

Operator:

Good afternoon. Welcome to Randon's conference call the results of the 2Q and 1H10. Today with us are Astor Schmitt, Corporate Director and Investor Relations Director, Vice-President of Operations, Geraldo Santa Catharina, Financial Director, Holding Division, and Hemerson de Souza, Executive of Investor Relations.

We inform you that this event will be recorded and during the Company presentation all participants are going to be in listen-only mode. Later on we are going to start our Q&A for analysts and investors only, when further instructions will be provided.

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We would like to tell you that any forward-looking statements made during this conference call relative to Randon's business outlook, operating, and financial projections and goals refer to the Company management beliefs and premises, and rely on information that is currently available.

They involve risks and uncertainties as they relate to future events and, therefore, depend on circumstances that may or may not happen. Investors should understand that macroeconomic conditions and other operating factors may affect Randon's performance and lead to results that materially differ from such forward-looking statements.

Now, I am going to hand it over to Astor Schmitt, who is going to start the presentation. Please, you may go on.

Astor Schmitt:

Thank you. First of all I would like to say good morning to you all and also tell you about our joy in returning to the conference call as we usually do every 90 days at the close of our quarterly reports. Today our agenda is going to be the regular agenda. We are going to talk about the highlights of the period, market overview, operating and financial results, a bit about what is happening in the Stock Market and also a bit of the Company's outlook, in which we are going to focus on the announcement of the new levels of guidance that are a result of the current quarterly review that we have in our annual operations plan.

So, we are going to start with the highlights of the period. We could summarize the highlights into six or seven items, including first our total gross revenue for the semester, that reached R\$2.58 billion, with a growth of 48.7% compared to the same period of 2009. Net revenue in the 2Q reached R\$918 million, also with a growth of 48% over the 2Q09.

Exports reached US\$112 million, a feat of 54.5% semester against semester. Our increase in gross margin was from 23.2% to 24.9% in the quarter-against-quarter comparison, and our EBITDA from 12.7% to 15.2%, again quarter against quarter, reaching in the period R\$139.56 million, with net income of R\$63 million with a growth of 43% compared to the 2Q. Investments totaled R\$60 million and preferred shares appreciated by 1% compared to the 1H09 and the average daily trading of RAPT4 was R\$5 million a day.

Next, we are going to show the market overview. We can say that Randon's businesses continue to experience accelerated growth and our effort are today focused on how to meet the demand that is back surprisingly to the table. An important factor is the manufacturing of trucks in the 1H of the year, which totaled 89,000 units, a growth of 66.8% semester against semester. I would say that this comparison is a bit cruel because in the 1H of this year we are really picking up growth a lot faster than what we could have thought last year and the 1H09, as you all remember, was marked by a very weak decreasing activity, very worrisome to say the least. And therefore comparison is a bit unfair, to say the least.

As for Government actions, undoubtedly sales incentives that were materialized in the fiscal area by the reduction of the IPI, the excise tax, and also due to special financing conditions through BNDES as its main agent have been very important, both have been extended and are valid until at least the end of this year. As for the supply chain, as we all know, because of, again, the strong resume of movement, has had some problems but nothing that really jeopardizes in an important manner any of the results in the period.

Well, now we are going to talk a bit about operating performance, which is in the next slide that you can see. We start making comments on units sold and comparing the 1H10 and the 1H09. We had an incredible growth in trailers, 29%, reaching 10,000 units; special vehicles directed to mining and public services, we took out 554 units, again substantial growth of 178%, showing again the vitality that we are experiencing in this process where we are resuming investments, both at the city level, at the state level, and the federal level. And also in the segment of infrastructure and energy, more notably. Undoubtedly this privatization of public investments, private investments and both is being driver for our good performance.

Also in rail cars we have experienced remarkable growth, again comparing 2010 to 2009, going from 230 units of 2009 to 390 units in 2010. Again, clearly indicating that the operators that we have in Brazil, ALL, Vale, have resumed investments heavily, not only because of good businesses in agribusiness, but also because of a remarkable recovery in the mining and ore segments.

In auto parts, you also see substantial growth between 60% and 80% in the comparison semester against semester, and that is clearly in tune with the growth of the production of trucks that we already referred to in the previous slide.

Financial services, which is a support activity and not a core activity itself, but helps us to add value to our chain and again we will soon start the operations of Banco Randon S.A., which shall start operations in September 1st.

Going to the next slide, still talking about operating performance, we have a breakdown by segment, and here we can see the traditional division and the importance of the two core businesses of the Company. Vehicles and trailers on the one hand, and auto parts and systems on the other hand. And historically they almost have half and half of our activities.

Going now to numbers, we are going to show you the behavior of our exports that in this quarter added up to US\$112 million, with the expressive growth of 54% compared to the 1H09. As you all know, exports were negatively impacted by the crisis, the European Community, NAFTA, and South America showed recovery now, as it also

happens in Brazil and in South America, a bit less fast but also positive in North America, and businesses are still somewhat slow in the European Community.

