



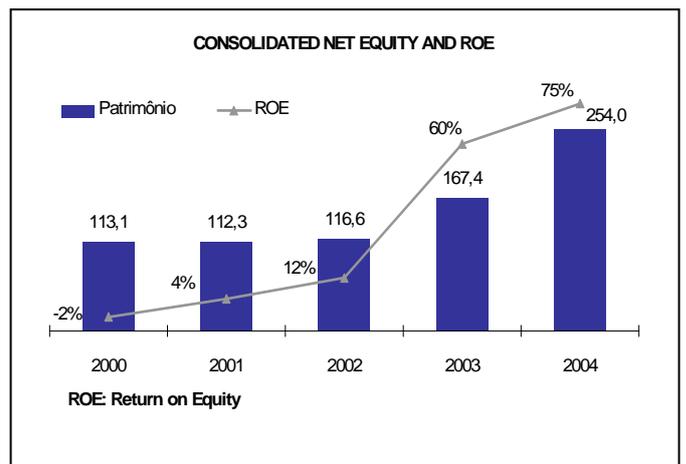
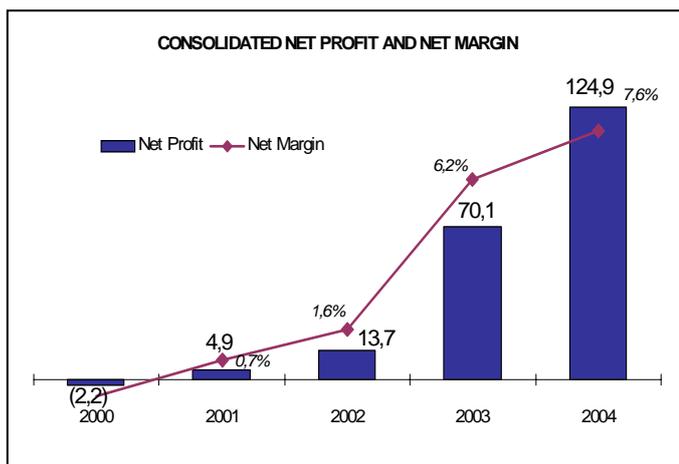
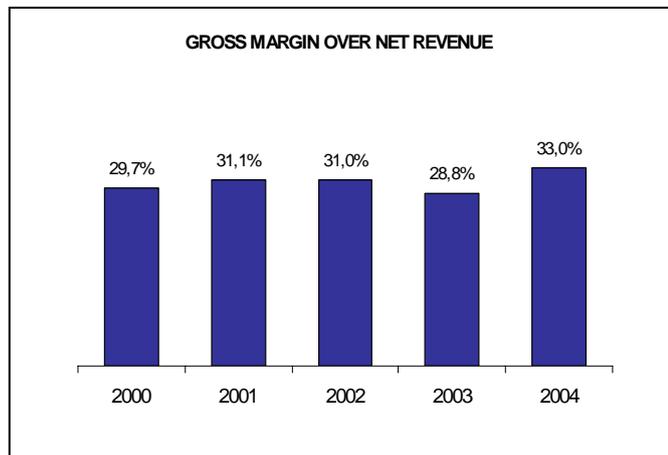
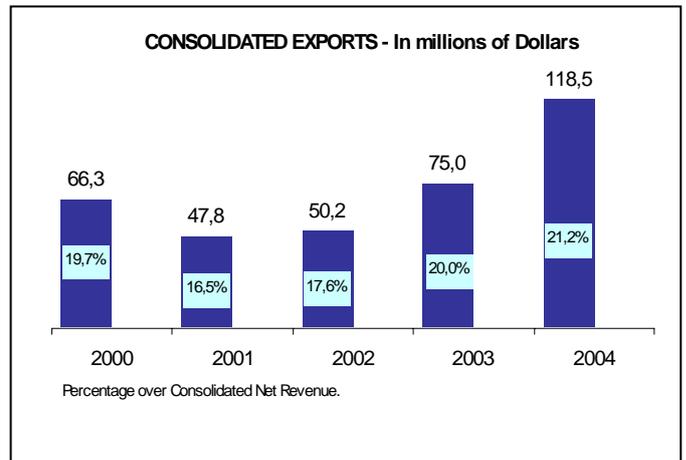
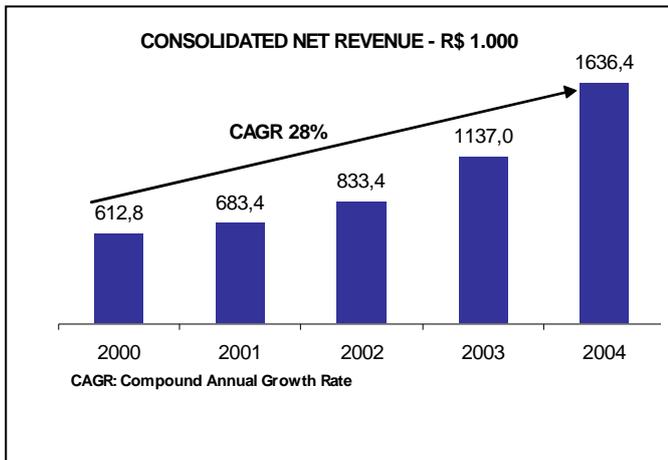
**ANNUAL REPORT /2004**

