

Operator:

Good morning. Welcome to the conference call of Randon to announce the results of the 2Q13.

Today with us we have Mr. David Abramo Randon, CEO, Geraldo Santa Catharina, CFO and IRO, and Hemerson Fernando de Souza, Planning and Investor Relations Manager.

We would like to inform that this conference call is being recorded and simultaneously translated, and during the Company's presentation all participants will be connected in listen-only mode. Then, we are going to start a Q&A session only for analysts and investors, when further instructions will be provided. Should anyone need assistance during this conference call, please request the help of an operator by pressing *0.

The audio and the presentation of slides will be simultaneously available at the Internet at www.randon.com.br/ir.

We would also like to clarify that forward-looking statements made during this conference call, pertaining to Randon's business prospects, financial, and operational goals and targets, are assumptions and beliefs of the Company's management and are based on information currently available. They involve risks and uncertainties, because they refer to future events and therefore depends on circumstances that may or may not happen.

Investors should understand that general economic conditions, industry conditions, and other operating factors may affect the future performance of Randon and, therefore, lead to results that are materially different from such forward-looking statements.

Now, I would like to turn the conference over to Mr. Geraldo Santa Catharina, who is going to begin the conference. Please, Mr. Santa Catharina, you may start.

Geraldo Santa Catharina:

Good morning, ladies and gentlemen. It is a satisfaction for us to be here to present Randon's performance for the 2Q13 and the 1H13. And today we will have the presence of Mr. David Randon, our CEO, and also the usual presence of Hemerson Fernando de Sousa, who is the manager of Planning and Investor Relations. We want to present the highlights, a general overview of the market, financial and operational results in the 2Q13, the behavior of the capitals market, outlook, and then we are going to close with potential questions.

So, I would like to invite you all to move to our next slides, with the highlights of the period. Starting with the presentation on slide four, you can see some highlight numbers for this period. So, the growth revenue for the 2Q13 was R\$1.7 billion, representing a growth of 22.2% as compared to the 2Q12. The consolidated net revenue of the quarter totaled R\$1.1 billion with a growth of 19.8% as compared to the 2Q12, so this is a good performance in the segment of commercial vehicles.

As for its total, R\$62.2 million in a quarter, a drop of 12.6% as compared to the same quarter last year. We came to the end of the period with a gross margin of 25.1% in contrast with 20.5% in the 2Q12. The EBITDA margin went from 7.5% in the 2Q12 to 14.3% at the end of the

2Q13, with an increase of 6.8 p.p. as comparing quarter on quarter; maybe the most significant performance. EBITDA totaled R\$1.51 million, a considerable evolution of 129.3% comparing quarter on quarter. We have had a recomposition of the generation of cash, better production, and therefore we are driving the Company closer to its objective of recovering its historical margin.

Net income totaled R\$68.9 million in the 2Q13; in the same period last year the loss was R\$4.7 million. The Company invested R\$38.3 million in the 2Q13, with a reduction of 33.2% as compared to the 2Q12, in compliance with its guidance. As to the capitals market, in the 1H13 the Company had an average daily business volume of R\$13.7 million, as compared to R\$9.9 million in the same period of 2012.

Now, we are going to give more details about each of these indicators. I would like to invite you to move on to slide number five, and we are going to provide you with general market overview. So, the current Brazilian agricultural crop is mentioned to be the best in history, investments in civil construction and infrastructure and a growth in family income promoted an additional demand in investments related transportation. Moreover, incentives related to funding, loans, have contributed for a business community to recover its confidence in the industry. The Brazilian market sold 1.8 million cars, light commercial vehicles, buses, and trucks in the 1H13. The volume exceeded in 4.8% the 1.7 million units in the 1H12, according to ANFAVEA's letter. The Brazilian auto production had an increase of 18.1%, as compared to the 1Q12, going from 1.6 million units produced to 1.9 million units produced.

So, the highlight in this quarter in the manufacturing of trucks, which in the 1Q12 was 62,463 units and went to 95,268 units this year, with a growth of 52.5%. However, we are working with the hypothesis of a stabilization in the pace of activities over the coming months. Domestic economy has been showing a few signs of slowdown, and the recently increases in the basic interest rates are a signal of a reduction in the level of investments.

