



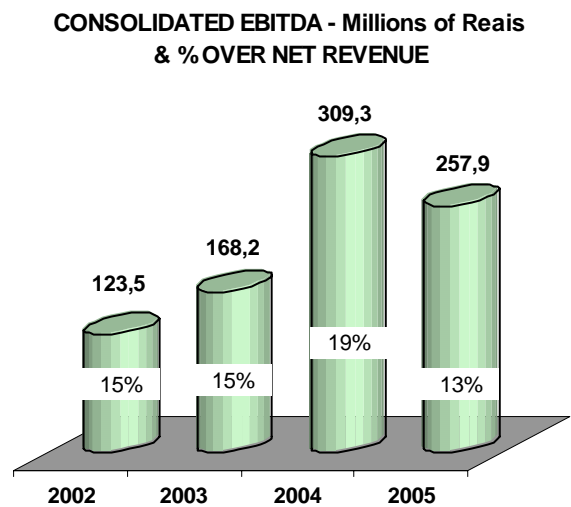
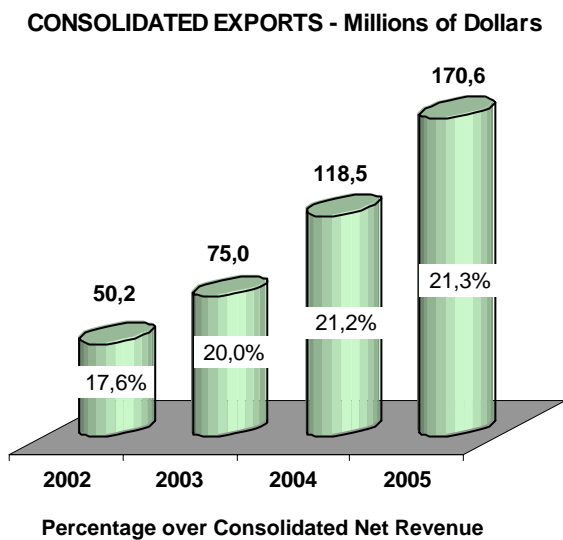
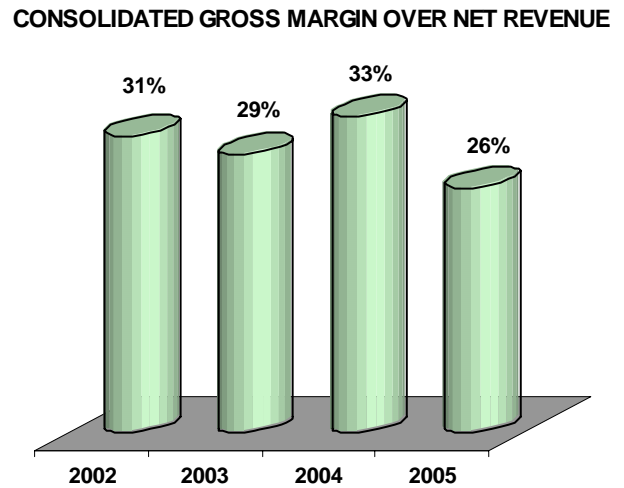
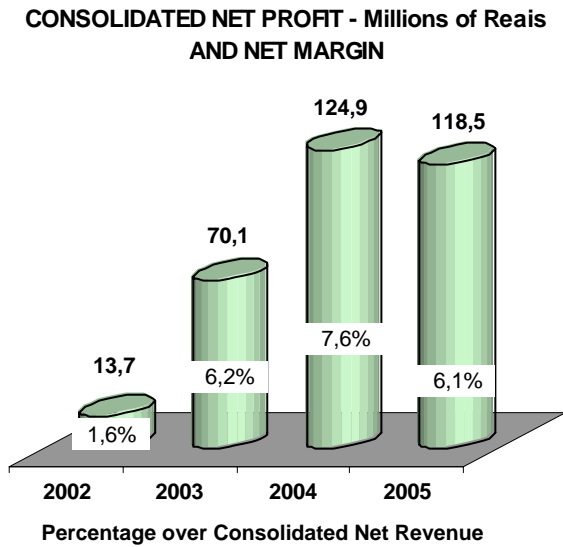
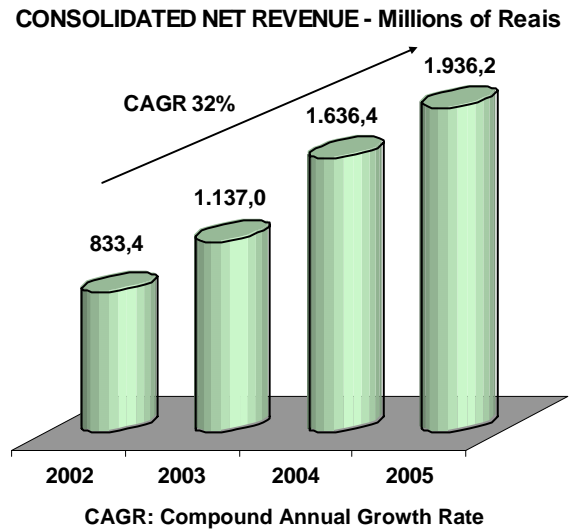
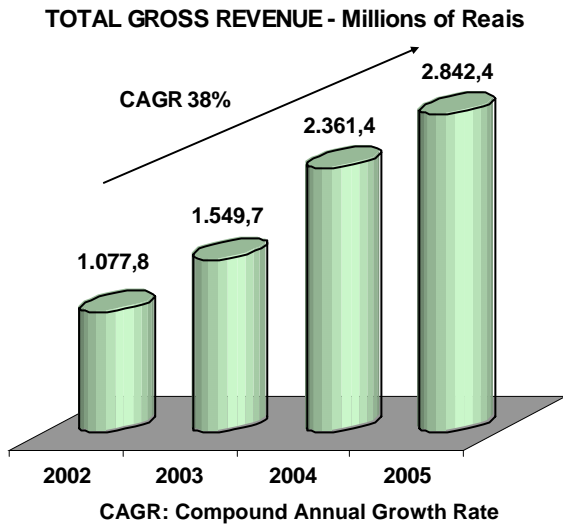
ANNUAL REPORT /2005

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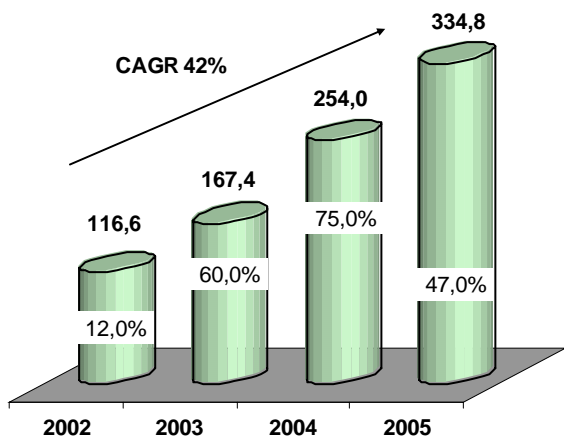
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PERFORMANCE INDICATORS - EVOLUTION

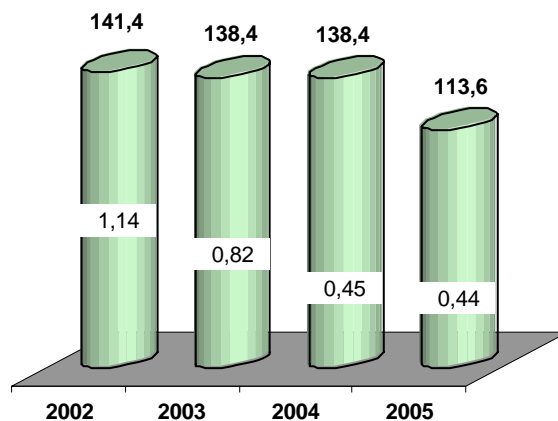
Randon S.A. Implementos e Participações – Consolidated



CONSOLIDATED NET EQUITY - Millions of Reais and ROE



CONSOLIDATED NET BANK INDEBTEDNESS - Millions of Reais and OVER EBITDA



ROE: Return on Equity over Net Equity (Net Profit/Net Equity)

CAGR: Compound Annual Growth Rate

MESSAGE FROM THE CHAIRMAN

Dear shareholders,

Below we present the Annual Report and Financial Statements of Randon Companies, both individually and consolidated, along with the Opinions of the Independent Auditors and Audit Board, all relative to the fiscal year ended on December 31, 2005. We consider the following information relevant:

We started 2005 confident that the positive path of 2004, our best year ever, would continue into 2005. On the other hand, we were aware of the macro-economic challenges we would have to face, as a result of high interest rates and the persistent overvaluation of the Real against the dollar.

