Operator:

Good morning. Welcome to Randon's conference call relative to the results of the 1Q10. Here with us are: Mr. Astor Schmitt, Corporate Affairs and Investor Relations Officer; Geraldo Santa Catharina, Holding Division Finance Director; and Emerson Fernando de Souza, Investor Relations Executive.

We would like to inform you that this call is being recorded and during the Company's presentation all participants are going to be in listen-only mode. Later on we are going to start the Q&A session for analysts and investors only when further instructions will be provided. Should you need any assistance during this call, please ask for the help of the operator by pressing *0.

The audio and slides are presented also on the Internet at: www.randon.com.br/ri.

We would like to clarify that any forward-looking statements made during this conference call relative to Randon's business outlook, projections, operating and financial goals are beliefs of the Company and depends on information that is 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.

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

Now, I will turn the conference to Mr. Astor Schmitt that will start the presentation. Please, Mr. Schmitt, you may go on.

Astor Schmitt:

Thank you. Let me say you good morning to all of you ladies and gentlemen that are with us in the presentation of today when we are going to talk about the 1Q10 in Randon Company.

Before going to our script of comments, I would like to say that we are here living a very good moment, where we can see our economy picking up growth, our sales are very high, our production really suiting to the reality if sales, our performance indicators be them in delivery, revenue, income, results, cash generation, final results and everything represent numbers that are highly positive and exciting if we compare to the same period of last year.

As we always do, we are going to comment on some highlights of the period then we are going to give an overview of the market, we are going to comment on our operating financial results, we are also going to make some comments about the capital's market and we are going to close with our outlook for the future. And undoubtedly we are talking about very important opportunities, but also some risks as a counterpoint, but this is something that we are going to see.

As the highlights of the period on slide number four, I would like to say that the total of income of R$1.8 billion in the 1Q10 accounted for a growth of 44% as compared to the 1Q09.

Of course, that is a substantial growth, but we have to remember that again this is a semester when the Country is taking up growth, it is consolidating its growth and the previous one in 2009 was certainly the quarter that was almost when we hit the bottom of the crisis. It was a time when our major concern was focus on adjustment to down be them in terms of production, be them in terms of supply chain, of human resources. I would like to remind you that we are talking about collective vacation reducing work time and so on again focusing on suiting ourselves to the time. A very distant scenario from what we have today.

The consolidated net income of R$782.7 million that follows the same line. Exports added up to R$48.66 million and also below the year of 2008, but undoubtedly showing a process of resuming growth that is very important. We grew 42% as compared to the 1Q09.

Also in gross margin we are showing signs of recovery, our EBITDA as well, and all that is purely due to a more favorable moment in which the growth of production particularly is very important. We have a substantial gain of efficiency of scale with obvious direct impact particularly on the structure of fixed cost, and that enabled us to increase our gross margin and our EBITDA margin that returned basically to be the historic mark that Randon Companies believe our valid for our Company. Net income added up to R$40 million, a growth of 50% as compared to the 1Q of last year.

Investments in the quarter were still a bit slow. I would like to remind you that last year our investment basically had the objective of on the one side complete relevant investments whose major reimbursement had already occurred in 2007 and 2008 and on the other side trying not to stop with investments that are obviously convenient, modernization, replacement of depreciated items, new business etc. Although relatively modest in the beginning of the year, they do tend to grow and I think the forecast of R$200 million of our guidance will probably be completed.

Our share had devaluation in the 1Q, but again, if we think in the 12 months, in the 1Q09 and 1Q10 we have a much higher valuation as compared to the market as whole.

Going to slide number five in a general view of the market, I think that four points that we mentioned show that Randon, because of its reintegration to the whole manufacturing chain and its installed manufacturing base, can react very fast to the demand provoked by the growth of the economy, specially the domestic economy. We have a very fast capacity of reaction.

Our production of trucks which is an important sign in our system grew 68% quarter on quarter, so a very important growth, not to mention almost a euphoric growth. Also in agribusiness and our farming sector, especially when we are talking about our harvesting, every time we have forecast we are identifying a very good moment in the primary sector with increasing hikes.

Also in the Government, both in the tax and financial actions, specially financial conditions, decrease of taxes, are very important instruments for this state of mind reported in the 1Q is continued and even expanded to other quarters.