Now on slide number six, we will focus on operational results and physical sales per segment. If you look in line with the production of trucks, the sales in the segment of auto parts in the 2Q13 and 1H13 has presented a significant recovery as compared to the same period last year. The main highlight was the sale of Company system, which in the 2Q13 was 29,787 units, representing a growth of 56.4% as compared to the same period last year. The sale of friction materials did not have a relevant variation, because it was affected less aggressively by the transition of the modern models Euro 3 to Euro 5 occurred in 2012.

In revenue from towed vehicles, in the 1H it was 11,804 units, 23.9% superior to the same period of 2012, as part of the families of trailers and semi-trailers with tanks and refrigerated trucks. There was no production and sale of rail wagons in this quarter. As everyone knows, the market is very much concentrated on customers, and this year especially, when the exports of commodities dropped, it also affected the needs for fleet renewal.

In the next slide, you can see the net revenue per business segment. If you look at the table, you can see a balance in the production of vehicles, trailers, and semi-trailers, if we compare the 2Q13 to the 2Q12, with a growth of 0.93 p.p. in the period. In auto parts, we are still able and the environment production that auto parts division is going through is

sustainable, even with a more stable scenario in the production of commercial vehicles along the year.

Now on slide number eight, you can see exports. If we compare quarter on quarter, sales as to overseas market had a reduction of 12.6%. In the 2Q13, exports totaled U\$62 million as compared to U\$71 million last year. In the 1H13, exports presented a drop of 6.3%, as compared to the same period in 2012, totaling US\$117 million. For the coming quarters, we are expecting a growth in exports, as a result of devaluation of Reais and a favorable environment for the exchange rate. Mercosul and Chile, along with NAFTA are still the same destinations for our exports.

Now, talking about financial results, starting on slide number nine. Here you can see the total growth revenue that reached R\$1.66 billion in the 2Q13, a growth of 22.2% as compared to the same period in the previous year. If we compare half year on half year, the total gross revenue reached R\$3.18 billion, with a growth of 27.5%, as compared to the 1H12. The consolidated net revenue in a quarter totaled R\$1.1 billion, 19.8% superior to the R\$884 million of the 2Q12. If we compare the two years, there was a growth of 25.7%, reaching R\$2 billion in the period.

Now, moving on to slide number ten, you can see the behavior of our gross profit and gross margin, and also the CPV. So, our gross profit grew 46.7% comparing the two quarters, totaling R\$255 million. And in the half year, the gross income reached R\$490.3 million, a growth of 42.9%, as compared to the same period in the previous year. The gross margin had a better performance than revenue, it went from 20.5% in the 2Q12 to 25.1% in the 2Q13, a growth of 4.6 p.p. If we compare half year with half year, the growth in the gross margin was 2.9 p.p. The chart of the consolidated composition of CPV shows that the main item is raw materials, that accounted for 78.5% of the total cogs in the quarter. We understand the distribution of cogs is an evidence of the Company's efforts to recover its historical levels in terms of exposure each one of the items in its share, as compared to the next revenue.

Here on the next slide, we are going to see EBITDA and EBITDA margin. And we had a growth of 129%, as compared to the same period last year, reaching R\$151 million, as compared to R\$55.9 million of the 2Q12. EBITDA margin closed the 2Q13 at 14.3%, as compared to 7.3% margin in the 2Q12, therefore 6.8 p.p. above the previous period, an exponential growth regarding EBITDA margin. The 1H13 EBITDA grew 106.8%, totaling R\$270.6 million, with a margin of 13.3%, as compared to 8.1%, comparing quarter on quarter, a growth of 5.2 p.p. So, the performance in the half-year was also high and better than the revenue. The recomposition of the growth generation of cash is associated to improvements in the market, as mentioned before, allowing a greater dilution of fixed costs, scale gains through a higher volume of sales and production, and therefore driving the Company closer to its objective of recovering its historical EBITDA margin.