Even under this scenario, we have managed to maintain our sales within the expected level, with results comparable to those of 2004. This is highly positive and shows us that our companies are following the right path, properly focused on their business, with a healthy diversification in products and markets, and correctly positioned to seek a more relevant market share in the international market.

2006 has shown positive signs in the sectorial and macroeconomic areas. If materialized, they will promote further expansion in the companies' activities and their results. This projection causes us to look at this year with renewed confidence to pursue and achieve our goals.

This continued process of growth and future projections will demand investments to maintain replace or modernize our current assets so as to preserve and increase our market share and improve our competitiveness.

We view the next years as years of growth and enhanced appreciation of Randon Companies. State-of-the-art technology, innovation, competitive products, market leadership and steady financial standing strengthen our activities in the social, community and environmental aspects, as we seek to address these issues with joyful and innovative people that work together to make Randon Companies sustainable.

As a complement to several programs in the social, educational, cultural and community areas, that have already been implemented in the company, we started, in 2005, the Qualifying Program. The Program aims at training young people in the technical and human areas through the Randon Center of Professional Education, in partnership with the FIERGS-SENAI system. The classes are given at the premises of Randon Companies.

As part of our plan to enhance our corporation, increase access to capital and contribute to make our companies sustainable, our growing best practices of Corporate Governance continued to stay focused on their goals. This has earned the companies public recognition: Randon Companies were considered, by *Agência Estado e Econômica*, the second best listed company in the country, to our true joy.

The many prizes and awards received by Randon Companies attest to the positive image they project to the public. Finally, we would like to thank our shareholders, customers and suppliers for their confidence in the **company**. We specially thank our employees for their performance and commitment to the success and sustainability of Randon Companies.

Caxias do Sul, March 2006.

CORPORATE OVERVIEW

Established in 1949, the conglomerate of Randon Companies operates, through its several companies, in the segments of road transport (trailers/ semi-trailers), railway (wagons) and off-road, as well as in auto parts and services. The complex consists of 8 companies, being Randon S/A - Implementos e Participações the controlling company. Additionally, there are seven directly-controlled companies: Fras-le S.A., Randon Argentina S.A., Randon Veículos Ltda., Randon Administradora de Consórcios Ltda., Master Sistemas Automotivos Ltda., Jost Brasil Sistemas Automotivos Ltda. and Suspensys Sistemas Automotivos Ltda.

The controlling interest is held by the Randon family through the holding Dramd Administração e Participações Ltda., which, together with its partners' individual interests, holds 41,2% of the total capital. The remaining 58,8% are distributed among 2,443 shareholders, both individual persons or legal entities.

Today, Randon is a global benchmark company with world-class strategic partners. It is included among the 100 Best Private Brazilian Companies and leads all segments operated by it, in addition to exporting to more than 100 countries. Randon is also part of Level 1 of Bovespa's Corporate Governance. All its shares are entitled to tag-along rights and are traded on BOVESPA (São Paulo Stock Exchange) under codes RAPT3 (common shares) and RAPT4 (preferred).

OPERATIONAL OVERVIEW

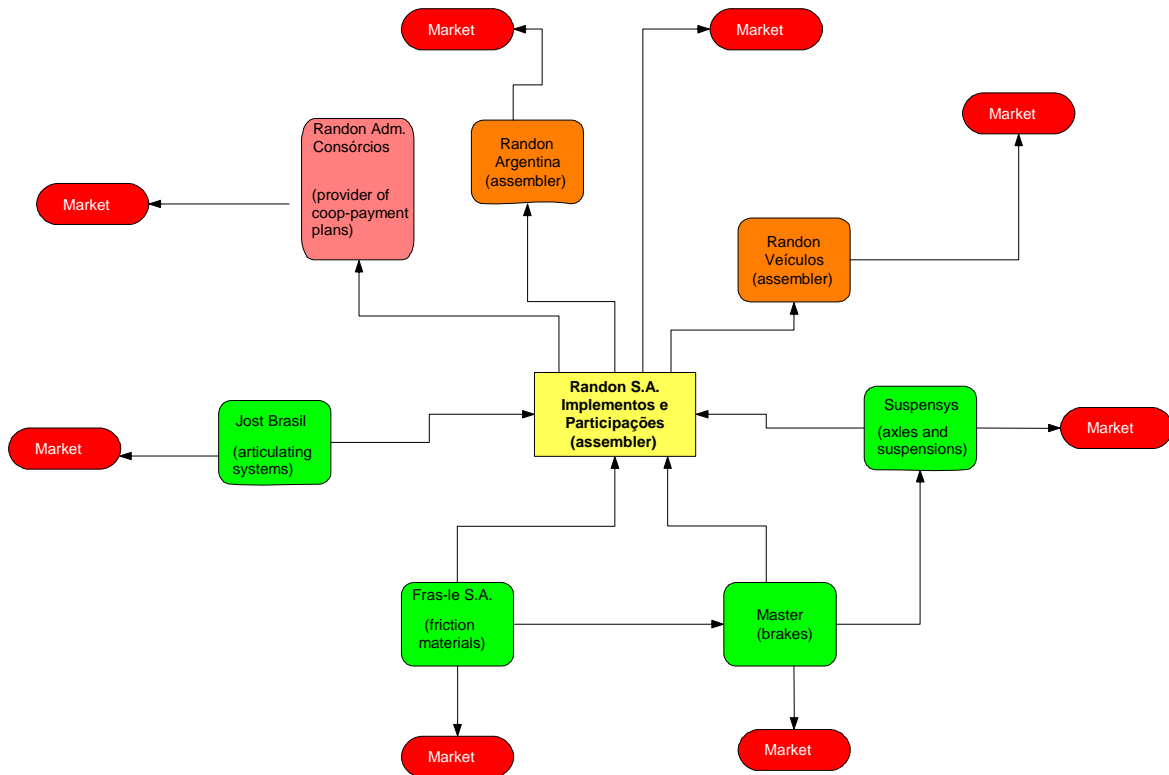
As a whole, Randon Companies produce one of the broadest portfolios of products for transport of cargo in the world, when compared to similar companies worldwide, operating in different modes: road, railroad, or off-road.

Randon Implementos (Road Equipment Division) produces trailers, semi-trailers, railway wagons and silos. Randon Veículos produces off-road trucks, forest equipment and backhoe loaders.

The production of auto parts and systems intends to meet the demand of Randon Implementos and Randon Veículos, in addition to acting as a system provider for the main OEM companies producing trucks, buses, trailers/ semi-trailers, and light commercial vehicles throughout the country. Randon provides systems for passenger, airway, waterway and railway vehicles. A relevant portion goes to the domestic aftermarket and to the foreign market as well, with both, brand-new products and spare parts for the aftermarket.

Fras-le produces brake linings and pads that become part of the brake sets produced by Master. The brake sets integrate the axles and suspensions produced by Suspensys. Jost produces articulating and coupling systems that connects the tractor-truck to the trailer. Lastly, Randon Consórcios markets and manages groups of coop-payment plans as a way to provide financing to the customers of finished products.

Business Chain



MAIN COMPANY'S CORNERSTONES

- I. Leading position in all domestic, strong brand image, ability to achieve profitability;
- II. Business model that benefits from the growth and development of Brazilian sectors and segments that are prominent in the world scenario – primary industry, mining, agribusiness and industrial sector;
- III. Investment requirements in transport logistics and infrastructure in Brazil as a way to eliminate bottlenecks in competitiveness, reduce the average age of road and railway fleets, and promote integration among the different transport modes;
- IV. Successful strategy in the “sattelized” integration of industrial activities, bringing about independence in the production of equipment and economy of sale. This allows the company to boost its sales of auto parts, what makes it one of the main Brazilian-owned industries in this segment;
- V. Successful strategy in going international through the creation of different joint-ventures with worldwide leading and prominent players. These world-class players have transferred technology and provided access to important markets where penetration would not have been easy otherwise. As a result, we have achieved an increased volume of sales in the foreign market that represents approximately 21% of our total sales;
- VI. Substantial degree of added value to products and cash flow generation, allowing the company to make investments in expansion and modernization. This results in low indebtedness if compared to other companies in the sector;

VII. Scope of the international market where the market share of our different segments is still small before the huge opportunities it offers and before the competitiveness level of Randon Companies.

