

**Operator:**

Good morning, ladies and gentlemen and thank you for waiting. At this time, we would like to welcome everyone to Randon's 3Q09 results conference call. Today with us we have: Mr. Astor Schmitt, Randon's Chief Financial and Investor Relations Officer and Mr. Geraldo Santa Catharina, Holding Division Finance Director.

We would like to inform you that this call and the slides are being broadcast in the Internet at the Company's IR website [www.randon.com.br/ir](http://www.randon.com.br/ir).

Also, this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After the Company's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press \*0 to reach the operator.

Before proceeding, let me mention that 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, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Randon and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over Mr. Astor Schmitt. Mr. Schmitt, you may begin your conference.

**Astor Schmitt:**

Thank you very much, and good morning ladies and gentlemen for following us in today's conference call that we would be talking about the 3Q earnings of 2009 and also this first 9M which ends on September 30<sup>th</sup> this year. I also have here with me our CFO, Mr. Geraldo Santa Catarina, Holding Division Finance Director, and as always, we will talk about the highlights of the period and we will try and give you a general view of the market, operating results, financial results, something about the capital market and also prospects and outlook.

So before talking about the highlights of the period, I would like to remind you that when we had a similar event in the 1Q of this year, at that particular time we were feeling the effects of this crisis and all the effects of the crisis which structured the world at large and affected all the companies.

So, when we were talking about the results in June, we had many negative comparisons when we compared this to the same period of the previous year, but we were already feeling that trends were changing slightly and slightly improving, and now we have to talk about the 3Q and the first 9M of the year and as you will see, we will follow with some negative comparisons and a few of these negative comparisons come because of the unfairness of the comparison of the periods, because on the 3Q08 we were coming to the end of a good and in a crisis, and now there is a recovery, however with an outlook for recovery consolidating more and more every day that passes. And we are convinced that the activities in the 4Q of the year which one month has already gone by will be very intense as a consequence of this progressive improvement.

I would like to invite you now to go on to slide four where we have the highlights of the period, and here you may see that the gross revenue was at R\$2.63 billion, a reduction of 24% when compared to the same period last year. The net revenue consolidated in the same period was R\$1.75 billion, also a reduction of 24.8% vis-à-vis the same period in 2008.

Exports which in the 9M totaled US\$117.5 million had a significant drop, 46.7%, compared to the same period of 2008. We will talk about that a little more. Also indicators of margins and earnings had a drop, the gross margin was 23.5% in the first 9M of the year, and the EBITDA margin about 12.2% in the first 9M of the year therefore below that which we think is acceptable regarding gross margin and EBITDA, reminding you that we have always said to the market that gross margin between 24% and 27% we considered to be acceptable and also an EBITDA margin between 14% and 17%.

So we are little bit below and certainly the recovery to the minimum level desired is one of the huge challenges that we have for the next months, and we hope that we manage to achieve this as soon as possible.

Net income in the period was R\$98.2 million, and if you take this as equalative margin is 5.3% of net margin over the consolidated net sales, perhaps this level of margin is one of the best indicators of performance of the Randon's companies, 6.6% of net margin is almost unheard of in this kind of industry, both inside and outside Brazil in this particular period.

Investments, R\$84.7 million in the first 9M09 and our average trading volume of the RAPT4 in the first 9M09 was 3.3 million, a volume is a great indicator of the good perception of liquidity, obviously we will progressively go into further details regarding each one of these indicators during this presentation.

On slide five we have a market overview, and I would say that after the global economy being very affected by this crisis, we in Brazil also felt some of the effects, we have noticed that over the last two months there have been signals of recovery, and more recently the Brazilian economy is showing more consistent signs of recovering activity, recovering confidence because of the greatest economic activity, and obviously this leads to more transport.

Production of trucks, 84,000 units in these 9M09, 34.2% less than the same period in 2008, and I would say that this is part of the overview that turned on with the scenario as expectations for the year in the primary sector. And if we take the agricultural harvest indicator, this was estimated between 139 million and 141 million tons, above that of the last year, between 2.9% to 4.8% higher.

And we must also say that as part of this process of progressively recovery of the activities and the growth in the economic activity, and also consequently because of the anti-cyclical steps taken by the Government, particularly in the fiscal area and the recovery of credit in very favorable conditions, the amount of new sales, of new contracts in September were significant, in fact record for the year, pointing to the fact that we will have a good 4Q and an intense activity in our operations.