So, to summarize, the region that is driving this growth is the American continent, as exports are still weak in Europe but positive in Africa. Anyway, this is no news.

In the next slide we can see the behavior of our total growth in revenue that reached R\$2.5 billion, a growth of 48% compared to the 1H09, and that will certainly help us have a progressive pickup of growth with an annual rate. Last year a bit affected by the recession of the end of 2008 and the beginning of 2009, but the numbers are to come back. Consolidated net revenue follows the same trend, and it is self explanatory, reaching R\$1.7 billion in the 1H10.

Going now to indicators of our results, I would like to say that they are all very positive and ascending, and again, going back very fast to the historical levels that we used to reach. You all know, we have been talking about that, the way our operations are structured today makes Randon to have minimum and maximum performance limits, and a gross margin of 23% to 26% historically, and EBITDA margin between 13% and 17%, and a final growth of net margin that goes between 6% and 8%.

In the 1H10 the margins are showing recovery, they are going back to better levels and more consistent to our recent history, and that is due to the combination of two basic factors: good management and good compatibility with costs in the supply chain and prices in the market chain. And above all, the obvious gains of scale and economy as we resume activity, which grew by 30%, 35%, and that, of course, led to gains in efficiency.

Our gross margin was 24.6% in the semester, reaching R\$417 million, and EBITDA reached 15%, generating R\$254 million, with an expressive growth of 76.2% as compared to the 1H09. Final net profit that had closed the last year at 5.6% of net sales, grew to 6.1%, progressively coming back to a better level and accounted for, in this 1H10, the amount of R\$104 million.

So, to summarize once again, these result indicators show that the consequence of the process to resume growth, and our results improving considerably.

As for investments, they added up to R\$59.6 million, almost R\$60 million in the 1H10, showing almost a process of stability as compared to the 1H09. We think, and based on the guidance that you already know, that investments are going to accelerate continuously along the 2H10 and hopefully as well in 2010, responding to the need of expanding capacity, but also modernizing processes, research and development, repositioning of depreciated assets, and therefore maintaining the competitiveness modernity and up-to-date industrial complex as a whole.

As for our return on equity, as shown on the next slide, was about 20.5%, most probably above the national average, which already accounts for an equity of R\$962 million at the close of the 1H10.

On the next slide you can see our net indebtedness, and as it has been almost historically in the past five to six years, they are maintained at very conservative levels; in terms of times of EBITDA it is 0.62x of our annual EBITDA, that is R\$256 million of net indebtedness, which accounts for an indebtedness level that is very conservative, as it is advisable for a company that wants to be healthy in the market where the costs

of capital and third parties, because of high interest rates, are relatively high, and also shows part of the conservatism, which is part of our DNA, and, why not to say, "a reserve" for eventual future needs, for third-parties capital for specific purposes that are not present today, but it is always healthy to be cautious and have something as an alternative in view of an opportunity.

On the next slide, also related to the Stock Market, we show the evolution of prices of our stock that closed 2008 under severe depreciation, certainly reflecting the mood of the market at that time, really reaching the bottom of the possibilities. In 2009 we had a recovery, and in 2010 we had stabilization. And as it happens, I think, to most Brazilian companies whose results we have witnessed, we can see, and we may say that, a bit of mismatch in terms of the appreciation of stock and the performance of companies. And so, stocks of Randon and of Brazilian companies are a very good opportunity for the market in terms of investments.

That said, I think we closed basically the summary of an assessment of our performance for the 1H10. And so I am going to move on to our next slide, slide 18, where we are going to talk a bit about the Company's outlook.

And here you can see a table, and perhaps the most relevant point is the revision of our guidance for 2010. Again, there is no doubt that the performance of the 1H10 showed that we obviously need to review our guidance since it suggests numbers that are far better than what we thought would be realistic to forecast at the time when we designed our plans based on the scenario and information we had at the time. And it was then that we planned this guidance, in the beginning of the year, and now we have reviewed it, and now we think of a gross revenue of R\$5 billion that represent a consolidated net revenue of R\$3.4 billion, and therefore indicating a remarkable recovery compared to 2009 on an annual basis. And I would say, as we are basically in the first third of the month of August, and given the activity we experienced on the day to day, we really believe that this is a guidance that is going to be met.

Investments were forecasted at R\$200 million; we are maintaining this guidance. As we said, we had R\$60 million in the 1H10, so in the 2H we should experience, as a consequence of the progressive recovery of investments, that was a bit slowdown in 2009 because of that scenario, and we should reach R\$200 million this year.