GENERAL CONSOLIDATED PERFORMANCE 2005

Earnings

The total gross revenue (not excluding inter-company sales) reached R\$ 2,84 billion, a 20.4% increase over 2004. The net revenue before eliminations reached R\$ 2.24 billion, representing an increase of 18.7% over 2004. The consolidated net revenue amounted to R\$ 1,93 million, up 18.3% from 2004's amount.

Composition of the Consolidated Net Revenue JAN-DEC/2005

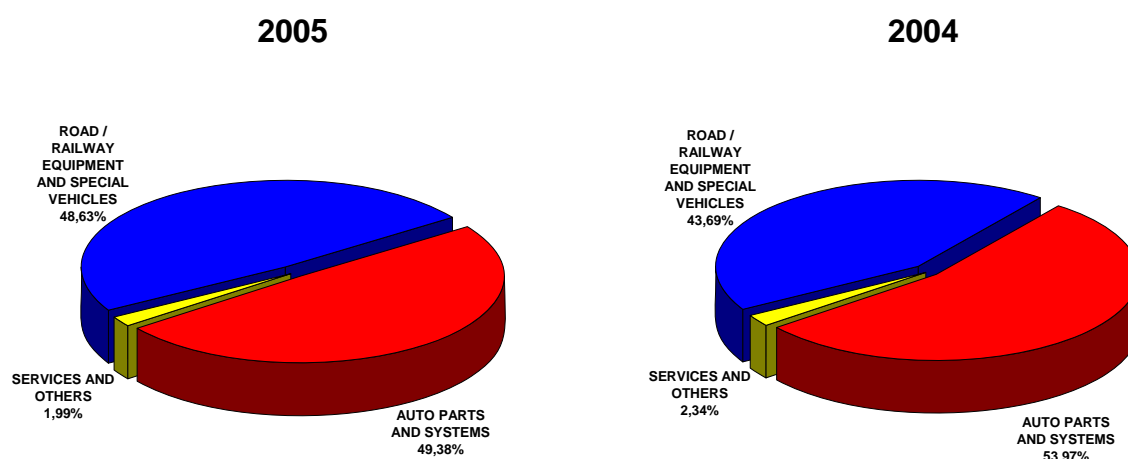
The inter-company sales represented 14% of the total net revenue, compared to 13% in the previous year.

In thousands of Reais

| COMPANIES | NET REVENUE | INTER COMPANY SALES | CONSOLIDATED NET REVENUE | % |
|--|------------------|---------------------|--------------------------|--------------|
| Randon S/A Implem. e Participações (Controlling) | 889.890 | 60.291 | 829.599 | 42,8 |
| Master Sistemas Automotivos Ltda | 260.026 | 49.985 | 210.041 | 10,8 |
| Randon Veículos Ltda | 79.513 | (127) | 79.640 | 4,1 |
| Fras-Le S/A (Consolidated) | 373.642 | 19.242 | 354.400 | 18,3 |
| Jost do Brasil Ltda | 124.366 | 38.029 | 86.337 | 4,5 |
| Suspensys Sistemas Automotivos Ltda | 445.041 | 139.703 | 305.338 | 15,8 |
| Randon Adm. Consórcios Ltda | 38.479 | 0 | 38.479 | 2,0 |
| Randon Argentina S/A | 32.871 | 562 | 32.309 | 1,7 |
| Randon Middle East | 47 | 47 | 0 | 0,0 |
| TOTAL: | 2.243.875 | 307.733 | 1.936.143 | 100,0 |

Income Distribution per Segment

Increased exports of road equipment and a good performance in the sales of railway wagons and products not connected to the agribusiness raised the participation of this segment in the total income, compared to 2004.



Net Result

The company generated a consolidated net profit of R\$ 118,5 million in the fiscal year, a decrease of 5.1% from 2004's record profit of R\$ 124,9 million. This represented a net margin of 6.1% against 7.6% in the previous year.

Gross Margin

The consolidated gross profit ended the year with 25,6% of the net income, or R\$ 495,0 million, a decrease of 7.4% compared to the same period in 2004, when the consolidated gross profit reached 534,6 million, or 33% of the consolidated net profit.

The main factors responsible for this decline in the gross margin in 2005 were: Overvalued Real against the Dollar, increased costs of steel and iron that continued into early 2005, change in the products mix, and more flexible commercial practices to regain market share in the area of road equipment.

The fiscal year ended with signs indicating a decline in the cost of some materials, international prices regaining their price levels mainly in auto parts, and reduced domestic interest rate. We expect these elements to continue so that we can increasingly achieve the margins we projected for 2006.

EBITDA

The EBITDA (gross cash generation) totaled R\$ 257,9 million, or 13.3% over the net income of the period, whereas in 2004 the EBITDA totaled R\$ 309,3 million, or 18.9% over the net income.

Overhead Expenses

Overhead expenses decreased from 14.8% over the consolidated net income in 2004 to 13.4% in 2005. On the other hand, there was a nominal increase from R\$ 242,6 million in the accrued amount of 2004 to R\$ 260,0 million in 2005, mainly due to sales expenses such as commissions, freight and others, that are proportional to the volume of sales. Also important in the period were an increase in the price of sea freight and changes in the Argentinean law. Now vehicles/ products cannot be driven to their final destination, as they used to, but must be shipped through a trucking company which will deliver them to the customer at higher costs. This holds true for all products heading to Argentina or that eventually have to go through Argentina to reach other neighboring countries.

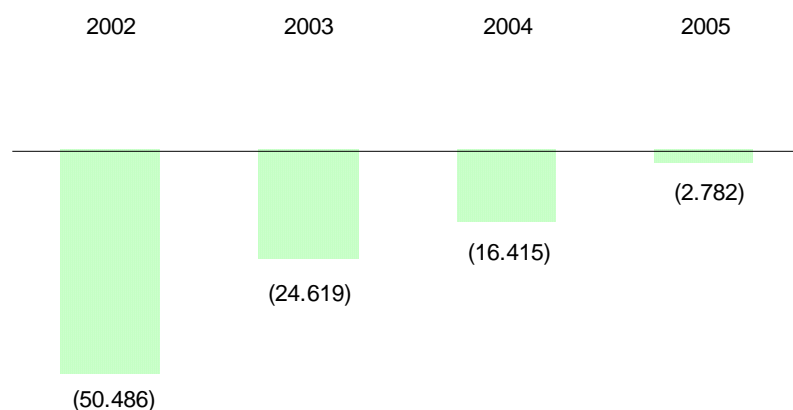
Financial Result

The consolidated net financial expenses (income less expenses) decreased significantly, going from R\$ 16,4 million in 2004 to R\$ 2,8 million in 2005 (a 83% reduction).

The main measures taken in the fiscal year were:

- Reduction of investments planned for 2005;
- Strong measures to reduce inventory levels such as production halts with the time off compensated at a later time;
- Utilization of lower-cost-financing lines for investments and working capital;
- Fiscal advantages brought by the payment of interest on Own Capital and consequent reduction in the tax calculation basis;
- Utilization of hedge mechanisms to guarantee export margins and eliminate the effects of exchange rate variation.

Net Financial Result – In thousands of Reais



The bank net indebtedness dropped from R\$ 138,4 million in December 2004 to R\$ 113,6 million in 2005, the same as one multiple of 0.44 of EBITDA;

The main hedge operations carried out during the year were:

- Fras-le S.A.- US\$ 20 million in forward dollar sales operations, called NDF (NON-DELIVERABLE FORWARD), in monthly installments due from July 2005 to February 2006 (average exchange rate: R\$ 2,9826);
- Randon S/A.-Implementos e Participações – sale of forward dollars (NDF) – US\$ 7,0 million, in monthly installments due from July 2005 to January 2006 (average exchange rate: R\$ 2,9645);
- Fras-le S/A - sales operation option of forward dollars called ZERO COST COLLAR” in the total of US\$ 21 million, with due dates distributed from January to December 2006. The average exchange rate was R\$ 2,39 in the lower band and R\$ 2,51 in the upper band;
- Randon S/A.- Implementos e Participações – forward dollar sales operation (NDF) of US\$ 13 million distributed from January 2006 to January 2007 (average exchange rate: R\$ 2.47).