On the next slide, you see the net income and it reached R\$68.9 million as compared to the 2Q12. The percentage of the margin is 6.5% in this quarter, as compared to -0.5% in the same quarter in 2012, and therefore reversed the final results, going back to historical levels of the past ten years. If we compare half year on half year, net income totaled R\$108.6 million, with a growth of 671.9%, with a margin of 5.3% as compared to 0.9% in the previous period. The evolution of net income, if you compare quarter on quarter, represents the effort that

the Company has been making in order to recover its profitability, after a difficult year in 2012.

On slide number 13, you can see our consolidated results statement per segment with the main numbers that have been discussed for you to look into more detail after the presentation. On the whole, we can see that the Company's results are sustainable along time, we still have a few things to do, because the evolution in the area of vehicles, trailers, and semi-trailers was more intense than the evolution in auto parts, which has not suffered so much in the previous period because of less pressure on prices.

On slide number 13 we can see our financial results consolidated per segment, and its income on net revenue and gross profits, EBITDA, and net income, so you can see here all the numbers to see the performance of each segment per quarter, and you can see quite a stable and consistent evolution of all our indicators.

Now, talking a little bit about investments, and moving on to slide number 15, you can see the evolution we have had in this indicator in Randon companies. So, in the 2H12, investments totaled R\$38.3 million, a drop of 33.2% as compared to the same period of last year. Comparing half year and half year, there was a reduction of 54.8%, going from R\$155.1 million in the 1H12 to R\$70.2 million in the 1H13. We should say that this is totally in line to the guidance that we announced to the market does not compromise the Company's production capacity forecast for this period. This year, we are having a more conservative behavior towards our investments, savoring the positive free cash flow, because we already have an installed capacity that is available, as I said before. Right below, you can see the variation of our net equity over the past five years, with a growth of 10.85%, totaling R\$1.4 billion in 2012, and R\$1.4 billion in the 1H13, with a 10.2% return on equity in that period. So, the 10.85% obviously refers to the half year.

On slide number 16, you can see the gross debt breakdown, another point that is very important for the Company. This quarter and in the 1H13 we had a net debt that we consider to be under control. In the 1H13, the debt totaled 2.2x, 24% in foreign currency, 76% in domestic currency, and if we compare this with our foreign currency, there is a balance in terms of currency, which is quite natural. Net debt in the 1H13 totaled 1.2x the EBITDA of the same period. If we compare to the same period in 2007 it was R\$718 million and 1.94x. There is a trend towards reduction of this ratio, and we evolve in generating EBITDA. Obviously, we should highlight that part of the net debt consolidated for the Company, R\$177.3 million, refers to the financial activities of Randon Bank and its financial operations. If we discount this net indebtedness consolidated for manufacturing operations would be in the range of R\$629 million, with a multiple of 1.43x, so it is a conservative number.

On slide number 17, a few considerations about our performance in the capitals market, and you can see that comparing the closing of 2012 and the 1H13, our preferential shares have had a devaluation of 4.96%, and in June 30th, 2013 our preferential shares were priced at R\$12.06 per share. In the same period, Bovespa index dropped 22.1%, so it was considerably better than the general Bovespa index. Over this period, 136.6 million preferential shares were traded in 316,000 businesses in the stock market in BM&FBOVESPA. So, in this quarter the Company has had a daily average volume of business of 13.7 million, as compared to 12 million in 2012.

Now, on slide number 18, we are confirming our guidance for 2013, there is no reason for us to make any changes right now, we are confirming our original guidance. So, we keep our guidance of R\$6 billion for gross revenue, R\$4.1 billion for consolidated net revenue, R\$300 million for exports. There is a slight change, a challenge for the 2H13, there is a devaluation on the exchange rate, revenue generated overseas is still US\$92 million, imports US\$120 million, and organic investments remain at R\$130 million. And obviously we need to include here the novelty after we close our quarter regarding the acquisition of 50% interest of Suspensys and that US\$195 million. So, our indebtedness certainly in the month of July will be leveraged by this value. But this will be shown after we close the current quarter. These indicators are validated in the design of Randon's strategic planning and they are related to the assessment of the macroeconomic scenario, both domestically and with the countries with which we have business relations, and also the automotive industry as a whole.