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# PERFORMANCE INDICATORS – EVOLUTION

## Randon S.A. Implementos e Participações – Consolidated Results



## HIGHLIGHTS 2004

- Total gross revenue of R\$ 2,36 billion
- Growth of 43,7% in the consolidated net revenue
- Consolidated net profit of R\$ 124,9 million
- Consolidated EBITDA of R\$ 309,3 million
- Exports of US\$ 118,5 million
- Increase of 76% in the shares daily liquidity
- 881 new shareholders
- Ingress in the railway segment

## WORD OF THE CHAIRMAN

Below we present the Report of the Management and the Financial Statements of Randon Companies, along with the Report of the Independent Auditors and Audit Council. The data refer to the fiscal period ended on December 31, 2004. At this time, we take into consideration the following:

2004 was an outstanding year, the best one throughout our 50 years of doing business. The continual growth of our activities during the last five years, the performance of the exports, the growth of our net equity and the unprecedented results achieved, strengthen our conviction that we are serving the interests of our partners fairly well.

2005 has shown that we can continue this positive path, since the factors that have caused the good performance in 2004 continue into 2005. Even so, there are growing challenges and, although the companies are well prepared to face them, difficulties arising from increasingly globalized and competitive markets must be taken into consideration.

In the macro-economic scenario, we feel a little uneasy about the high interest and the overvaluation of the Real, which make the competitiveness of national products more difficult, both in exports and in the domestic market.

With the consolidation of the business in the railway segment, the sales and production of rail wagons have grown consistently, turning RANDON into one of the most comprehensive companies in terms of lines of products. The companies are focused on road, off-the-road and railroad transportation of cargoes, being also a manufacturer of components in a global level.

Likewise, the above-referred continuous process of growth and future prospects encourage us to make investments not only in the maintenance and modernization of our current assets, but also in expansion, as a way to hold and increase our market share and competitiveness. We see the next business periods as periods of great growth and appreciation in the Randon Companies.

A good performance in the areas of technology, production, sales and finances also strengthens our ability to continually contribute in the social field, where, in addition to the classic responsibilities of offering jobs, paying taxes, preserving the environment and creating wealth, we have been carrying out aid to professional development, health assistance and education support, and the underwriting of both leisure and welfare activities in the workplace as well as in the community for decades.

The well-known project "Florescer", which started in 2002 and was implemented at RANDON and FRAS-LE, successfully fulfills its objectives in the social field, with children of 7 to 14 years of age. The project is also an innovative and creative strategic investment directed toward people, who are the pillar of the continual improvement and perpetuation of RANDON. A subsequent phase of professional training is scheduled to start in August 2005, with the initiation of the activities of the Qualifying Project, that is highly gratifying to us.

Our practices of Corporate Governance, in their continual process toward improvement and disclosure for investors, had an important upgrade in November 2004 with the option, by FRAS-LE, to join Level I of BOVESPA (São Paulo Stock Exchange) – The Best practices of Corporate Governance.

Although the awards and distinctions received show a positive public image of RANDON, we would like to conclude by thanking our shareholders, customers and suppliers for the

confidence they have shown in us. We especially thank our employees for their performance and commitment toward the success and perpetuation of Randon Companies.

Caxias do Sul, March 2005.

## PRESENTATION

This year, we have reformatted our Annual Report so that it could be more complete and clarifying to all those interested. In the first part, we present a profile of the Corporation and the sectors in which it is engaged. This chapter adds to the traditional report format a set of information directed to the public in general and to prospective investors that are not familiar with the Company, so they can form an opinion in a fast and organized way. The second part concentrates on an analysis of the year 2004, highlighting the main consolidated performance indicators, the summarized financial statements of all the affiliate companies, the controlling company and the consolidated statements, as well all further information concerning the several related audiences. Another innovation is the inclusion of the complete financial statements, explanatory notes and Independent Auditors` Report as an insert. The Corporate Social Report accompanies the set of information. Prepared every two years, it includes all aspects related to social responsibility. This represents our ever increasing effort to completely and accurately deliver up-to-date information to our shareholders and to the public in general.

