ 3,4 million against R\$ 921,5 thousand in the same period last year (Source: Bovespa).

During the first period of the year, the number of shareholders rose significantly. In December 2005, there were 2,443 shareholders compared to 5,434 shareholders at the end of the first six months of 2006. The Primary and Secondary Public Offering made during the period was partly responsible for this rise, which considerably changed the distribution of shareholders over the Company's total number of shares, as follows:



### Share Performance Overall Chart – Spot Market

Variables	Jan-Jun/2006	Jan-Jun/2005
Traded amount (Preferred.)	50.165.400	16.533.700
No. of Trades	16.176	6.912
Daily Average of Shares per Trade	407.849	134.420
Daily Average of Trades	132	56
Variance of Randon's Shares (%)	(6,9%)	(26,4%)
Variance of IBOVESPA (%)	9,4%	(4,3%)
Share Book Value (On June 30, 2006)	2,96	2,06
Stock Market Value (On June 30, 2006)	7,12	5,50
Company's Market Value - In millions of Reais (June 30, 2006).	1.157,2	827,9

## Industrial Sector Index (INDX)

Bovespa (São Paulo Stock Exchange) has created a new index called Industrial Sector Index (INDX), a new indicator in the Brazilian stock market. This new Index was effective July 3, 2006 and measures the performance of the most representative shares of the transformation industries listed at Bovespa. The Index is the result of a partnership signed with FIESP (Federation of Industries of the State of São Paulo). Randon S.A. Implementos e Participações is included in the Index under the category Transport Material.

## Dividends and Interest on Capital

On May 23, 2006, the Company paid dividends in the value of R\$ 12.828.157,03, relative to the fiscal period ended December 31, 2005, according to deliberation of the Ordinary General Meeting held on April 27, 2006. The dividends correspond to R\$ 0,08522354 per common and preferred share and are paid to the shareholders who held these shares on the date of said Ordinary General Assembly.

The minutes of the Board of Directors` Meeting held on June 9, 2006 contain the authorization to pay interest on capital relative to the period Jan-Jun 2006. The credited and paid value was R\$ 15.316.227,36 or R\$ 0,09424 per common and preferred share. The credit was made on July 26, 2006 to all shareholders holding common and preferred shares on the date of the meeting. Such value may be attributed to the dividends referring to the fiscal period ended December 31, 2006, as it may be decided by the shareholders in the next ordinary General Meeting.

## New Subsidiary Company

In a meeting held on May 24, 2006, the Board of Directors authorized the Executive Board to make all necessary arrangements to set up a subsidiary in the city of Johannesburg, South Africa, under the name Randon Automotive (Pty) Ltd. In addition to commercial activities, the main objective of this new subsidiary is to increase the operations of Randon Companies in that territory, within the globalization process of the Company.

## **Awards and Distinctions**

- Export Award ADVB-RS 2006 – 34th Edition, granted to Randon Companies for their performance in their consolidated exports in 2005;
- Randon and its affiliate company Fras-le are again among the 100 Best Companies to Work For in Latin America 2006. It is the second time Fras-le has been included in the ranking, while Randon has been included for the third time. The evaluation was carried out by the Great Place to Work Institute, which assessed 1183 companies from Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela.
- Sectoral Distinction Award, from Abrasca (Brazilian Association of Listed Companies). The award was granted to Randon Companies for the positive financial performance achieved by Randon Companies in 2005;
- Quality Award RS 2006 – granted by PGQP (Quality and Productivity Program of the State of Rio Grande do Sul) to 2 of the 7 Randon Companies. Suspensys Sistemas Automotivos Ltda. has received the award in the Silver category and Randon Veículos Ltda. in the Bronze category;
- Prize “The Best and the Largest Companies of Exame Magazine 2006” – where Randon S/A.- Implementos e Participações has received a prize in the “ Industry Regional Sector – South” category.

Caxias do Sul, July 2006.

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**

Benilda Waschow  
Jessé Souto Amaral  
Sérgio Ricardo Miranda Nazaré  
Zulmar Neves  
Werner Bornholdt

**Executive Board**

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

**Investor Relations Director**

Astor Milton Schmitt

Corporate Financial and Investor Relations Manager  
Geraldo Santa Catharina

Corporate Administrative Director  
Maria Tereza Casagrande

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