Slide six, we would like to show you that we have the performance of our sales and here if we take the trailers and the semi-trainers and the performance of breaks and the

coupling equipments and suspension equipments, we will see that there has been a drop of about 30% on average in the period and this aligned with the reality of this industry, for the reasons which we have already mentioned.

And what we must emphasize, what has been an exception was the Randon's friction materials. Fras-le is in charge of this and some days ago they published their results for the first 9M of the year and you will see that for friction materials there was only a drop of 3.1%, so in fact relatively much better than in the area of transportation vehicles, or systems or part which pertain to that, and this is due because of the strength of the post-sale market where Fras-le is well positioned, is well prepared, with a well spread out network both in Brazil and in neighboring South American countries and particularly in North America.

So, in view of this very vast network, Fras-le had a very good performance in the spare parts area in this a very good position in the industry as a whole and it has been very good for the car manufactures and Fras-le has shown performance, figures, when compared to last year relatively better than other sectors and this is connected to the fact that if people cannot buy a new car, they have to maintain their old car and this is very good for Fras-le. So here then we have the operating performance.

On slide seven, you will see the sales breakdown by segment, and historically 50-50 between spare parts and the systems on one hand, and road and rail equipment to the specialty vehicles on the other side, we have a slight percentage variation, but in essence the Randon's business continues to be focus on these two basic areas, and lately, well they are the focus of our activities.

Still regarding operating performance, we will go on now to slide eight and show you the performance of our exports in the period, the first 9M of this year compared to the first 9M08 dropped 46% and in 2009 totaled US\$117.5 million, firstly this strong drop in the first 9M09 had to do with a very strong shrinkage of the market, particularly in the Mercosul, South America and the European community, since the African market with a smaller share than the previous markets is good, it is expanding in satisfactory rates.

The North American market, because of the good position of Fras-le showed stable behavior or performance in the period, but the shrinkage, economic shrinkage in Europe and in South and Central America brought about this considerable drop in exports. Currently we are experiencing a significant improvement in South America and Mercosul, however we must remember or realize that this is still very slow in the European community.

Regarding the financial performance, let us go now to slide nine, and here we have the total gross revenue which in this period was R\$253 million, 24.6% regarding the first 9M08. But this must be seen with great clarity, within the general expectations for the period, from the point of view of the Company we did not expect anything better and if you look at our guidance for the year, you will conclude in the same way.

The consolidated net revenue, which can be seen on the slide 10, shows a performance comparable to the period, R\$1.752 billion in the first 9M09 and looking back, for a longer period, in the last five years we will see that it has been growing in an average rate of 16.9% which I would say is very significant, taking into account the longer period.

On slide 11, we would like to show you the performance of the growth margin, 23.6% in the first 9M of the year, just below that of the same period of 2008 and also below that of what I have said at the beginning of our presentation today considered probable for gross margin, we say between 24% and 27%, this is the acceptable interval and it goes without sense that was the intense activity forecasted for the 4Q of this year, we would at least be able to reach the minimum levels, historic levels which are desired an acceptable for this indicator.

On page 12, we have our EBITDA which more or less follows the same trend of the gross margin, we closed the first 9M with 12.2% and a generation of R\$213 million of EBITDA. And also here we are slightly below the desirable endeavor which is 14% to 17%, but I will repeat that here also with the intensive activity of the 4Q, we at least have the expectation of a considerable and progressive improvement. We will see if this will happen or not.

Taking the absolute numbers from the last five years, EBITDA in absolute terms have been growing at 13.9% a year, in other words, very consistent with the general performance of the economy.

On slide 13, we have our net income R\$98 million at the end of the first 9M09 and we may see in this R\$98 million we have included changes of credit and depreciation in view of the new accounting practices, and this caused a net margin of 5.6% of net sales. If in one hand, it is true that 5.6% is slightly below our expectations or acceptable endeavor of which is 6% to 7%, on the other hand we have the pleasure to be able to tell you that certainly in this kind of industry and this business chain in Brazil and also globally quite certainly in this business scenario which we experienced for the first 9M09 to have a net margin of 5.6% is really very much more, a positive exception, rather than the rule. And to have achieved this level, it gives us a tremendous pleasure and perhaps the most brilliant indicator of our performance and of our activities and our experience in such challenging environment of shrinkage and crisis.