## CORPORATE PROFILE

The conglomerate of Randon Companies began in 1949, when the founders Raul Anselmo Randon, the present Chairman, and his brother Hercílio Randon (who died in 1989) set up a workshop to reform engines and, later on, to manufacture air brakes for trucks, in the city of Caxias do Sul, State of Rio Grande do Sul, Brazil. Presently, the Company supplies equipment for road transportation and related automotive components.

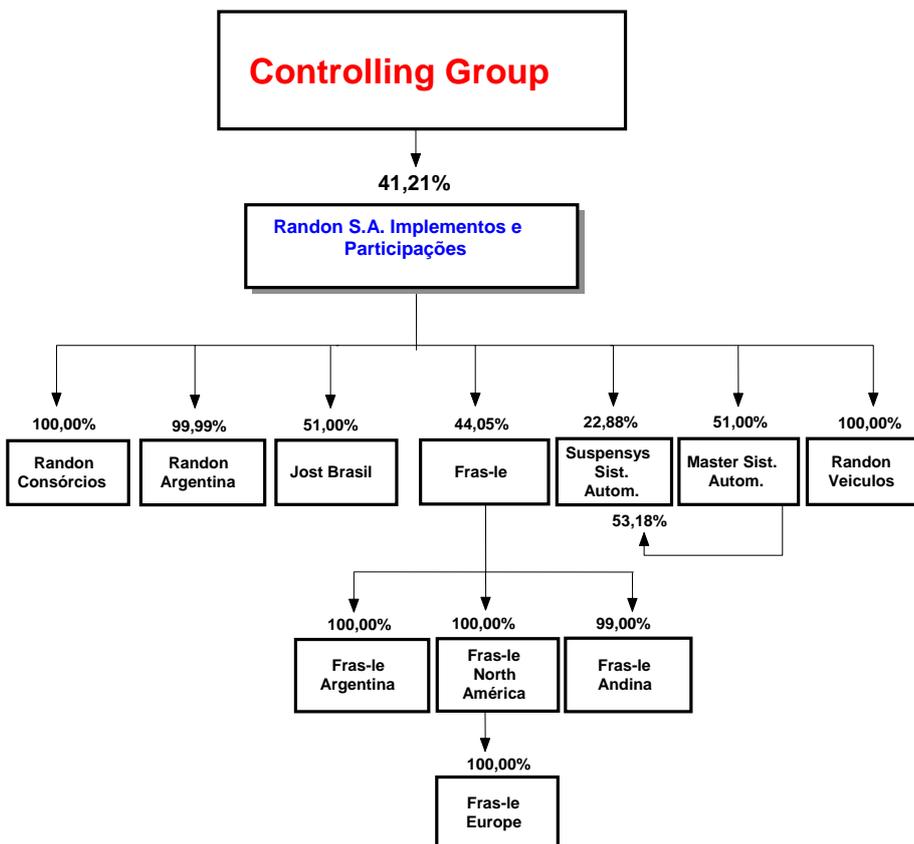
The complex is formed by eight companies: the controlling company Randon S/A. - Implementos e Participações, four directly controlled companies and three joint-ventures, where the Company holds the control along with foreign partners. Altogether, there are eight industrial plants, five of which are located next to the headquarters of the Corporation, at the Randon Industrial Complex, in Caxias do Sul, State of Rio Grande do Sul; one is located at the Fras-le Complex, also in Caxias do Sul; one in Guarulhos, State of São Paulo, and one plant is in Alvear, Santa Fé, Argentina. Fras-le has also two distribution centers abroad: Fras-le Argentina, located in San Martin, Province of Buenos Aires, and Fras-le North America, in Farmington Hills, Michigan, United States. In addition, Fras-le has two commercial offices: Fras-le Europe, located in Recklinghausen, Germany, and Fras-le Andina, in Santiago, Chile. The distribution network of Randon Companies for finished products has over 110 outlets in Brazil and abroad. Considering that the distribution of Fras-le products is more spread out, mainly in the aftermarket, the network encompasses more than 600 points of sales.

## Main Historical Events

- 1949 - Foundation;
- 1971 – IP – Initial Public Offering;
- 1978 - Acquisition of “Mecânica Rodoviária”, its main competitor at the time;
- 1986 - *Joint-venture* – Freios Master Sistemas Automotivos;
- 1987 - Creation of Randon Administração e Participações S/C Ltda., which is nowadays Randon Consórcios Ltda;
- 1993 - Restructuring of the company – creation of the holding company Randon Participações S/A;
- 1995 - *Joint-venture* – Jost Brasil Sistemas Automotivos
- 1996 - Acquisition of Fras-le’s control.
- 2002 - *Joint-venture* – Suspensys Sistemas Automotivos
- 2003 - Incorporation of Randon S/A. - Implementos e Sistemas Automotivos by Randon Participações S/A., with its name changed to Randon S/A. - Implementos e Participações.