Exports and imports also being a positive surprise to us, showing numbers that required a revision as compared to what we thought would happen in the end of 2009. Now they are estimated at R\$220 million, still below what we had in 2008, but once again indicating that things are picking up very fast although, and we have to mention that, we have problems with exchange rates, and we always try to mitigate any risks in exchange rate, and it is very important to reduce costs with growing imports that should grow from US\$70 million to US\$80 million. Also some operations are being directed to strong currency to try to benefit from the valuation of the Brazilian Real.

And with regard to the financing of working capital directed to exports, this is something that we are benefiting a lot. Some operations that are sponsored by BNDES. With that we can grow our exports but also we can have a factor of mitigation for the important problems of a somewhat exaggerated valuation of the Brazilian Real in recent periods.

I have no doubt that this outlook is based on a forecast of growth for the Brazilian economy, strong growth, accelerated growth in 2010. We are talking about 6% to 7% of growth in our GDP, with records farming crops, therefore characterizing continuous

good performance in agribusiness, as well as continuous good performance in energy, sugar cane, ethanol.

And also, as you all know, a growing resumed growth in our mining facilities, especially because of our business relations with the Eastern region, especially with metals and steel. As for durable and non-durable goods we are experiencing normal growth, consistent to general growth, and certainly this also has a very important performance and also influences in the maintenance of the purchasing power of the population, increase of employment rates, increase in the area of social benefits, especially the Government benefits, which are maintaining the consumption of durable and non-durable goods.

And finally we are resuming investments, which show very important activity in the areas such as infrastructure, public services, utilities, etc.

And so all of this led us to revise our guidance as we believe we are going to have better numbers than what we possibly would have in 2009. It is also important to stress that some of the things that contribute to results are the go back to original numbers, and because we know that whenever there is an uncertainty in the market there is retraction, things get more complicated, supply and demand show us mismatch. And when things go back to place everything looks better. And this is something that we have been experiencing in our historical results indicators.

With regard to financial services, we are also witnessing demand levels that are more accelerated in the administration of consortia, which is a traditional activity of financial services for Randon companies. And on September 1st we will officially formally start the activities of Banco Randon, which as you know was constituted and authorized by the Central Bank in the beginning of August 2009.

The bank was established, we went through a phase of implementation of all systems, links, procedures, practices, operation of the activity per se, which is new within Randon companies, and we expect on September 1st to start our official activities.

The market has asked us what led us to engage in this initiative and what we say is that Banco Randon is a bank for the car companies that basically focuses on two basic objectives in addition to suitable return on investments, which is basically to have in this activity that enables us to have fiscal rationalization in our industrial and market operation activities, and certainly having an exclusive service directed to our customers and suppliers, which will enable us to have differentiated services to these targets, therefore adding value to our commercial chain.

That said, we are going to close our presentation of today within the time expected, and I would like to thank you for your attention. And we will now then open for Q&A.

Emerson de Souza, our Investor Relations Executive, is telling me that we have 85 people listening to us. I think this is that data that speaks for itself. So, we are very happy and proud to have you here. Thank you for now.

Cristiane Fensterseifer, Geração Futuro:

Good morning. Congratulations on your results. I would like to ask what is the situation of the tires that were jeopardizing part of sales because they were running out in the

market. And also I would like you to tell us a bit of your operations and what we could expect for the 2H10.

Astor Schmitt:

Thank you, Cristiane. I am going to ask the VP of Operations, Mr. Tonon, to answer about suppliers and the operations of Castertech.

Erino Tonon:

In this period we had some problems in the chain of suppliers, and this is normal. When there is significant growth of production we have problems like this. And I do not quite understand why people are giving so much importance to tires. These are regular problems at the business that have to be managed, and this is what we have been doing. And the lack of problems we had in the chain, specifically with tires, have no representation at all in our results.

As for Castertech, we had problems with an environmental permit at first, and this is taking a bit longer than what we expected. The ramp up of production is taking a bit more than what we expected. But that is also common for companies of this nature. Of course we are not completely satisfied with the delay, but it is nothing extraordinary. And we believe that until the end of the year we are going to be back on track as expected.

Cristiane Fensterseifer:

So, just to complement, could you give us some expectations in terms of results, if you see anything positive for the 2H10 due to the bank and Castertech?

Erino Tonon:

Castertech is a company of captive production, and the first objective is to break even. This is what we expect to reach, to reach breakeven until the end of the year. As for the bank, Schmitt and Geraldo can talk about that.

Astor Schmitt:

Well, the bank activities, Cristiane, should start on September 1st and clearly, similarly to Castertech, if you think of results we are in a phase of implementation. And certainly the first and foremost objective is to reach breakeven, which has to do with the scale of operations. That, again, similarly to Castertech and it is no different in the bank, will experience a process of ramp up and a long time they should move towards the breakeven point that will come – I do not know if it is going to be in one year time or in two years time, but as operations grow we are going to reach breakeven.