On slide 14, we have the performance for investment, in the last five years they have grown at rates of 24.6%, this year obviously as it would natural in a generalized crisis and uncertainty there has been a slight drop, but even so investments totaled R\$84.7 million in the first 9M and these investments are clearly linked first of all to conclusion of relevant investments which were started up in previous periods, particularly the new painting in the Randon Implementos, the Fras-le's proving ground, the facilities in Castertech who all in the period, there was the energy substation totally implemented and also obviously in spite of the bad scenario, investments repositioning assets and modernization and new businesses, all these was kept up as good management practices. This is why we achieved R\$84.7 million of investments.

On slide 15, we have the financial performance of shareholders equity and ROI. We will see that it continues level of 20% and that is satisfactory according to our expectation, R\$872 million.

On page 16, we have here the financial performance of net indebtedness and also as last year we have more or less 0.53 times EBITDA, a total of R\$173 million of net indebtedness at the end of the 3Q. We are always very conservative and very secure, especially if we take into account that the majority of this net indebtedness is medium and long-term, so within very healthy limits, and this does not give us in anyway a concern.

On slide 17, we show you the performance of our securities, stock market, and at the end of 2008 there was a depreciation as in the rest of the market, we are obviously no exception, however during the first 9M09 we had a progressive and significant recovery, closing the first 6M with quotation of R\$13.34 and negotiating R\$2.3 million per day, which we think is acceptable taking into account the circumstances of the period and the process of appreciation of the Company.

Perhaps even surprising and the interpretation that we make is that the market follows what we do very attentively, and obviously we have been valued and understood in a very positive and trusting way. So I think with these comments, we close our observations regarding the quarter and particularly regarding the first 9M09.

And now going to slide 18, we have some comments regarding the outlook. As I have said in spite of everything, the growth of the Brazilian economy this year continues to be positive. We are working with the Central Bank report which says there will be a positive growth of 0.18%, this is conservative, of course, because in the other areas experts are already talking about 1% or more of positive growth of the GDP.

Anyway, this conveys a very clear message that the worst is over and done with and also sales activity at the end of the market, the 4Q points to significant improvements indicating a very intense operating activity.

I would like to remind you that the sales of trailers and semi-trailers have been growing dramatically, consistently during the last few months and particularly in September we had sales about the most optimistic expectations, giving us a very comfortable portfolio for the next few months.

And also in keeping with everything, and because of the relevance, at end of September and the first few days of October, we had a very relative contract with Mitsui for railway cars and the sale of 300 units which will be progressively manufactured and delivered from December to March 2010, and this gives us a very comfortable position regarding railcars and also the so-called anti-cyclical steps of the Government, reduction of the IPI for trailers and semi-trailers, and special financing from the BNDES through FINAME and the Pró-Caminhoneiro Program, this has a lot to do with this recovery process and the intensive will be formalizing in December 2010.

So our expectation is that at least some of them will be extended also to 2010, and we are very confident that at least something will be kept on and be validated for 2010 and this is very important for us. Also just recently, some weeks ago, we had the edition of FENATRAN 2009, the largest transport vehicle fair and cargos transportation and components and this year due to the environment in North America, this is becoming the kind of global fair for transport vehicles since traditional European and North American fair were either dramatically reduced in the content or they were just canceled or delayed or postponed.

So the large FENATRAN 2009 has been able to show up the Brazilian reality of this business segment and also reproduced basically all of our expectations and our feelings of this rebound of businesses and intense activity in the transport vehicle sector in the 4Q this year and hopefully next year as well.

So with this scenario in mind, we hope to bring back margins to historical levels. When we talked about the net and gross margins and the EBITDA, they are also tremendous challenges and prospect ahead. So I think that it is very clear that we from Randon are

very confident in this rebounding market and we think that we have considerable opportunities to develop, and we have a very strong will to do as much as possible, improve our operation efficiency and maintain leadership in the sectors we are in.

So I think now we can close our formal presentation and in the time remaining we are at your disposal for questions as your will. So, we are now open for question and answers. Thank you.

**Cristiane Fensterseifer, Geração Futuro:**

Good morning, Mr. Schmitt, good morning, everybody. I have two questions, the first has to do with investments. You are at the end of a huge investment cycle, like the Castertech and Fras-le, so what about the next few years? Will your investment focus more on organic growth of your activities, or do you have in mind also some acquisitions or joint venture or new businesses? And also, regarding investments in Castertech, in the 4Q can we expect some results and what results can expect from this factory?