So, right now I am closing the presentation of the main performance indicators. I turn it over to Mr. Randon, our CEO, for him to talk about the future prospects for the Company.

David Abramo Randon:

Ladies and gentlemen, good morning. I am very happy to be able to take part in this conference call, right now, that our businesses are going back to our historical levels, with a good performance and good demand signs.

On slide number 19, I would like you to look about our outlook, even though the overall economy is not at the level we would like it to be, our performance this year is superior to last year. Moreover, the GDP of the primary segment of the economy, specially our agriculture, has reached the best levels in our history. So, we are expecting to close the year 185 million ton in the national production of grain. We have a good order book in terms of towed vehicles, which guarantees demand for the coming months. However, we are expecting a slowdown in the phase of production of trucks, from now to the end of the year. However, these numbers are not yet available to the market in the publications of the association of manufacturers of vehicles.

So, more specifically, last week we advanced in the acquisition, as a minority shareholder, of Suspensys. Now it is 100% Randon, and its financial performance will be consolidated into our financial statements. We are very happy with the opportunities that we will be able to explore over the coming few years with this acquisition.

Before opening for questions, we would like to address some recurring questions, made often to our Investor Relations area. On slide number 20, you can see a quite frequent question: "Which is Randon's capacity to keep the good pace of performance of this 1H year and the 2H or the year, considering a weaker GDP?"

We have a good book of orders in terms of towed vehicles, and stability in the market of commercial vehicles. These production levels promote gains in efficiency, productivity, and dilution of fixed cost. Just to remind you, we have some incentives in effect until the end of the year, such as loans and tax exemptions.

Now, on slide number 21, you can see the results of negotiations between the association of employers and the workers, and our collective agreement was an adjustment of 9.5% as

of June, above the inflation of the period of 6.7%. Moreover, some social clauses have also been adjusted such as a reduction in transportation, basis salaries, and others.

If you look at slide number 22, we are making a few comments about our expansion and development plan, encompassing the period from 2012 to 2016. We reinforce that our ambition remains the same, we still have a plan to expand our businesses, sustainably, good profitability, and still focusing on commercial vehicles and auto parts. The investments we have made last year in our acquisitions, and we can mention Randon Brantech, Freios Controil, and Suspensys, as well as the investments on the new plant in Resende and the announcement of a new plant in Araraquara, they are all part of this strategic plan.

Of course, the poor performance in 2012 needs to be taken into account, but we are committed to providing a continuously updated outlook with respect to these issues, as we always do with any other issue.

I would like now to close our presentation and to thank you all for your attention. Now we can open for our Q&A session where I, Geraldo, and Hemerson will be available to answer your questions. Thank you very much.

Lucas Marchiori, Banco Safra:

Good morning, everyone. First, congratulations on your results. I have two questions. The first one is, insisting on exports, and considering your intention in raising exports so as to reach your goals, so both in terms of products, how are you going to accelerate exports?

And still in regards to exports, what is the process of development of the integration of Suspensys that has been recently acquired? Secondly, what is the development in the sector of refrigerated car?

Geraldo Santa Catharina:

I am going to start talking about exports and the three of us can say different things. In the case of exports, we have had some difficulties in the beginning of the year, especially in NAFTA in terms of auto parts, in Europe and in other regions, because we have a weak exchange rate, or rather because it was too strong. So, we were losing some businesses in net margin, we were selling at cost prices just to assure the market with the exchange rate of today, so we can recover that region and also, there will be an additional effort in the regions of Mercosul and Africa, to give more priority to exports, so that we can get very closer, much closer to our guidance.

So, having such a strong portfolio in the domestic market, we are expecting to have very large orders and to do something, a maneuvering in the foreign markets without neglecting it, obviously. But we might have some difficulty in reaching the R\$300 million plus, but in Reais, I think we will get there.

This is what I have to say about exports. About the developments of Suspensys, I am going to ask Mr. Randon to answer, Lucas.