You have to consider that the financial activity has ceilings that are ruled by the Central Bank and it is a typical situation, Cristiane, where you have to structure all your team, all your structure of operations, of compliance, links, banking practices have to be pre-established and approved. And the scale of activity is growing.

So, clearly results are going to be sought progressively. They are going to be negative first, we are going to reach breakeven next and hopefully in the future they are going to be positive.

Cristiane Fensterseifer:

OK. Thank you very much.

Augusto Ensiki, Morgan Stanley:

Good morning. I have two questions. The first is about backlog, if you could expand or elaborate a bit on that. And second about the use of capacity; the SME segment is getting to a limit and where you are going to focus your investments.

Astor Schmitt:

Augusto, as for backlog we have to open the information. Certainly in the area of auto parts and systems we do not have a formal backlog because, as you know, this business is business to business. Typically it is operated on the one hand with just in time; and on the other hand, based on the program and schedule of other companies.

As for trailers, backlog is about four months of production. And again, because we are resuming growth, backlog is today more reliable than what we have in times of retraction. As for investments and investment in capacity, I am going to ask Mr. Tonon to answer this question.

Erino Tonon:

Well, I mentioned before if we were to talk about customers, I would not say that we were at full capacity. Most of our investments that we are making for this year and the ones that have been planned for next year are to increase our capacity. And also Randon has an important role in the city where we are located. We have a very good relation with our employees and we can overcome bottlenecks when they happen, because of the efficiency of suppliers or optimal machine performance that we have been able to settle bottlenecks with extra hours and even working on weekends.

So, it is an ideal situation. We are able to work at 100%. And in the medium term we will have to have investments to particularly deal with this reality.

Augusto Ensiki:

OK. Thank you very much. Just a follow up: we have an average price and your revenue volumes. Is there a way the Company is going to increase prices from now on, or do you intend to keep prices stable, as you had in the 1H10?

Erino Tonon:

Well, you know the joke of the scorpion: increasing prices is part of our nature. This is what we always try to do. But not always do customers agree with us. So, it is a constant effort. We worked in the past two years, 2008 and 2009, with certain deflation in our costs. So, we had some increases of prices certainly. And according to our margins you can see that we had a slightly higher increase of our prices than what we had from our suppliers. So, there is also a gain of margin.

Astor Schmitt:

And Augusto I would say, I think it is an important comment to make, that if you look retrospectively we have been able to maintain our margins within important levels. If you take a look at gross margins, 23% to 26%. And perhaps the most important thing to realize here is that management has been very fortunate in a process to make the reality of prices and costs compatible. Sometimes costs pressure us and we have to pressure with prices. And sometimes costs go down and prices tend to go down as well, because of retraction of demand, competition or whatever.

But what is important, Augusto, is that regardless of focusing on prices alone, on costs alone, on scale alone, we have to realize that margins are at a historical level and are quickly growing. And this is what we all want.

Augusto Ensiki:

OK. Thank you very much.

Matias Dieterich, Solidus:

Good morning everyone. I have two questions. First with regard to the contract of MRC on rails I would like you to give us guidance when they are going to be invoiced, if something is going to be paid this year, if it is in the next year is it more the 1H or the 2H? And also about your call center, if everything is OK, if you might have any problems that you foresee for this future.

Astor Schmitt:

What is the second question again?

Matias Dieterich:

About your implementation of SAP. I am sorry. If it is OK, if it is generating any problems with production, if everything is under control.

Astor Schmitt:

Well, both of the contracts of MRC and the SAP I am going to ask Geraldo to answer your questions.

Geraldo Santa Catharina:

OK. As for MRC, what we could say for strategic reasons was already in our release to the market. So, we cannot extend any more information. As for SAP, everything is within plan. We are closing the phase of mapping processes, we have 140 people among consultants and specialists inside the Company working in that. We are according to our schedule. There is a weekly meeting on the project and we certainly do not think we are going to have any problems with production. We are working not to.

So, we really believe that everything is going to take place within normal. We do not even take this possibility into consideration. We analyzed all the companies that had problems with it and we were fortunate to have partners that use the same system and they are also helping us a lot.

So, we really took all measures that we possibly could, using previous experiences not to have any kind of problems. And we believe we are going to have everything happening within planned.

Matias Dieterich:

OK. Thank you.

Operator:

Thank you. Since there are no further questions, I am going to turn it over to Mr. Astor for his final considerations.

Astor Schmitt:

Well, I would like in this end of our conference call to once more thank you for your participation and attention. And to say that we are very happy with the number of people that were with us. This is a safe indicator that the Company raises interest in the market, and within 90 days we are going to be back in a new conference call, bringing certainly good results for the 3Q10.

Thank you and see you next time.

Operator:

Randon's conference call is now closed. We thank you for your participation, and have a nice afternoon. Thank you.

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