**Astor Schmitt:**

Thank you, Cristiane, thank you very much for your questions. Regarding the investments, it is true that in 2009 we will close the so-called pluri-annual cycle from 2005 to 2009 where we forecasted investments of R\$800 million, in line with our expansion plan which was undergoing. We should close this cycle according to the expectations and obviously we will not stop at this, we are preparing a future plan in vision of the next five years, it is not yet concluded, so we do not have any detail here to offer you.

But two things I think are very clear, Cristiane, and should not come as a surprise. First of all, the Randon companies as they are set up today require permanent investments, not only here and there, permanent investments that has to do with the process, system integration, supply chain, new business development, modernization, investments and optimization of assets, and if you look back to the last 10 years, you will see that the way our companies are structured today, maintenance of investments of R\$140 million or R\$150 million year over year is here something normal and I do not think that this should be different in the future. That is the first point.

The second point is the question of the profile of these investments. It is true that up to now, and this is an option of the Company, investments basically have been addressed to modernization of assets expansions and organic development with few exceptions, and giving this process of expansion and the globalization process, it is quite natural that the next periods ahead will also include besides maintenance of organic investments at satisfactory levels and consistently with the market expectations, but there will also be nonorganic investments for developments and expansions, especially in the area of new business opportunities within or outside Brazil. We obviously do not have anything particularly to tell you here, or anything specifically better, but it is very clear that this scenario in pointing in this direction.

Regarding Castertech, Castertech started part of its activities in a ramp-up process, going from zero to in the direction of their objectives, production of the capacity is a process, it will kick off at the beginning of this year, but it should continue, slowly but surely, Castertech will probably reach its full-production capacity only at the end of 2010 or beginning of 2011, this process takes a long time, working slowly but surely.

Things do not happen from one minute to the next, so in the beginning of this year there will be no relevant changes progressive behavior which it has shown up until now.

**Cristiane Fensterseifer:**

The second question regards recovery of margins, which you said is a challenge, and I would like to know what your understanding is regarding this recovery already in the 4Q, can we expect this as an increase of volume? You said that you had larger sales so that would guarantee a better 4Q, and also some price recovery, so how could we expect the better recovery of margins? And also the steel prices, if these have been passed on or not.

**Astor Schmitt:**

Well, Cristiane, as far as margins goes, in the scenario imposed by the end of last year and the beginning of this year, obviously it was very clear, two things became clear going back to the end of last year and beginning of this year. At that time, the scenario was to reduce activity, therefore the look of fair economy.

And secondly, it was a scenario where a strong downward with adjustments, it came about both of prices and costs. Costs were reduced in products or supplies and also prices were reduced in the spot market. Now, today we entered in the 4Q, once again a scenario of activity growth, quite the opposite of what happened exactly a year ago. We a progressively growing our activities and adding economies of scale in a positive way and on the other hand, as a result of the situations, obviously, prices were adjusted upwards and in the supply chain we are also finding some pressure or adjusting upwards the prices in all of the products, all supplies, petrochemicals, chemicals, etc.

I think that the important thing in this history is that this good moment be well used in all the fronts to work intensively and recover this slight loss of margins that we had in the first period of the year. I think that things are going in the right direction, but I cannot say whether we will reach these levels of last year in two or three months, but I am convinced that we are going in this right direction.

**Cristiane Fensterseifer:**

Thank you very much.

**Operator:**

Thank you. If we have no more questions, I would like to turn the floor back over to Mr. Schmitt for his closing remarks.

**Astor Schmitt:**

Well, I would like to thank you all, ladies and gentlemen, for your attention at today's webcast and at lastly I would like to say that today at 6 p.m. in Porto Alegre, at the Plaza São Rafael hotel, we will be holding our APIMEC Sul meeting which we hold periodically. And we hope to come across with all those interested in this subject and those who belong to APIMEC Sul. So we would cordially hardily invite you all to come and it would give us much joy to have you there, at the APIMEC meeting at 6 p.m. this afternoon.

So, on my behalf and on Mr. Santa Catarina's behalf, I would like to thank you for your attention and say until next time. Thank you very much

**Operator:**

Thank you. This concludes today's presentation, you may disconnect your lines.

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