General Performance Chart

| Consolidated (In thousands of Reais) | 2005 | 2004 | Var. % |
|--|-----------|-----------|--------|
| Total Gross Revenue - without eliminations | 2.842.420 | 2.361.387 | 20,4 |
| Total Consolidated Net Revenue | 1.936.143 | 1.636.290 | 18,3 |
| Net Profit | 118.488 | 124.879 | (5,1) |
| Gross Profit | 494.978 | 534.586 | (7,4) |
| Own Operating Profit -EBIT | 217.584 | 275.896 | (21,1) |
| EBITDA | 257.920 | 309.332 | (16,6) |
| Net Financial Indebtedness | 113.636 | 138.445 | (17,9) |
| Net Financial Result (Financial Earnings - Financial Expenses) | (2.782) | (16.415) | 83,1 |
| Overhead Expenses | (259.971) | (242.588) | 7,2 |
| Profit per Share (In Reais) | 0,79 | 0,83 | (5,2) |

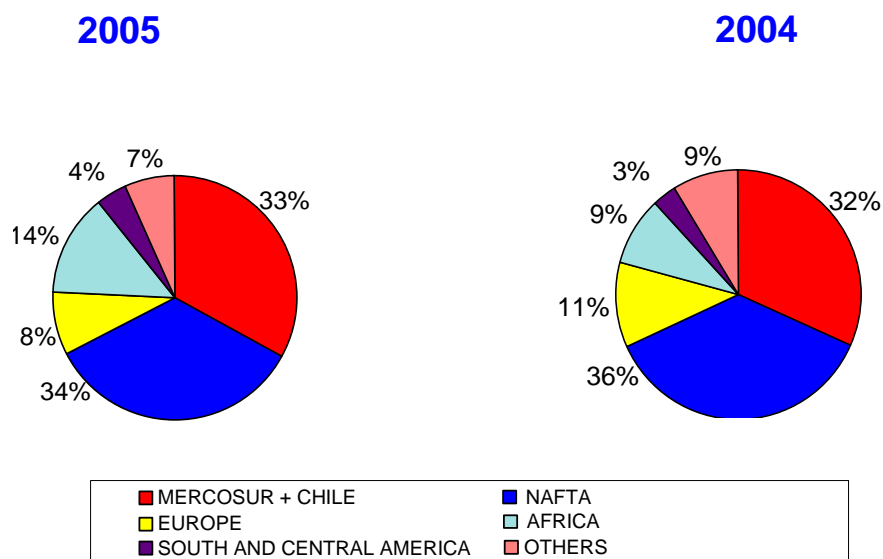
Exports

The consolidated exports reached US\$ 170,6 million in 2005, a 43.9% increase over 2004. The remarkable performance of exports in the last five years is the result of a project initiated in the 1970s by Randon Companies to boost exports. The strategies developed to this end include: international partnerships (ArvinMeritor, Jost); manufacturing bases (Argentina); opening of branches (Dubai – The Arab Emirates); appointment of representatives and distributors; setup of sales offices (Chile, Germany, Mexico, United States); creation of distribution centers (Argentina, United States), and partnerships for product assembly in CKD (Morocco, Algeria and Kenya), initiated in 2005. In this latter case, Randon sells products to a local manufacturer that assembles them, adds local materials/ parts and distributes them. On the other hand, Randon provides technical support and training, including technical visits in loco. This model has been chosen as a way to reduce the high costs related to international logistics that make long-distance transport of finished products impractical. Additionally and very important is the knowledge that these companies have about the local market and culture, as well as the possibility of benefiting from the aggregation of local material/ parts.

Despite the impressive growth of exports in the last five years, the market share held by Randon in its several segments in the international market is still small in the face of the huge opportunities the foreign market offers, our competitiveness level and technology.

Based on these premises, management continues with its goals of growth in terms of exports, even despite an overvalued Real against the dollar.

Exports per Economic Bloc



Consolidated Investments

In the Annual Report 2004 the Company informed about its five-year investment plan for the period 2005/2009. The plan outlined investments for maintenance, expansion of production capacity, new business projects and working capital.

In 2005, R\$ 100,4 million was realized from a total estimated in R\$ 150,0 million. For 2006, we projected consolidated investment funds of approximately R\$ 150,0 million, to be used to achieve the objectives outlined in the plan.

Approximately 40% of the funds shall come from third-parties. These funds are either under analysis or are already being borrowed and will come from BNDES, IFC, or FINEP, all of them being fiscal incentives offered by the State of Rio Grande do Sul, or export / import financing lines. The company's own cash generation shall provide the remaining 60% of the necessary funds.

We list below the investments realized in 2004:

ACCRUED INVESTMENTS IN 2005

| FIXED ASSETS - R\$ Thousand | Implementos | Fras-le | Master | Jost | Suspensys | Veículos | Consórcio | Argentina | Total |
|------------------------------|-------------|---------|--------|-------|-----------|----------|-----------|-----------|---------|
| Machines | 9.271 | 17.316 | 9.311 | 132 | 7.006 | 16 | 0 | 26 | 43.078 |
| Buildings | 3.761 | 4.910 | 1.519 | 411 | 1.316 | 385 | 0 | 60 | 12.362 |
| Land | 12.704 | 0 | 1.125 | 0 | 0 | 0 | 0 | 0 | 13.829 |
| Tooling | 432 | 5.821 | 1.435 | 425 | 3.070 | 33 | 0 | 0 | 11.216 |
| Building improvements | 5.762 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.762 |
| Vehicles | 799 | 21 | 79 | 0 | 35 | 0 | 35 | 19 | 988 |
| Furniture & Fixtures | 794 | 413 | 1.260 | 352 | 86 | 12 | 46 | 1 | 2.964 |
| Lab equipment | 37 | 0 | 0 | 16 | 0 | 0 | 0 | 0 | 53 |
| Computer hardware & software | 1.419 | 1.345 | 92 | 185 | 249 | 25 | 198 | 69 | 3.582 |
| Others (deferred and others) | 1.936 | 0 | 508 | 58 | 3.188 | 0 | 237 | 0 | 5.927 |
| TOTAL: | 36.915 | 29.826 | 15.329 | 1.579 | 14.950 | 471 | 516 | 175 | 99.761 |
| INVESTMENTS | 91 | 574 | 0 | 0 | 0 | 0 | 0 | 0 | 665 |
| GRAND TOTAL: | 37.006 | 30.400 | 15.329 | 1.579 | 14.950 | 471 | 516 | 175 | 100.426 |

PERFORMANCE PER SEGMENT

1) Road / Railway Equipment and Specialty Vehicles

This segment includes the incomes of Randon S/A - Implementos e Participações, Randon Argentina S/A. and Randon Veículos Ltda., representing 49% of the consolidated net revenue.

Randon S/A Implementos e Participações

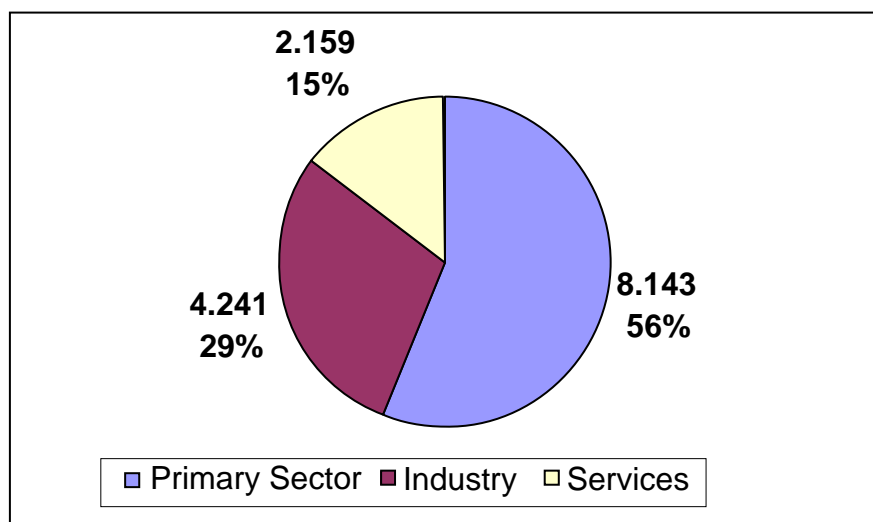
Road Equipment

The growth of the primary sector, industry, commerce and services strongly impact the development of road equipment.