## Corporate Structure

The controlling group (DRAMD Administração e Participações Ltda. and members of the Randon family) owns 41,2% of the total stock capital, 77,7% of the common shares (code RAPT3 at BOVESPA – São Paulo Stock Exchange) and 21,6% of the preferred shares (RAPT4) of Randon S/A- Implementos e Participações, an open company with shares traded at Bovespa. The remaining 58,8% are broken down among over 2,500 minority shareholders ( both national and foreign), individual persons, pension funds, funds and investments clubs, as well as other institutional investors. The organization chart below refers to the percentage over the stock capital:



## Business Segments

Today, the corporation is an important and global center where solutions for cargo transportation are devised. There are three business segments: the image of the company is represented by the segment of trailers, semi-trailers and rail wagons), through Randon S/A. - Implementos e Participações and Randon Argentina S/A., and by the segment of special vehicles, through Randon Veículos Ltda. In this segment, the Corporation represents itself as the world manufacturer with the most diversified portfolio of equipment and vehicles for the transportation of road cargos.

The second segment – auto parts and systems – which is today the one that has the largest participation in the consolidated revenues – is the most internationalized segment. In addition to Fras-le, this segment includes three joint-ventures, two of them with ArvinMeritor of the United States (Master Sistemas Automotivos Ltda. and Suspensys Sistemas Automotivos Ltda.) and one with Jost Werke, of Germany (Jost Sistemas Automotivos Ltda).

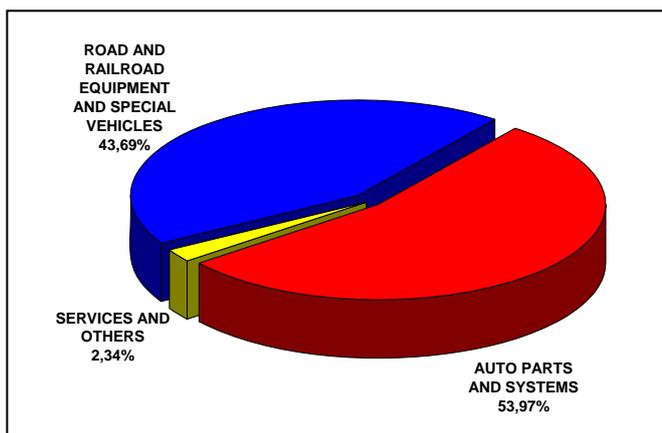
The third segment – services – is formed by Randon Consórcios Ltda, whose main purpose is to offer financing to customers buying both Randon products and others.

The company and its affiliates have achieved a solid competitive position with the following profile:

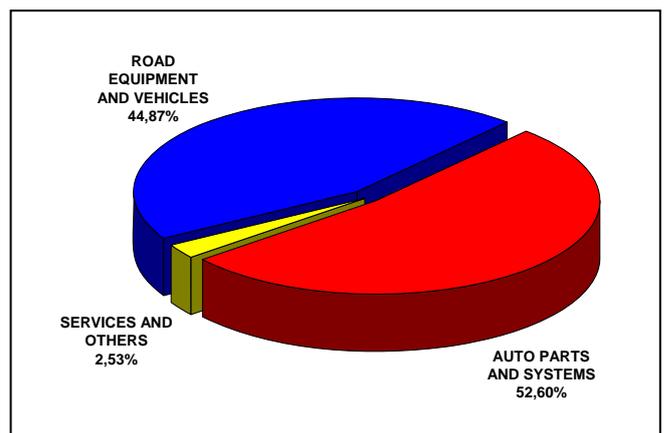
- It is among the 100 largest private Brazilian companies;
- It is ranked among the five largest manufacturers of trailers and semi-trailers worldwide;
- It is among the five largest manufacturers of friction materials in the world;
- It is among the largest manufacturers of axle beams for heavy commercial vehicles in the world;
- It holds the national leadership in the manufacturing of brakes for commercial vehicles;
- Leader in Brazil in the manufacturing of articulation and coupling systems;
- Leading global brand;
- Exports to over one hundred countries;
- Six thousand and four hundred employees;
- Level I at Bovespa's Corporate Governance;
- *Tag Along* for all shares at Randon;
- World-class strategic partners.