Going to slide number six, talking about our operating results, we are going to start with our physical sales that showed in cars a very good growth, with 39% growth in trailers and semi-trailers, a growth of 19.5% in railway wagons that are again showing reactivation in the year of 2009, accelerated in 2008, so a very good period and almost exploded growth, a growth of almost 200% in the area of specialty vehicles, as you know, which vehicles are used in civil services, infrastructure, energy etc., that this year really showed expressive growth, especially in the areas of states and municipalities, and also progressively in the federal realm.

In auto parts, growth in brakes, coupling systems, suspension systems follows the evolution of the assembly industry as whole, and also maintains in a very stable manner our market share. So, nothing really relevant, we just followed the movements of the industry as a whole.

Going to slide number seven, where we see our sales per segment of business, you can see that there was an inversion compared to last year. Last year we had auto parts with 49%, and vehicles and implements with 51%, and now it is exactly the opposite. In fact, basically what we can see is that we are maintaining almost half and a half division of our targets of operation, and this is our wish, at least for now this is what we want to maintain.

What we do have to emphasize here is that on April 15th, we signed a letter of intent with MAN in Latin America, which is the manufacturer of Volkswagen trucks and busses, to have a new commercial partnership that will include a new unit integrating our finishing auto parts, which is next to MAN's Latin America plant. This is going to be an instrument for us to expand and strengthen our relationship with this very important client, as well with other plants that are going to be installed in the Southeast area. So, I believe this is going to be a driver for more sales of parts and systems.

At the same time, we signed the partnership with Egypt Power, aiming the installation of new assembling units for the Randon products in that region in the North of Africa, represented by Egypt, a market in which until then we had no participation, either commercial or in terms of partnership. And I am sure this unit will contribute to the performance of our division of vehicles and implements.

As for services, that we have a relatively small portion in our share, I think the new fact is the implementation of Randon S.A. Bank, which is following its course, with its governance structure, boards and main executives, it has its headquarters already installed, and now are implementing systems, links and things of that kind, thinking of concrete possibilities to start the operations in the beginning of 2H of this year.

As for exports, at this moment growth has been mainly generated by the domestic market, but exports shows a good growth: they grew by 42% quarter on quarter, reaching at present almost US$49 million, which if you think of the whole year, it makes us still distant from our excellent result in 2008, but shows a recovery of the crisis. Clearly if the USD rate helped us, probably the export process could even be further accelerated, but there is no significant reason for complaining.

On slide number nine we have our total gross income that had a substantial drop in 2009, going from R$4.5 billion to R$3.7 billion, shows clear times of recovery. And if we take a look at the 1Q10, it is fair to assume that we are going to surpass the numbers of 2008. I think it is possible, but maybe we are being too optimistic. I think we are going to have a good year, but perhaps not exactly what we had in 2008, definitely if we deflate the numbers.

Consolidated net income on page 10, the same trends with R$780 million, gross margin, again a growth of sales of 44%, grew by 51% again a clearly recovery of margin, going to 24.2% in the quarter which leads us back to that range of profitability that is acceptable for the Company, which we have talked before. We think that a bottom of 22% and a ceiling of 27% is what we believe a good range of gross margins in our businesses.

On slide 12, we have our EBITDA margin and EBITDA numbers with a fantastic growth of 75.7%, recurring the level of 14.7%, again in the range that is acceptable for the Company, and with a performance that somehow in accordance to what some have mentioned when we published yesterday and so today that really had an impact in the market in a surprising manner, but positive.

Net income, on slide 13, shows the results of R$14 million, again 5.6% of net margin, again an acceptable margin, and showing signs that we continue to be very healthy, profitable and showing positive results.

The investments that are portrayed on slide 14 added up R$21 million, as we already mentioned, they were below investments that took place in immediately previews periods, and that is clearly due to the fact that in 2009, as I just mentioned, we completed some relevant investments that consumed a lot of cash in 2007 and 2008, and were completed in 2009 like the DuraTech painting process, the installation of our captive casting CasterTech, also the installation of our test fields by Fras-le and so on. So we are in a phase of progressively recovering our investments and certainly in the next quarters this uptake is going to be accelerated.

As for our net worth and return on equity shown on slide 15, we have R$924.5 million, it is consistently increasing in the last five or six years, as you can see in the corresponding chart. Our ROI is about 17% and it has been so in recent years, which we believe is a very interesting return for a company as structured such as ours. In the past five years, if you take look at the chart with more details we have an average growth rate of 27.48%, which is a very interesting number.