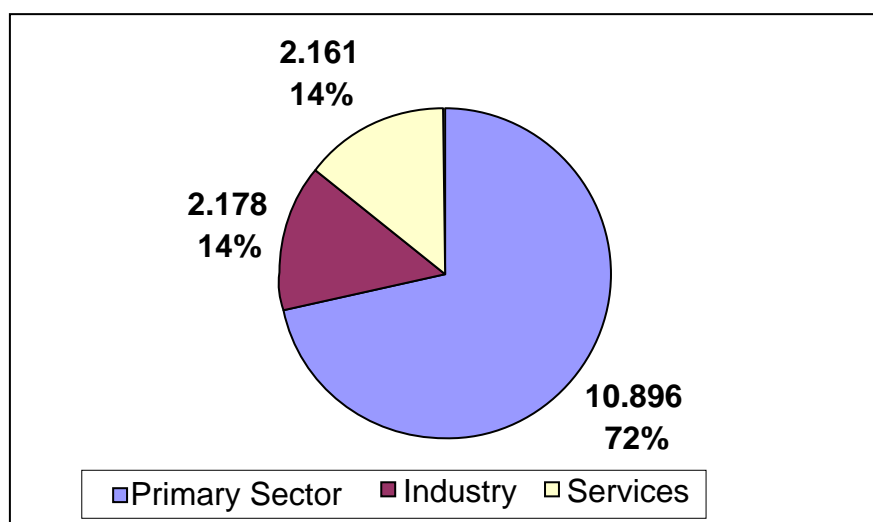
One of the key-points of Randon – Road Equipment Division – in this segment is its diversification in markets and products. This reduces the performance dependency on some specific sectors, as grains, for example. Randon – Road Equipment Division – has a comprehensive portfolio of products that includes several segments of the primary sector (agribusiness, mining, wood-pulp, sugar-alcohol), industrial sector, commerce and services.

Road Equipment Sales Distribution per Segment

2005



2004



In 2005, products such as trailers for general cargo, tankers, dump bodies, skeletal bases, siders, trailers for coils, and sugar-cane equipment increased their participation in the product mix as a result of the severe drought in southern Brazil that caused products such as grain semi-trailers to have a reduced participation. On the other hand, the overvalued Real against the dollar inhibited an even better performance in exports, since several business deals could not be closed because the margins were too low.

| | 2005 | 2004 | Var. % |
|--|---------|---------|--------|
| Net Revenue – Road Equipment R\$ 1.000 | 813.483 | 683.283 | 19,1 |
| Semi-trailers/ trailers (un.) Randon | 14.543 | 15.235 | (4,5) |
| Semi-trailers / trailers (un.) Domestic market | 30.035 | 38.163 | (21,3) |

An important achievement in this segment was the launch, in the third quarter, of the new model of interlink semi-trailer, the “Brasilis”, after five years of research and an investment of US\$ 2 million. The Brasilis replaced the previous line in this segment. Its main features are: greater mechanical and abrasion resistance, longer useful life, reduced weight and total sealed body to prevent loss of grains. The utilization of Ecoplate instead of the traditional native wood is an environmentally-correct innovation that has received public credit.

Railway Mode

Randon Implementos entered the railway market in 2003, when it presented its hopper-type wagon prototype for grains. Sales began in the following year and today, in addition to maintaining the 12% market share it gained in 2005, the Company intends to expand this segment even more by exporting and by expanding its railway product line. But these plans are only part of the company's plans. Focused on the foreign market – where the company has already earned respect for its products in the road equipment line – Randon Implementos is introducing the hopper wagon to other South American and African countries. Its tank wagon version for the transportation of fuel and vegetal oils is already available and sales are scheduled to start still in 2006. Last October, the Company sold a lot of 400 wagons with the total value topping R\$ 70 million. The deliveries are being made on a weekly basis and are projected to finish late in March this year. From the beginning of production in 2004 until now the company has sold the equivalent to R\$ 200 million railway wagons. Until December 2005, the company sold 1 (one) thousand wagons, of which 700 will be manufactured until the end of this year. In two years, this segment has already reached 10% of Randon's (Road Equipment Division) revenue. We believe this success is due to the quality of the product and think that the industry can make a substantial contribution to this sector in terms of technology. More importantly, however, is the possibility of carrying load at lower costs to get higher productivity. Factors such as similar technology, industrial process, materials and labor requirements have allowed us to implement flexible manufacturing and assembly lines (semi-trailers and then wagons or vice-versa) without requiring relevant investments.

| | 2005 | 2004 | Var. % |
|-------------------------------|--------|--------|--------|
| Railway Net Revenue R\$ 1.000 | 76.407 | 10.989 | 595,3 |
| Wagons (un.) | 494 | 123 | 301,6 |

Controlling Company's Performance

| Randon S.A. Impl. e Partic. (Controlling Company) | 2005 | 2004 | Var. % |
|--|---------|---------|--------|
| Net Revenue R\$ 1.000 | 889.890 | 694.272 | 28,2 |
| Net Profit R\$ 1.000 | 119.026 | 125.619 | (5,2) |

Randon Argentina S/A

Aware of the economic and strategic importance of the Argentinean market, Randon S/A.-Implementos e Participações relocated, in mid 2005, its manufacturing line of grain trailers to its controlled company Randon Argentina S/A., thus guaranteeing that the demand of the region will be totally met. And because of the features of this product, Randon Argentina will no doubt become the future base from where its products will be exported to other markets in the bloc.

| Randon Argentina S.A. | 2005 | 2004 | Var. % |
|--------------------------------|--------|--------|--------|
| Semi-trailers / trailers (un.) | 665 | 612 | 8,7 |
| Net Revenue R\$ 1.000 | 32.871 | 25.200 | 30,4 |
| Net Profit R\$ 1.000 | (569) | 247 | - |

Randon Veículos Ltda.

Mining is one of the segments that have most grown in the country, according to data from *Instituto Brasileiro de Geografia e Estatística* (IBGE) (Brazilian Institute of Geography and Statistics). In the first half of 2005, this sector was very important in the composition of the

Gross Domestic Product (GDP) that evolved rapidly from the same period of 2004. Among the sub-sectors that have achieved growth, mining was the most important one.

Randon Veículos closely follows up this market. In the second half of 2005, the company sold 67 off-road trucks of the model RK-430B in a business deal that amounted to R\$ 45 million, including maintenance services.

Randon Veículos also operates the forest segment with its Forest Truck RK-628 CF, whose first units were sold early in 2005. The forest sector has shown a steady growth in the last five years, mainly in the foreign market. In Brazil, investments will be promoted in the sectors of wood, pulp and paper to keep up with the growth of the demand worldwide.

Also important in terms of sales in 2005 was the line of backhoe loaders manufactured by Randon Veículos.

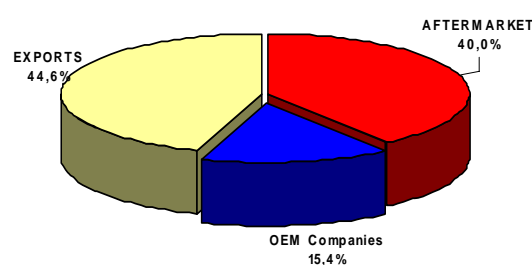
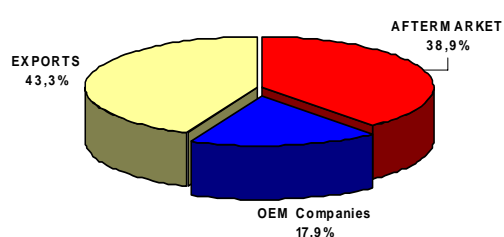
| Randon Veículos Ltda | 2005 | 2004 | Var. % |
|-----------------------------|-------------|-------------|---------------|
| Off-road trucks (un.) | 133 | 89 | 49,4 |
| Backhoe loaders (un.) | 155 | 92 | 68,5 |
| Net Revenue R\$ 1.000 | 79.513 | 49.078 | 62,0 |
| Net Profit R\$ 1.000 | 5.379 | 4.001 | 34,4 |

2) Auto Parts

This sector currently accounts for 49% of the consolidated net income generated during the fiscal year. The steady growth in sales has derived mainly from exports, as was the case of Master Sistemas Automotivos and Fras-le S/A. Sales to the main national OEM companies – manufacturers of trucks, road equipment and buses – also had an important participation in net income, in addition to the aftermarket.

Fras-le S.A.