### Revenue Breakdown per Segment

**2004**



**2003**



### **Profile of the Strategic Partners**

**ArvinMeritor, Inc.** is a global corporation, supplier of a broad range of integrated systems, modules and components for the industry of automotive vehicles and trailers/semi-trailers. Its headquarters are located in Troy, Michigan, in the United States. The company employs approximately 32 thousand people in more than 150 plants, distributed throughout 27 countries. Its shares are traded at the New York Stock Exchange under the code ARM.

**Just Werke**, which was created in 1952, in Neu-Isenburg, Germany, is the world leader in technology for components and articulation/ coupling systems, mainly fifth-wheels. It is one of the most important suppliers worldwide of components for the industry of trucks, trailers and semi-trailers.

## COMPANIES AND THEIR BUSINESS SEGMENTS

### Randon S/A. - Implementos e Participações

Leader in Brazil and Latin America, it is one of the five largest manufacturers of trailers/ semi-trailers worldwide. In 2004, its market share in the domestic market (source: Renavan) was 34%, with 40% of the national production. The national fleet is made up of 294,000 semi-trailers with 18 years of age on average. (Sources: SINDIPEÇAS / ANFAVEA: Sectorial Panorama of Gazeta Mercantil and GEIPOT: Coppead Analysis).

In 2004, the exports represented 16,9% of the net revenue. Countries of Mercosur, Africa and the Middle East were the main export market.

Also in 2004, the company started the manufacturing of rail wagons on its premises. In the present conditions, the annual production is likely to reach 1,000 complete rail wagons in 2005. Taking into consideration the volume of orders in our portfolio, this segment shall represent approximately 10% of the revenues of Randon Implementos during the current period.

The net revenue grew by 33,8% in relation to last year, anchored by the primary sector and by the exports. In 2005, an increase in the demand for products linked to the sector of wood, pulp, mining, sugar-cane, alcohol and industrial cargoes is expected.

#### PERFORMANCE CHART

	2004	2003	Var. %
Gross Revenue R\$ 1.000	878.072	635.017	38,3
Net Revenue R\$ 1.000	694.272	518.784	33,8
Net Profit R\$ 1.000	125.619	70.120	79,1
Exports US\$ 1.000	40.099	21.220	89,0
Semi-trailers/ Trailers (unit)	15.235	12.888	18,2

**(FOTOS semi-reboques , vagões, silos)**

### Randon Veículos Ltda.

The company produces off-the-road trucks, forestry equipment and backhoe loaders. Connected to the sectors of construction, mining and pulp, it exports to Mercosur, Africa and the Middle East. Randon Veículos holds 50% of the off-the-road fleet up to 30 tons in operation in Brazil (Source: Internal Controls, Abimaq).

In 2004, the company signed agreements with large groups in the areas of construction, mining and pulp, resulting in businesses that, altogether, amounted to R\$ 70,5 million. The agreements contributed to the formation of an outstanding number of orders in this segment, with delivery times estimated to 2005.

The recovery of the forestry segment fostered the development and sale of products such as: grapple harvesters, harvesters for thinning and final cut, forwarders and trucks for forestry transportation, called Timberhaulers, which uses the base of the articulated RK-628 C off-the-road truck. The backhoe loaders also had a positive performance with an expansion of the market share focused on the segments of public services, agribusiness and civil construction.

## PERFORMANCE CHART

	2004	2003	Var. %
Gross Revenue R\$ 1.000	59.778	39.446	51,5
Net Revenue R\$ 1.000	49.078	31.819	54,2
Net Profit R\$ 1.000	4.001	7	57.057,1
Exports US\$ 1.000	3.653	1.378	165,0
Off-the-road trucks (unit)	89	48	85,4
Backhoe loaders (unit)	92	62	46,8

### (FOTOS PRODUTOS)

#### **Fras-le S/A.**

National leader and one of the five largest manufacturers of friction materials in the world, it sells its products through the brands Fras-le and LonaFlex. Because of its strategy of environmental preservation, it was the first manufacturer of friction materials in Brazil to obtain the certification ISO 14001. The company sells approximately half of its production in the foreign market and has a strong performance in the aftermarket. A significant portion of its production is sold to OEM companies, mainly of trucks, buses and semi-trailers. It also produces components for passenger vehicles, aviation, railroad and others.

## PERFORMANCE CHART

	2004	2003	Var. %
Gross Revenue R\$ 1.000	443.382	312.483	41,9
Net Revenue R\$ 1.000	375.030	275.241	36,2
Net Profit R\$ 1.000	38.028	31.978	18,9
Exports US\$ 1.000	55.530	42.012	32,2
Friction materials (ton.)	47.940	42.471	12,9

### (FOTOS PRODUTOS)

#### **Master Sistemas Automotivos Ltda.**

Master is a *joint-venture* between Randon and ArvinMeritor of the United States. Founded in 1986, Master was responsible for the beginning of the diversification process of Randon S/A through international partnerships with leading companies. It is the largest national manufacturer of air brakes for commercial vehicles. It is engaged in the markets of export, aftermarket and OEMs of vehicles and road equipment. It holds 55% of the production of air brakes in the domestic market (Source: Internal Controls based on trucks statistics of Anfavea). The company does a great number of business transactions with global customers, facing intense competition, which is a characteristic of the automotive sector. This year, Master has reached the mark of more than three million brakes sold since its foundation, according to internal statistics of the company.