On slide 16, we show our chart relative to our net indebtedness, and we can see that when we compare margin and the earnings generated and our EBITDA, we had a slight growth of 0.71 of EBITDA in the 1Q09 to 0.76 of EBITDA in the 1Q10. Also comparing to the closing of 2009, when we had 0.61 of annual EBITDA. That slight growth was certainly generated mostly by our working capital account, as you all had the opportunity to follow in the 1Q of this year, we had almost a jam of financing processes through FINAME in the agent line and in the BNDES and that provoked a bottleneck in the settlements of contracts and also influenced our working capital a bit.

Certainly, the account of inventory has grown because of the growth of the activities and that specifically generated a need to reinforced working capital, but nothing really significant. And the numbers show by themselves that our level of leverage is, as has been in recent years, extremely conservative in terms of profile.

If we go to slide 17, showing the capitals market, you are going to see that in the quarter-on-quarter comparison our RAPT4 grew by 148%, while the market grew about 72% in the same period. An extremely positive growth, although in the last month of the 1Q we had a retraction, but we still believe that the Company is perceived very positively in the market, it clearly had the amount of shares affected by a consistent and positive development of business, but on the other hand the market is suffering because of things that are a bit less tangible as, for example, the overall mood. Now, for instance, we have the problems with PIGS and Greeks and everything, and all that influences the development of not only Bovespa, in Brazil, but the stock exchanges throughout the world.

On slide 18, we make some comments about our outlook. Basically we saw a very positive growth in terms of growth in the Brazilian economy that is proving to be very robust and tending to keep this robustness along the year and also, undoubtedly, by the composition represented by constant accelerated demand and the availability of good financing instruments. All that is really a propeller of sales, and we believe that being a year of elections in this Country, this is going to be certainly maintained as very positive as it is.

Also, special financing conditions, as what we have through the BNDES, as the Pro-Caminhoneiro program, FINAME PIS financing, with different times and costs to pay, the maintenance of their effectiveness until the end of 2010 certainly contributes in a positive manner for us to maintain this good scenario of operations in the business.

The exemption of the industrial products tax, or IPI, for trailer, tractors, and trucks until June 30th fully meets its growth, but it is understandable as it was a measure that was considered a specific anti-cyclic measure and it would have to end one day. And therefore we believe that this period until June 30th was expected. It certainly matches its mission.

You, ladies and gentlemen, also have in mind the numbers of our guidance for 2010 and at the time we have two important things about it. First, if we compare the numbers of our performance in the 1Q we still can think that our guidance is still conservative, which is legitimate. But if we think about the objectives that it contains, even if it is not surpassed, we may say that the expectation for 2010 of being a very good year, a good year to resume growth, was corrected and present.

And after this is through, I have the duty to tell you that if we are keeping numbers for the year with an expectation that can be seen as conservative, we cannot fail to remember some important particularities of the year. First of all, we are going to have general elections, except for the municipalities all the political institutional specter is going to be included with the election of governors, vice-governors, state representatives, senators, several representatives for the National Congress, President, Vice-President.

So, 2010 is a very important year, politically institutionally speaking, and certainly this has some relation with the scenario we are going through, positively speaking. But also for the 2H of the year it may bring some concern that we believe that we will inevitably to deal and manage in a suitable manner.

What am I talking about? Well, the problem is that probably in the 2H we are going to be much more affected than in the 1H for pressures in the adjustment of prices and costs in the supply chain. Certainly you, ladies and gentlemen, can follow the movement of the steel chain and the petrochemical chain that are showing clear signs to recompose their prices and margins, and they will certainly pressure our costs, more strongly than in the 1H of this year.

We hope we can deal with the problem as we have always done, trying to make costs more compatible to our gains in efficiency, so that we can see healthy margins, growth margins, EBITDA margins, net income, consolidated net income and others.

We also see as a second point, strong evidence that sooner or later, I do not know if before or after elections, we are going to have some macroeconomic adjustments in the Country. This will include a control or a prevention of having an increase in our internal inflation because of a growing demand and also to work in our public accounts, which seems to need a bit more attention, because clearly our primary surplus and unbalanced public accounts prevent investments and modernizations. We still need to have some adjustments and review this.

I think this process has somehow started when Copon adjusted up our basic interest rate, Selic, and I think this is a more than obvious sign that a process of adjustment is being done with possible effects, not necessarily to cool the economy or slow down the economy, but to make things rather a bit more adjusted.