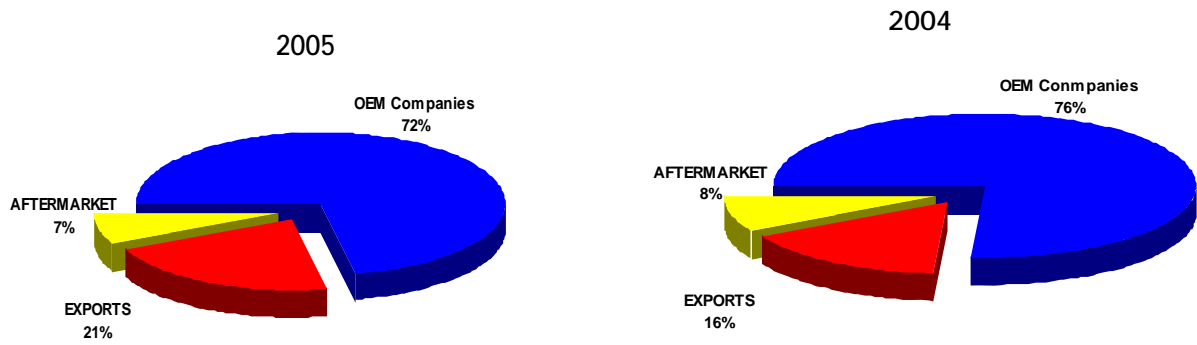
Distribution per Market



| Fras-le S.A. | 2005 | 2004 | Var. % |
|---------------------------|-------------|-------------|---------------|
| Friction materials (Ton.) | 51.389 | 47.940 | 7,2 |
| Net Revenue R\$ 1.000 | 373.642 | 375.030 | (0,4) |
| Net Profit R\$ 1.000 | 33.342 | 38.028 | (12,3) |

Master Sistemas Automotivos Ltda.

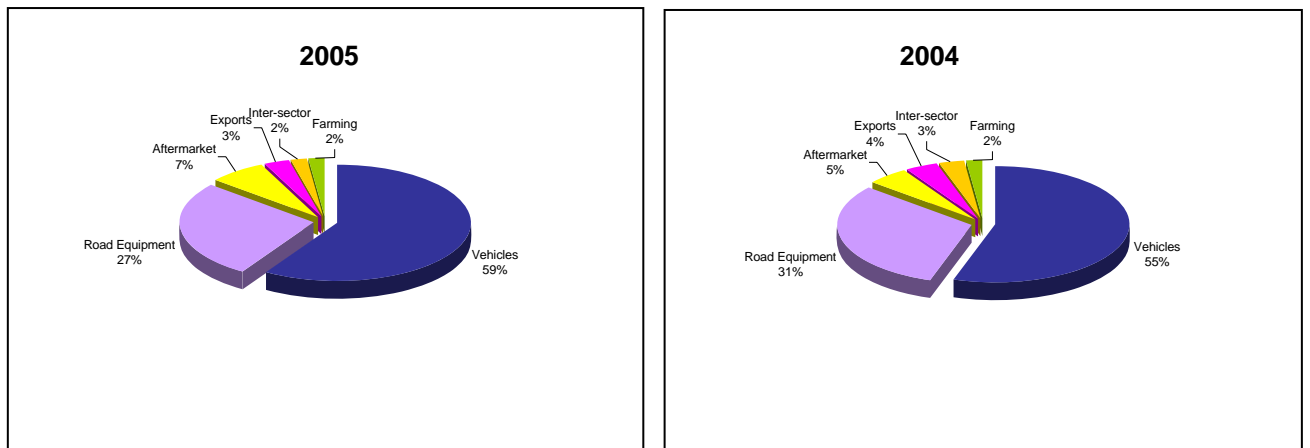
Distribution per Market



| Master Sist. Automotivos Ltda. | 2005 | 2004 | Var. % |
|--------------------------------|---------|---------|--------|
| Brakes (un.) | 489.731 | 450.976 | 8,6 |
| Net Revenue R\$ 1.000 | 260.026 | 201.666 | 28,9 |
| Net Profit R\$ 1.000 | 29.486 | 33.311 | (11,5) |

Jost Sistemas Automotivos Ltda.

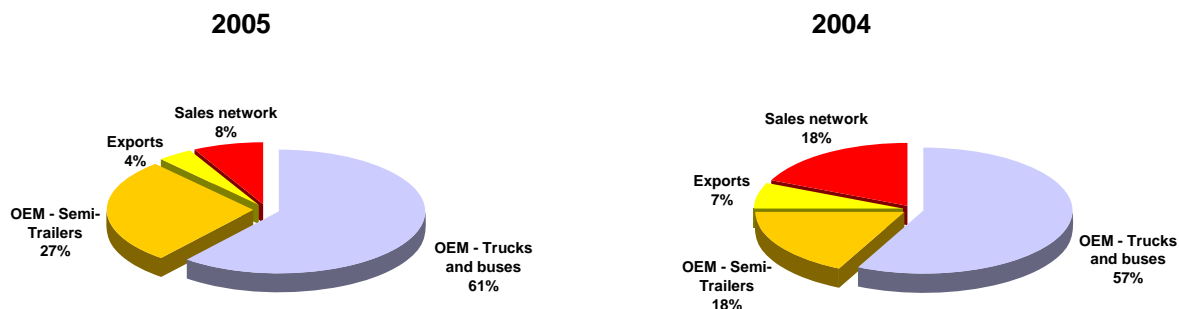
Distribution per Market



| Jost Sist. Automotivos Ltda. | 2005 | 2004 | Var. % |
|------------------------------|---------|---------|--------|
| Tractor-truck kits (un.) | 13.450 | 25.153 | (46,5) |
| Landing gear (un.) | 23.797 | 29.587 | (19,6) |
| Fifth-wheel (total) (un.) | 37.170 | 39.710 | (6,4) |
| Net Revenue R\$ 1.000 | 124.366 | 110.610 | 12,4 |
| Net Profit R\$ 1.000 | 12.080 | 12.212 | (1,1) |

Suspensys Sistemas Automotivos Ltda.

Distribution per Market

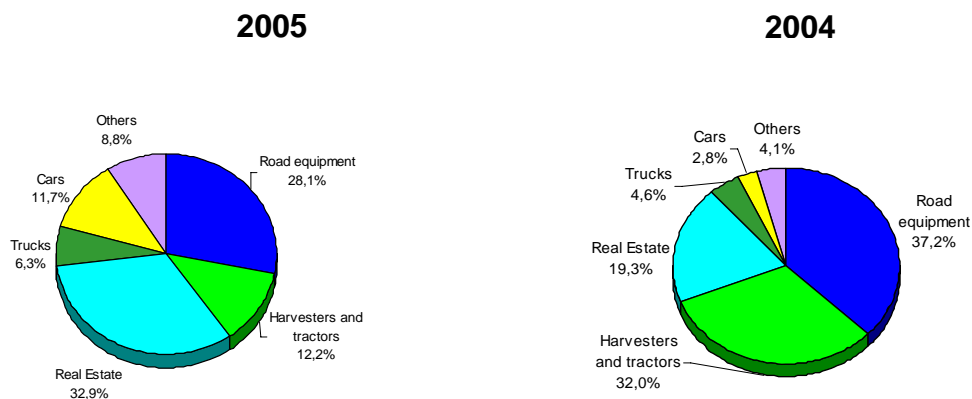


| Suspensys Sist. Automotivos Ltda. | 2005 | 2004 | Var. % |
|-----------------------------------|---------|---------|--------|
| Suspensions (un.) | 47.219 | 50.199 | (5,9) |
| Hub / Drum (un.) | 178.289 | 146.708 | 21,5 |
| Net Revenue R\$ 1.000 | 445.041 | 395.813 | 12,4 |
| Net Profit R\$ 1.000 | 29.477 | 33.394 | (11,7) |

3) Services

Randon Consórcios completed, in 2005, 18 years of activities with mature actions and a recognized marketing position. It has consolidated over time as the second largest coo-paying-plan company in the country in the segment of heavy vehicles, including road equipment, trucks, farming machines and equipment, buses and microbuses. The company manages more than 25 thousand quotas and also operates in the segments of real estate, cars, machines and tools. In 2005, 7,238 quotas were sold. Continuous search for quality led the company to implement effective internal processes and a relationship program called "Be With You", that views every client as a person and not as a number.

Revenue per Segment (Randon Consórcio)



TECHNOLOGY AND QUALITY

Technological development is one of the cornerstones of the corporate strategy of Randon Companies that seeks to stay competitive and aligned with the trends of the automotive

industry. In addition to this, technology also provides us with the technical expertise and knowledge base we need in our business segments.