## PERFORMANCE CHART

	2004	2003	Var. %
Gross Revenue R\$ 1.000	250.312	161.918	54,6
Net Revenue R\$ 1.000	201.666	134.199	50,3
Net Profit R\$ 1.000	33.311	18.261	82,4
Exports US\$ 1.000	11.427	6.783	68,5
Brakes (unit)	450.976	344.263	31,0

### (FOTOS PRODUTOS)

## Suspensys Sistemas Automotivos Ltda.

The company was created in 2002 in a joint-venture with the American company ArvinMeritor, of the United States. It is the most recent *joint-venture* company and one of the largest manufacturers worldwide of axle beams for commercial vehicles. It produces the whole range of suspension components and its markets are OEM companies, the aftermarket and the foreign market. Like Master, Suspensy's business has global characteristics. In 2004, its net revenue grew 68,7%, mainly in the market of OEM companies. Its captive market – Randon S/A. - represented 25% of the total sales. The exports and the aftermarket, which are still in their initial stages, are two important areas that provide opportunity for the growth of its sales.

### PERFORMANCE CHART

	2004	2003	Var. %
Gross Revenue R\$ 1.000	516.213	288.102	79,2
Net Revenue R\$ 1.000	395.813	234.614	68,7
Net Profit R\$ 1.000	33.394	14.553	129,5
Exports US\$ 1.000	6.458	3.143	105,5
Suspensions (unit)	50.199	33.817	48,4
Hub / Drum (unit)	146.708	121.714	20,5

### (FOTOS PRODUTOS)

## Jost Brasil Sistemas Automotivos Ltda.

National leader in the manufacturing of coupling and articulation systems for trucks, Jost Brasil is a *joint-venture* with the company Jost Werke, of Germany, which holds the world leadership in this segment.

In 2004, Jost Brasil's business was boosted by an increase in the production of heavy and extra-heavy trucks, road equipment and exports by OEM companies. The recovery of the Argentinean market and the development of a new business strategy and sales in Latin America, with a new commercial structure, contributed to the growth in its exports. In addition to its standard products, new products are being developed in order to secure a market share for the new products as well. Also important for the increase of the sales was the recovery of some manufacturers of road equipment on account of a strong demand, helping the diversification of Jost sales on a larger scale.

Jost produced more than 100,000 fifth-wheels in its nine years of existence, showing the degree of reliability and safety of its products.

### PERFORMANCE CHART

	2004	2003	Var. %
Gross Revenue R\$ 1.000	144.054	81.822	76,1
Net Revenue R\$ 1.000	110.610	66.619	66,0
Net Profit R\$ 1.000	12.212	5.931	105,9
Exports US\$ 1.000	1.372	477	187,6
Landing Gear (unit)	29.587	20.259	46,0
Tractor-truck equipment (unit)	25.153	15.910	58,1
Total of fifth-wheels (un.)	39.710	25.509	55,7

### (FOTOS PRODUTOS)

## Randon Consórcios Ltda.

Through the commercialization of quotas, Randon Consórcio Ltda. became an alternative for the financing of the products manufactured by and by other manufacturers as well.

The company ended the year with more than 25 thousand quotas in process. Its performance in the segment of heavy vehicles, which grew by more than 20% last year, earned the company the second place in the national ranking of sales in the segment II, which includes road equipment, machines and farming equipment, cargo vehicles, buses and other automotive vehicles classified as heavy, with a share of 13,6%. (Source: Banco Central). The company was also ranked among the ten largest administrators of co-operative sales in real estate in the country (Source: Banco Central).

### PERFORMANCE CHART

	2004	2003	Var. %
Gross Revenue R\$ 1000	41.577	30.883	34,6
Net Revenue R\$ 1000	38.362	28.829	33,1
Net Profit R\$ 1.000	6.113	4.484	36,3
Sold quotas	8.466	8.198	3,3

### OVERALL CONSOLIDATED PERFORMANCE 2004

The total gross revenue (without eliminating inter-company sales) reached R\$ 2,36 billion, representing 52% more than last year. The consolidated net revenue amounted R\$ 1,64 billion, an increase of 44% in relation to 2003.