Thirdly, for capital goods, the continuity of resources for financing and especially those that we have that are more beneficial are not necessarily going to last for 2011. We do not know if the Federal Government is going to continue giving us the same benefits in terms of rates. So that is a question mark if financing the way we have today is going to be available for next year.

The fourth point, a bit more recent, we all experienced several crises in this Country and in the world, when something explodes, we are slightly affected. Of course today we are much less vulnerable than we were in the past and the crisis of 2008 showed clearly, but it is correct to say that we were affected somehow. With this possibility of a crisis in the PIGS in Europe, Greek is already a concrete case, but certainly there is a certain thrill or a certain fright in the market and that may affect us too.

I think we are going through a good moment, I think that we are living the perspective of a having a very good year, with suitable returns to our stakeholders, be them shareholders or employees, but we do have to deal with some clouds in the horizon, and the hope we can deal with them alright to keep the health and good numbers of Randon Company.

With all that said, we completed our representation for today, and the time we have left now we are going to be taking your questions or requests for further clarification. On my behalf, and on behalf of Mr. Geraldo Catharina, our Holding Division Finance Director, and Emerson Souza, our main executive in Investor Relations that is always here with us, I would like to thank you for being with us, your courteous attention, and we here to answer any questions you might have.

Thank you very much and see you next time.

Fernando Gonçalves, Morgan Stanley:

Good morning. I have two questions. The first is about the utilization of our capacity, your labor capacity, if you are thinking of implementing a third shift, and the second about receivables that you had a substantial growth in this quarter and if the is related to FINAME.

Astor Schmitt:

OK. Fernando, thank you very much for your question. As for the utilization of capacity, at this time we are very close to our installed capacity, we have an installed capacity that is about 120 units/day in our units of trailers, semi-trailers and railway wagons, and we are operating at 100 and some units of semi-trailers and a bit more in railway wagon, about three units a day.

Undoubtedly, due to the extremely positive reaction of the market in terms of sales in the 1Q allied to a good financing possibility, we have increased our capacity a bit more than 80% of our nominal capacity. We believe that this along the year is going to stabilize a bit and therefore we do not have any visible apprehension in terms of capacity.

As for receivables, I already commented on them when talking about net indebtedness that if you compare our net debt to the generation of EBITDA we have a slight drop, but that is because of the jam in the banking network of agents and in the BNDES because of the accumulation of processes and requests of approvals for FINAME financing in the 1Q. But this is going back to normal, it was something specific and I do not think we can say that this has deteriorated or is deteriorating substantially the Company's working capital or performance. It is perfectly controlled, it was an episode of a jam of processes, I believe again it is going towards normalization.

Fernando Gonçalves:

Do you think that it should be normalized in the 2Q already?

Astor Schmitt:

I believe so, progressively it should come back to normality.

Fernando Gonçalves:

OK. Thank you very much.

Daniel Gewehr, Santander:

Good morning, everyone. My question is about margin. You showed very robust results in consolidated numbers, but in terms of implements, the EBITDA margin was 8.7%, it went down in comparison with last year, is that an one-time action or is it going to continue?

And also in auto parts, you had a much higher recovery, is this non recurring or not? So could you comment a bit in your margin and also if you could transfer those pressures to prices.

Astor Schmitt:

OK, Daniel, it is a pleasure to answer your questions. I think that margins, Geraldo Santa Catharina that is here with us is the person that can give you better information for that.

Geraldo Santa Catharina:

Good morning, Daniel and everyone. I would like to make a division of the two segments. In auto parts we have lower fixed costs, high scale, less integration, and in implements we have higher integration, lower scale. So when there is a decrease in volume, clearly will reflect that in our margin.

Random Implementos and vehicles have been improving its capacity, the utilization of its capacity. We started in September and until March we are very well. And also with this, our margin benefited from the dilution of costs.

Now, I would like to talk about the 8%. Historically, if you get seven or eight years, in the area of implements, EBITDA margins are more to 10% than 15% or 16% that we had in 2008. So, it tends to improve slightly because of the utilization of capacity, but it is close to its reality, and it is close to our domestic and international figures.

Daniel Gewehr:

OK. Thank you very much.

Astor Schmitt:

You had other questions, did you not?

Daniel Gewehr:

The second question was about the increase of prices, if you were able to have any kind of increase in prices in the 1Q that will be felt in the 2Q.