Randon Companies invest approximately 1.5% (internal source) of their revenues in the research and development of new products. In addition, we have more than 300 dedicated professionals in the area. As a result, we have had innovations in the last 5 (five) years that have generated about 40% of the net revenue of Randon Companies (internal source).

With the support of FINEP - *Financiadora de Estudos e Projetos* – (Brazilian Study and Project Financing Entity), an entity of the Ministry of Science and Technology, several of our projects could be carried out. This was possible thanks to a R\$ 20-million fund released by that entity to Randon Companies. These projects include: technological and industrial development of the railway wagon, the Ecoplate technology, a 3D engineering development software, new painting processes at Randon S/A., and technological update of Fras-le's development and tests lab.

With a high requirement in terms of innovation, Randon Companies retain a development engineering team totally committed to our technological plan. The financial support of entities that seek to develop the national research and technology are instrumental in the economic feasibility of these projects. In line with this, the Company will subject, in 2006, a new package of projects for the analysis and evaluations of these institutions.

ENVIRONMENT

Randon Companies direct their actions toward sustainable growth. Aware of their environmental responsibility, the companies promote respect to the environment by following guidelines that seek the commitment of all our employees, suppliers, service providers, etc. A communication channel is constantly available to all engaged parties, thus ensuring full compliance with the law and promoting the continued improvement of the environment.

In 2005, several measures were taken regarding this topic:

- Expansion of the Effluent Treatment Station at the Industrial Complex of Randon Companies, in Bairro Interlagos, Caxias do Sul. The station has now capacity to treat 30 m³/ hour of liquid effluent, allowing the reutilization of 50% to 60% of the treated volume;
- Revision, by Fras-le, of its environmental policy in September 2005 as part of its process of continual development;
- Re-utilization, at Fras-le, of approximately 25% of the toilet treated effluents and 10% of the effluents used in the preparation of chemical products;
- Restructure of Master's databank concerning process-driven environmental aspects and impacts with a view to improving environmental management and performance;
- Development of programs at Randon Companies that seek to reduce residue, scrap and the consumption of lubricant oils;
- Investments in atmospheric retention wet systems at Randon – Road Equipment Division – through the installation of hydrodynamic filters in the side panel painting booths.

In this concern, it is worth noting some distinctions received by Randon Companies during the fiscal year:

- Fras-le was awarded the 13th "*Prêmio Expressão de Ecologia*" (*Expressão Ecology Award*), granted by *Editora Expressão* for its case "Compounding of Industrial Solid Residue", in the category Pollution Control – Metal-Mechanical Sector. The

composting is a controlled process of oxidation and oxygenation microbial decomposition of organic mass into solid and wet state, that results in an organic compound used as fertilizer or soil reconditioner;

- The Randon companies Fras-le, Master and Suspensys received the *Certificado Empresa Parceira na Sustentabilidade* (Certificate of Partner Company in Sustainability). The certificate was awarded by the City Council Chamber;
- Master, Jost and Suspensys were re-certified with the NBR ISO 14001, 2004 version.

PEOPLE MANAGEMENT

“Joyful and innovative people that work together to make Randon Companies sustainable”.

This is the vision that guides Randon Companies` policy on People Management. To this end, management has sought to create a healthy organizational atmosphere where our employees may constantly develop and increase their capabilities.

The Growing Program has the mission of providing permanent education to our employees by developing and strengthening their technical and behavioral competence. In this sense, our employees were engaged in several activities such as: formal education, technical training, team development, development of leaders and distant education. We stand out the following in-company corporate programs:

- Randon Business Managing Development Program in partnership with *Fundação Dom Cabral*, designed for all managers of Randon Companies;
- Post-graduation in Automotive Engineering in conjunction with *Universidade de Caxias do Sul*, aiming at the development of our engineers;
- MBA in Business Administration in partnership with *Fundação Getúlio Vargas*, developed for leaders at the intermediary level;
- Technological Development Program in Production Engineering, in partnership with *Produttore Consultores Associados*, involving all production managers and focused on implementing Randon`s production system;
- Basic Leadership Module, in conjunction with *Proativa Brasil*, designed for to 110 leaders at the intermediary level. The Program seeks to develop behavioral and technical competences that are so necessary for those holding leadership positions;
- Qualification of employees involved in production through several technical courses, in partnership with SENAI ((National Service for Industrial Training);

In 2005, we concluded our teamwork development phase through the consolidation of the Team Performance Model;

Through the *Growing Program* we provided 383 thousand hours of training and development at all organizational levels, with 57 training hours per employee on average. Most activities were developed at the premises of Randon Companies. The contribution of *Centro de Educação Raul Anselmo Randon* was very significant in this concern.

The *Florescer* Program aims to prepare children and teenagers with fewer social-economic opportunities for citizenship, better quality of life and a more promising future. The program assists 320 children and teenagers between 7 and 14 through several pedagogic activities in the opposite period of their regular school classes. Classes are given at the Center of Free Education within the premises of Randon Companies. Two groups participate in the Program, in two different locations (Randon and Fras-le).

The *Qualifying* Program prepares teenagers between 14 and 18 for the labor market through technical and human education, thus promoting social inclusion. The program began in 2005 with the implementation of the Center of Professional Education Randon, in partnership with SENAI (National Service for Industrial Training) at the premises of Randon Companies. The *Qualifying* Program also offers basic education to those who finish their studies at the *Florescer* Program as a way to prepare them for the labor market.

The Program “New Paths”, which prepares the employees about to retire for their post-career phase, continued with the participation of 113 employees;

The *Handling Life Well* Program stimulates good and healthy habits with focus on prevention, through several activities that help promote health in the personal, social, professional, and family aspects;

In 2005, the *Being a Volunteer Program* was launched in order to stimulate employees to volunteerism as a way to foster their solidarity with the causes of the community where we operate.

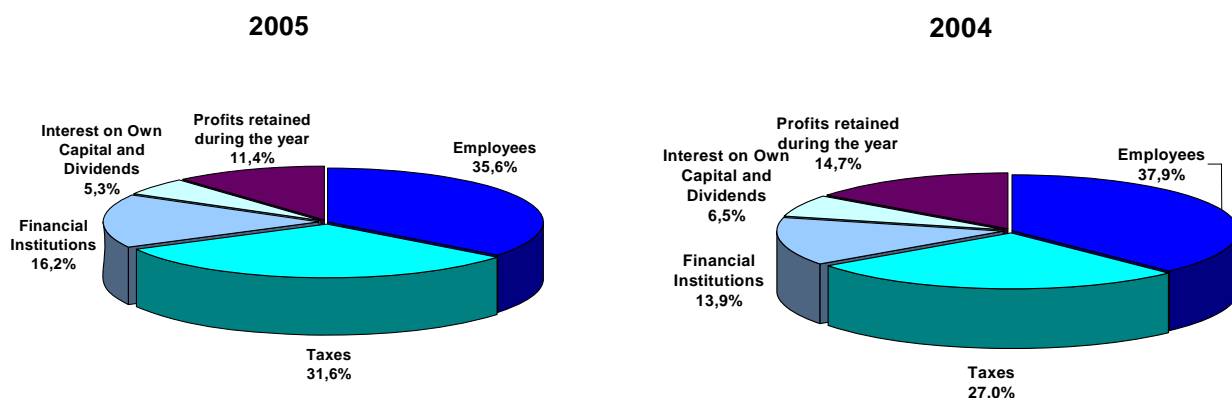
The Companies also set up the *Manager Succession Program* that aims to identify potential successors to take over strategic positions within Randon Companies. This Program will be fully implemented in 2006.

Satisfied people seem to be far prone to offer innovative alternatives. That is why we periodically carry out surveys that seek to measure the level of satisfaction of our employees. In 2005, we achieved satisfaction levels of up to 80.33%. From the results of the surveys, we implement actions that seek to improve the areas that have shown lower levels of satisfaction.

To achieve their organizational goals, Randon Companies have 6,894 employees, of which 481 were hired last year.

ADDED VALUE

The added value in 2005 (R\$ 772,0 million) and in 2004 (R\$ 588,0 million) was distributed as follows:



Please see table with complete data in the Explanatory Notes that are part of these accounting statements.