The net profit reached the historical record of R\$ 124,87 million against R\$ 70,15 million in 2003, representing an increase of 78% and an increase in the net profit margin over the net sales, from 6% to 8%.

The gross cash generation (EBITDA) achieved R\$ 309,33 million, or 19% over the consolidated net revenue, being 84% higher than that of the previous year, which was of R\$ 168,15 million ( 15% over the net revenue).

The gross margin over the sales (gross profit over the consolidated net revenue) rose from 29% to 33%). The operational efficiency, the growth in the volume sold and the adjustment of the internal and external prices made it possible to achieve this positive performance, despite expressive increases in the cost of the main raw-materials such as steel, tires, wheels, chemical products and others that, in some cases, exceeded a 70% increase during the period. It is worth noting that a portion estimated between 1,0% and 1,5% of the gross margin results from changes in the tax bases of PIS (Employees' Profit Participation Program) and COFINS ( Tax for Social Security Financing).

The administrative and commercial expenses, altogether, represented 15% of the consolidated net revenue. Last year, they represented 16%. A relevant portion of the commercial expenses such as commissions, freight and others, is proportional to the volume of sales.

The consolidated net financial result (expenses minus revenues) amounted to R\$ 16,42 million, representing a cost of 15% on the monthly average of the consolidated banking debt, whereas, last year, this value reached R\$ 24,61 million. This reduction resulted directly from the low level of financial leverage proposed by the Company and also by the favorable behavior of currency exchange on the loans in dollars, in addition to a reduction in the

average level of CDI (Interbank Deposit Certificate), which is indexed to part of the loans. The Company ended the fiscal period with a consolidated net banking debt of R\$ 138,44 million, which is equivalent to an index of 0,45 of EBITDA, or to 45% of the cash generation measured by EBITDA before financial expenses, depreciation and taxes.

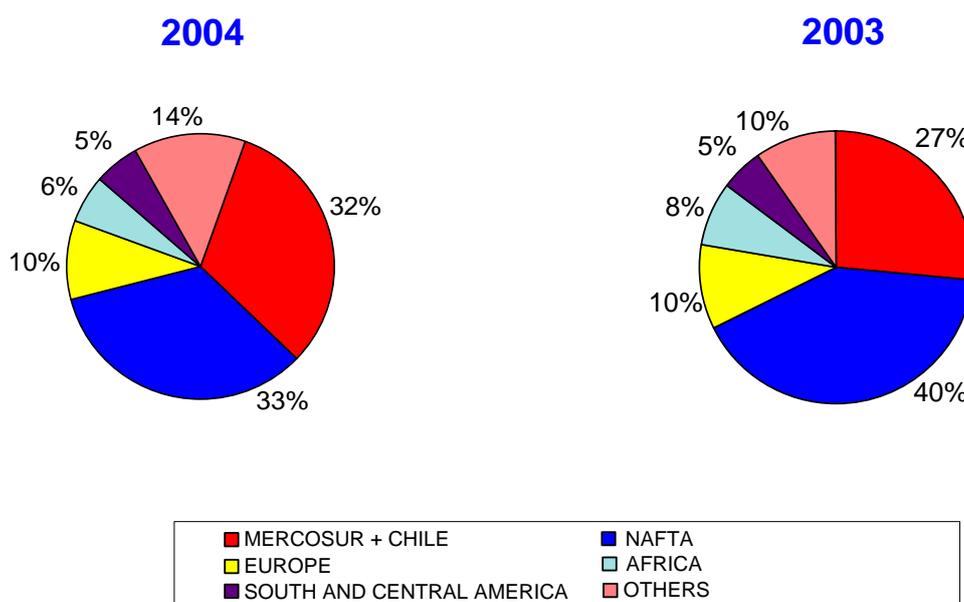
## Overall Performance Chart

Consolidated Indicators	2004	2003	Var. %
Total Gross Revenue - without eliminations (R\$ 1.000)	2.361.387	1.549.667	52,4
Total Consolidated Net Revenue (R\$ 1.000)	1.636.290	1.137.038	43,9
Net Profit (R\$ 1.000)	124.879	70.146	78,0
Profit per Share (R\$)	0,830 (p/ Ação)	0,466 (Lote 1.000)	78,0
Gross Profit (R\$ 1.000)	534.586	325.989	64,0
Operating Profit - EBIT (R\$ 1.000)	275.896	141.590	94,9
EBITDA (R\$ 1.000)	309.332	168.153	84,0
Net Financial Indebtedness (R\$ 1.000)	138.445	138.415	-
Net Operating Result (Financial Revenue - Financial Expenses) - R\$ 1.000	(16.415)	(24.619)	33,3
Adm/Commercial Expenses (R\$ 1.000)	242.588	188.103	29,0

## Exports

The consolidated exports reached 118,54 million dollars, representing an increase of 58% over 2003. The increase was caused by the growth of sales in North America and in the European Union, in addition to the recovery of the Argentinean market and to new business opportunities in Africa and in the Middle East. More towards the end of the period, Suspensys shipped to China the first batch of axles with brakes for semi-trailers manufactured in that country.