Astor Schmitt:

You have to think that every time the market heats up or reheats, it is time for us to seek for an increase of prices. Of course we also suffer problems on our costs. In the end of 2008, beginning of 2009, there was a clear process of a slowdown of our demand because of the crisis and clearly if you bought a semi-trailer in the end of 2008, beginning of 2009, you would have bought it at a much lower price than that we had in 2008, and at a lower price than today, because today we have an outstanding curve, demand is peaking up and in the old rule of supply and demand, if the demand is going up, you open up for a price readjustment.

In the supply chain the same logic applies. So, what we as companies have to do to manage our businesses well is to try to keep our margins at healthy levels and have in gains of scale economy, gains of margin, as it happened in the 1Q, and that I think is going to happen in the 2Q as well.

Daniel Gewehr:

OK. Thank you very much.

Tarin Silvestre, Credit Suisse:

Good morning, everyone. I have two questions. The first is about your backlog in the area of implements, if you could give us an idea in terms of quantity of backlogs, and second about the CAPEX plan for the next five years, if you can give us any indication of what you are doing.

Astor Schmitt:

Thank you, Tarin. Backlog this time, again where we are strongly resuming growth, we have a very comfortable backlog of about three formats, which again places us in a very comfortable position, if you think of the most immediate future. So, we are in a very comfortable position, also working with three or four months in the automotive chain, where we are resuming growth is absorbable. So, we are in a very good position.

As for the CAPEX for the next five years, we do not have anything to comment more deeply, but as you know the Company historically with its five year plans, the last one that we announced was 2005-2009, and now, you know, it is no secret that we are working on a plan that will cover 2010-2014. Except for the particular guidance of 2010, and everything that is related to that, we do not have anything concrete to announce for our CAPEX, but it is going on.

And finally we will certainly release the information, the Company, I can tell you, intends to continue growing if possible at the same level of the last five years, and for that it will engage all its best efforts in terms of growth, gains of efficiency, modernization, expansion to allow for that. Also allowing for us to accompany the growth of the domestic market, and also seeking for opportunities in the foreign market in different ways, sales from Brazil with local manufacturing and others. The major fact is that our intention is to continue growing in the same standards and levels that we had in the past five years.

What is still not clear are the numbers and definitions of what kind of plans we will have in place to keep the process.

Tarin Silvestre:

OK. Thank you.

Cássio Lucin, Banco Safra:

Good morning. I have just one question, gentlemen. What is your market share like in this quarter?

Astor Schmitt:

Along the quarter our market share in components and systems was stable. The market share of Jost, Fras-le, Suspensy and Masters were kept the same, unaltered. Jost controls 87%, Suspensy and Masters 58% of the market, and Fras-le about 51%. So, we are in a hegemonic position.

In the area of trailers and semi-trailers we closed the quarter with 33% market share, around this number, with a slight decrease as compared to the last quarter, but we are still by far a market leader in Brazil. Our second, third and fourth competitors have market shares of 14%, 11% and 7%. So, are relatively far from our 33%. And I think this is about to be maintained.

Fernando Gonçalves, Morgan Stanley:

Thank you for allowing another question. With regard to 2011, could you tell us about what we should expect for 2011?

Astor Schmitt:
For 2011 we still do not have anything really formatted. We just have initial numbers. But for 2011, basically what we see is what I mentioned in the end of my presentation. We think that the economic growth of the Country is going to slow down a little. I think the specialists, the economists and analysts are really thinking of that. I think to support 6%, 7% as we have in 2010 for 2011 is not going to be easy, so probably we are going to lower our growth, although very good, and we will have to interact with that.

Because of macroeconomic readjustments, growth in interest rates, assessments of all kinds, and also we thought initially that 2011 was going to be much better than 2010, in the external markets, but now the problems of the PIGS in an important region as the European Union certainly will continue to show problems in 2011, which is going to remove the possibility of 2011 being a year of excellent resumed growth in 2011 in the foreign market.

So, I think it is going to be a good year, but not as exciting as 2010.

Fernando Gonçalves, Morgan Stanley:

OK. Thank you very much.

Operator:

Since there are no further questions, I would like to pass the floor to Mr. Astor to his final considerations.

Astor Schmitt:

Completing our Q&A, all I can say is thank you for attending our conference call for the 1Q10, and tell you that personally and certainly I can say that on behalf of Emerson and Geraldo that we are very happy to have you here, and we hope to see you in the next 90 days, commenting on, and God help us, good results and a good performance. Thank you very much, and have a nice day.

Operator:

The conference call of Randon is now closed. We would like to thank you, and have a nice day.