David Abramo Randon:

Good morning. Actually, Lucas, the integration of Suspensys, and considering that we acquired the other 49%, today it is 100% Randon, when we had our partners we had some meditation in terms of our operation areas. So, in summary, when our partner was with us, we could not go to other markets, except South America. So, one of negotiations, and the interest of this acquisition is that we saw major potential to expand to other markets beyond South America, other countries. Just as an example, Africa and other markets where we can work. So, this was our intention, and we are aware that we are facing a major challenge, but we are already working towards there.

Now, Hemerson is going to answer.

Hemerson Fernando de Souza:

Lucas, good morning. Thank you all who are listening to us. Actually, the sector of refrigerated car has been showing more relevance than we assigned to it in the past. It is not that we did not assign any importance to it, but we had a limited production capacity. Now, with a good market, we can have it in the market, we have gained market share, and this is one of the lines that have indeed driven demand over the past two years.

Today we have quite a robust portfolio, slightly above the average for other lines in the market, and we are happy with the possibility of being able to increase our production capacity. Just out of curiosity, we have transferred all production lines in Caxias do Sul to Santa Catarina in Brantech unit, and now we will be offering slightly bigger capacity than we had until then. And we have quite good production capacity in terms of refrigerated trucks.

Fernando Leitão, Hoya:

Good morning, gentlemen. Thank you for the call, and congratulations on your performance. Even though 2012 was weaker, the objective is to optimize margins and to improve one more, and you are still thinking about that objective. I would like to ask you two questions. First, right in the beginning of this presentation you said that you had the intention of going back to your historical EBITDA margin. So, what is the historical EBITDA margin? Could you remind us?

The other question, specialty vehicle, what is the market for specialty vehicle? And if you allow me a third question, how much does Randon depend today in the agricultural industry? Thank you all very much.

Geraldo Santa Catharina:

OK. So again, we are going to try to answer, we will help each other in answering. We have been talking over and over about historical margins as a way to help analysts to understand our industry, because it is kind of complex. The history of the past ten years is 14% to 17%. I usually say that in our strategic mission, our minimum is 15% as a target and objective, we know that in manufacturing, industries such as ours, EBITDA is a difficult number, so 14% in the last quarter, we know that we have reached the historical margin, its low level.

And there have been many factors that have contributed for us to reach that. This is not usual. So, in answering objectively, something between 14% and 15% is a good EBITDA margin for the Brazilian market, for the structure Randon has today.

In terms of specialty vehicles, David and Hemerson will answer.

Hemerson Fernando de Souza:

Well, first I will talk about the agricultural crop. So, the crop in agriculture is not important in terms of which products we design for the agricultural transportation, but the whole industry is a driver of local economies. So, we also factors manufacturing industry. If you look at Randon, especially trailers, towed vehicles, about 30% of what we sell is directly related to grains.

So, when you think in terms of ethanol, biofuel production and other industries that are somehow related to agriculture, this will go up to 40%. If we add production or products related to mining and then we increase it more, and we have 50% dedicated to the primary sector. So, this is similar.

So, the agricultural segment is very important. In addition to that importance is also a driver of confidence. If we have, the agricultural sector has a poor performance, it also affects the confidence in other sectors of the economy. It is not just sales in itself, but also the confidence it conveys to the rest of the market.

David Abramo Randon:

Fernando, hi. With regards to specialty vehicles, there are two aspects: one is related to mining, and the other are the off road trucks, which we call 30, 70 and 100 tons, trucks, and the part of excavators. For off road trucks, the market has dropped this period. On the side of excavators, in addition to having selling very good sales to the Ministry. It is a market more stable, more constant.

So, if I understood your question as you asked, this market is good. Of course, the numbers do not show reality, and with the sales to the Ministries, there are still many products that are waiting the Federal Government to say OK, to buy. Our yard is full of products, so the 3Q and 4Q the industry of vehicles, trucks, machinery, and excavators will have a performance that will be slightly better than we have had over the past few quarters. Thank you very much.

Fernando Leitão:

Thank you very much.

Rogério Araujo, Brasil Rural:

I have two questions. The first one: what is the behavior of the order portfolio over the past two months, as compared to the last conference call? Have you increased it in numbers of months? What is the current status, any of the orders? Are people cancelling orders because

of uncertainties in the market? Could you share with us a little bit more detail about your book of orders?