CORPORATE GOVERNANCE

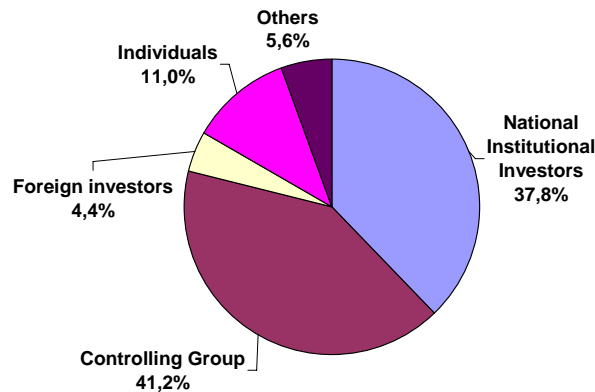
Performance of Shares

The preferred shares of Randon S.A. Implementos e Participações were appreciated by 2.4% during the fiscal year 2005, ending the month of December at R\$ 7.65 per share. In this same period in 2004, 14,075 trades involved R\$ 45,7 million preferred shares of the Company on Bovespa (São Paulo Stock Exchange) (spot market). The average traded daily volume was R\$ 1,2 million against R\$ 766 thousand in 2004 (Source: Bovespa).

The main indicators show a positive evolution, consistent with the liquidity of the Company's shares:

| Year | Daily Volume (R\$) | Number of shareholders | Individual Shareholders |
|------|--------------------|------------------------|-------------------------|
| 2002 | 69.323 | 860 | 760 |
| 2003 | 162.021 | 1.650 | 1.480 |
| 2004 | 765.987 | 2.460 | 2.150 |
| 2005 | 1.202.137 | 2.443 | 2.095 |

The total shares of the Company are currently distributed among its shareholders as follows:



The company has the following number of outstanding shares in the market:

- Over Common shares – 22,15%
- Over Preferred shares - 78,47%
- Over total shares – 58,79%

Shares Performance Overall Chart – Spot Market

| Variables | Jan-Dec/2005 | Jan-Dec/2004 |
|--|--------------|--------------|
| Traded Quantity (Pref.)- | 45.716.700 | 36.898.400 |
| No. of Trades | 14.075 | 11.708 |
| Daily Average Shares per Trade | 183.601 | 148.186 |
| Daily Average of Trades | 56 | 47 |
| Variance of Randon Shares (%) | 2,41% | 159,4% |
| Variance of IBOVESPA (%) | 27,7% | 17,8% |
| Share Book Value | 2,23 | 1,69 |
| Stock Market Value | 7,65 | 7,47 |
| Company's Market Value (Millions of Reais) | 1.151,5 | 1.124,4 |

Relevant Fact

In March 2005, Randon published a Relevant Fact informing that its controlling company Dramd Participações e Administração Ltda, in conjunction with other shareholders of the Company, intended to make a Public Offering for a Secondary Distribution of Preferred Shares issued by the Company.

In June 2005, the Company published a new Relevant Fact informing that the controlling company, together with other shareholders, had decided to cancel the referred Public Offering.

The cancellation was due to conditions then present in the market that turned such operation unfeasible.

Relations with Investors

In 2005, the Company held meetings and participated in several events, gathering different audiences such as the financial market, stock market, shareholders, potential investors and the Press. Some of these events are described below:

- In January 2005, Randon Companies were invited to participate in the 9th Latin American Conference, promoted by Banco Santander, in Cancun, Mexico. The theme of the Conference was *Economic Prospects in Latin America*;
- According to the 2005 Schedule of Corporate Events, the Company promoted, on March 23, 2006, the third conference with the media and guests. On the occasion, the Company made public its 2004 results;
- Meetings with analysts and investors in September in the headquarters of APIMEC (Brazilian Association of Capital Market Investment Analysts and Professionals) in São Paulo, Rio de Janeiro and Porto Alegre. A large audience of analysts, investors and other institutions participated in the meeting;
- Non-Deal Road Show in the United States (New York, Boston and Washington) in August;
- Non-Deal Road Show in Europe (London, Edinburgh, Amsterdam and Paris) in September 2005.

Shareholders' Remuneration

The Company paid interest on Own Capital in the amount of R\$ 24,8 million relative to Fiscal Year 2005. Of this amount, R\$ 12,1 million – R\$ 0,080 – was paid per common and preferred share in July 2005; and R\$ 12,7 million – R\$ 0,084 – was paid per common and preferred share in January 2006. The Management will propose to the Ordinary General Meeting, to be held in April 2006, that interest on Own Capital be attributed to dividends by the Withholding Tax net value, remaining R\$ 12,8 million to shareholders, or R\$ 0,085 per common and preferred share. This way, the dividends plus the interest on the fiscal year capital amount to R\$ 33,9 million, representing 30% of the net income per share (after the setup of legal reserves), or R\$ 0,22 per share.

The Company and its affiliates paid R\$ 64,8 million as dividends and interest on capital during fiscal year 2005. These values are cash-based, that is, they consider the actual payment made during the period. Inter-company payments are not included.

| In R\$ millions |
|---|
| Randon 43,7 – Fras-le 7,4 – Master 4,9 – Suspensys 4,0 – Jost 4,8 |

CVM nº 381 Instruction

The Company informs that it has not hired, during fiscal year 2005, any service from KPMG Auditores Independentes other than that mentioned in the mandatory legal audits.

PRIZES AND AWARDS

2005 was marked by a great number of prizes and awards received by Randon Companies, among which we include:

- Randon and its affiliate Fras-le are among the 100 Best Companies to Work For in Latin America, 2005. This is the first time that Fras-le has been included in the ranking, whereas Randon has been included for the second time. The assessment was carried out by the Great Place to Work Institute, which analyzed 1000 Latin American companies from countries such as Argentina, Brazil, Chile, Colombia, Mexico, Peru and Uruguay;
- Randon S/A.- Implementos e Participações was awarded a prize during the 5th Edition of *Destaques Companhias Abertas (Prominent Listed Companies)*, promoted by *Agência Estado*, for their good performance in 2004;
- Quality Award RS 2005 – conferred by the *Programa Gaúcho de Qualidade e Produtividade (PGQP)* (Quality and Productivity Program of the State of Rio Grande do Sul) to four of the seven Randon companies. The main award – Diamond category – was awarded to Fras-le, that has been included in the PGQP ranking for the fifth time. Jost Brasil received an award in the Gold category for the second time, along with Randon Consórcio, that also received the award in the Gold category for the first time. In addition, Suspensys was awarded the Bronze category;
- Prize “The Largest and the Best of *Exame* Magazine”, with Master Sistemas Automotivos Ltda. leading the ranking in the automotive sector. Fras-le S/A. ranks fourth and Randon S/A.- Implementos e Participações ranks seventh among the largest companies in southern Brazil;
- Randon S/A.- Implementos e Participações is among the 10 Best Companies to Work for - 2005 Edition, in Brazil. The award was granted by *Revista Exame*, with Randon ranking fourth. The affiliate companies Fras-le and Master are also ranked among the 150 Best Companies to Work For – 2005 Edition;
- Suspensys was awarded the Ford Q1 Prize (Quality one), that includes the company in the Ford’s quality excellence standards in processes, products and services, enabling the company to supply to all Ford plants in the world;

- Fras-le received the 13th *Expressão* Ecology Award from *Editora Expressão*, with the case “Compounding of Industrial Solid Residue” in the category Pollution Control – Metal-Mechanic Sector.

Caxias do Sul, March 2006.

The Management

Board of Directors

Raul Anselmo Randon – Chairman
David Abramo Randon – Vice-Chairman
Ery José Bernardes – Board Member
João Luiz de Moraes – Board Member
Ricardo Alves da Conceição – Board Member

Audit Board

Benilda Waschow
Luiz Fernando Júlio
Wellington Geraldo Silva
Werner Bornholdt
Zulmar Neves

Executive Board

Raul Anselmo Randon – President
Alexandre Randon – CEO
Astor Milton Schmitt – CFO
Erino Tonon – COO

Director of Investor Relations

Astor Milton Schmitt

Financial Corporate Manager and Investor Relations
Geraldo Santa Catharina

Corporate Administrative Manager
Maria Tereza Casagrande

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

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Banco Itaú S.A

Address: Rua Boa Vista, 176 - 1º Subsolo - Centro, São Paulo - SP

Independent Auditors

KPMG Auditores Independentes

Newspapers

Diário Oficial do Estado do Rio Grande do Sul

O Pioneiro - Caxias do Sul

Gazeta Mercantil - Regional São Paulo