And in terms of auto parts, you are close to historical records in terms of agricultural production, how do you expect it for the future and how collective agreement should impact?

Hemerson Fernando de Souza:

Rogério, I am going to answer the first part. It is interesting to see that, along this year, the orders have not changed. This is interesting to measure new customers. Of course internally, at Randon, this is a number that we cannot publicly disclose, and it is an important piece of information and we can say that. So, if you have room, lots of energy room to grow, and last month we have seen something similar of the past few months.

We have not detected levels of cancellations that will lead us to any concern. Obviously, our products portfolio is between five and six months. It is a portfolio.

Rogério Araujo:

Do you have any guarantees?

Hemerson Fernando de Souza:

Yes, we do. We have the sale agreements, and this is a guarantee, but those at the point are customers and they are very powerful, and sometimes for one or another problem we need to preserve relationship with our customer.

So, it has happened before, like in 2008 there were cancellations, some people cancelled because of the global economic crisis. And if anything like that was happening today, a certain part of our portfolio could go away, but there is nothing in our radar showing a more difficult scenario. And if this happens, this is not going to be something isolated, just for our company, but will be something more widespread in the market.

We are very happy with our current book of orders and production. We think this is sustainable. The issue of auto parts with an 18% EBITDA margin really is a margin that really encourages us to continue more and more in the segment. There are good things ahead, for example the performance of trucks in June and July already announced by the industry was superior to what we were expecting. If this trend of exceeding expectations that were in our budget, which were considerably more budgets, if this behavior continues there will be volumes which will not be smaller, with 90% capacity in our manufacturing plant.

There is some contributions because of the increase in the exchange rate, favoring exports. This is the advantage. On the downside, obviously cost pressure is something permanent and labor affects especially the 2H13. It affects overall 10% of our cost composition for Randon as a whole, and the concern does not lie on the labor share in Randon. It lies on the whole chain, so we have peers one, two, three who also depend on our suppliers and they need to have good projects qualified with good prices and good labor, and there will be increases in labor prices across our chain, and this is slightly a problem.

The other thing is related to input, especially those related to the steel industry, that in one way or another the information we have been getting from the market are information of cost pressure, and cost pressure quite above inflation levels of 6%. So, with all this set to information you find work to estimate or to give you a perception.

Well, in terms of volume, we can keep it until December. Margin will be slightly more difficult in the auto parts industry, even because the creation of Suspensys in Resende still needs some maturation period. So, this is important component in Suspensys, which is important in the Company as a whole.

So, one way or another, I think we have reached a very significant level of margin in the 1H13. And I cannot say that we are going to be able to keep this. On the other hand, I would like to complement that there is Fabre, one of our subsidiaries, they are going through an exceptional moment. Fabre exports a significant part of its sales, it is a publicly traded company, its EBITDA margin grew very much in the past year because of that, and this appears in the consolidation of our auto parts numbers, and this is also one of the factors that have been helping us to keep performance in the levels we have been having.

And in complementing what Geraldo said, it is possible for us to see equivalent numbers or not such great variation. But just complementing, Castertech, even though it does not represent so much as a whole, it is been having a quite interesting behavior of recovery and generation of results and margin, and casting margin is traditionally higher. So, it may lead to a certain level that it is working, with a capacity of 30,000 ton, and it is very close to that.

Rogério Araujo:

OK, it is very clear. Thank you all very much.

Operator:

Thank you. If there are no further questions, I would like to turn it over to Mr. David Randon for his closing remarks. Please, Mr. Randon.

David Abramo Randon:

Once again, I would like to thank you all for your attendance. Once again, I would like to say that we are available; if you have any questions to ask us, please get in touch directly with our Investor Relations area to ask any questions you may have.

We are having our conference call from São Paulo, and this morning we had also our APIMEC meeting, with a good audience and participation. Next Monday, on August 12th, at 6:30 p.m. we are going to have our presentation in Porto Alegre. We extend our invitation to those listening to us and who wants to participate.

So once again, I would like to thank you all very much and see you next time. Thank you.

Operator:



The conference call announcing the results of the 2Q13 for Randon is now over. We thank you all very much and have a good afternoon.

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