### Exports per Economic Bloc



## Investments

Consolidated investments totaled R\$ 85,58 million during the period. Investments were made in the expansion of production capacity, technological improvement of equipment and processes, research and development, information technology, expansion and remodeling of industrial plants and environment protection.

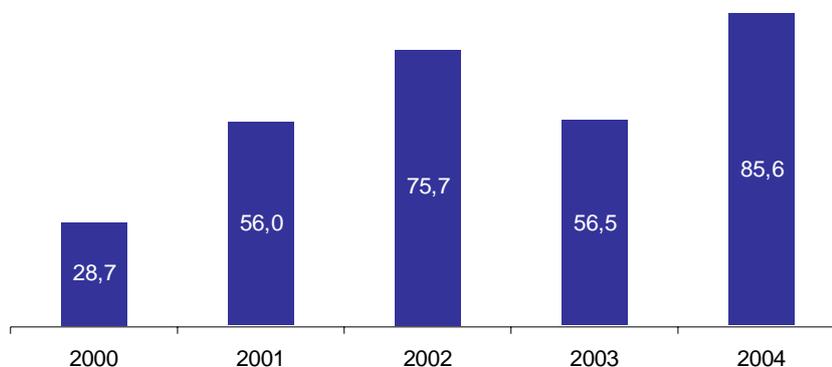
### ACCRUED INVESTMENTS IN DECEMBER 2004

FIXED ASSETS - R\$ Thousand	Implementos	Fras-le	Master	Jost	Suspensys	Veiculos	Consórcio	Argentina	Total
Machines	7.884	14.540	8.010	2.814	6.550			28	39.826
Buildings	6.625	5.828	371	997	766	130			14.717
Tooling	1.233	5.434	1.922	323	2.210	30		80	11.232
Building improvements	804		112					1	917
Vehicles	806	140	114		39	4	150	23	1.276
Furniture and fixtures	697	721	455	615	79	60	280	6	2.913
Lab equipment	15			111					126
Hardware and Software	1.441	1.090	118	123	373	67	291	6	3.509
Fixed assets in progress	0		61						61
Others (Deferred and others)	2.640	158	211	225	1.212		423		4.869
									0
<b>TOTAL:</b>	<b>22.145</b>	<b>27.911</b>	<b>11.374</b>	<b>5.208</b>	<b>11.229</b>	<b>291</b>	<b>1.144</b>	<b>144</b>	<b>79.446</b>
<b>INVESTMENTS - R\$ Thousand (*)</b>	<b>6.140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6.140</b>
<b>GRAND TOTAL</b>	<b>28.285</b>	<b>27.911</b>	<b>11.374</b>	<b>5.208</b>	<b>11.229</b>	<b>291</b>	<b>1.144</b>	<b>144</b>	<b>85.586</b>

(\*) Randon Veiculos Capitalization

### Evolution of the Consolidated Investments – In Millions of Reais

In 2002, investments were fueled by the establishment of the company Suspensys. In 2004, the resources were mostly used in the expansion of production capacity and modernization of the industrial park.



The Corporation is updating its five-year investment plan for the period 2005/2009. Investments will be made in maintenance, expansion of production capacity, new business and working capital. For 2005, the priority will be the expansion of production capacity in practically all plants once their level of utilization is approaching their limits, and the prospects show there will be continual growth in demand in this period. In 2005, we estimate that about R\$ 150 million will be spent in fixed investments. We also project an increase in the need of working capital, proportional to the growth in revenues. All investments are preceded by a study of economic and financial feasibility and are subject to the effective generation of operating cash, provision of external sources and maintenance of the maximum level of financial leverage laid down in internal guidelines.

The major investments shall concentrate on the area of road equipment, through the purchase of new machines, expansion of the railway equipment line, modernization of the painting system, information technology, modernization and expansion of the machining shop and expansion of the industrial plant. In the other companies, investments shall concentrate

on the expansion of production capacity through the acquisition of new equipment, expansion of industrial plants and launch of new product lines.

The main sources of resources for fixed investments are: the company's own cash generation, BNDES (National Bank for Economic and Social Development), FINEP, FUNDOPEM (funds for financing imports and suppliers). The working capital will be financed with the company's own resources and through banking lines which are shown to be competitive and suitable to the needs of the company).

## **TECHNOLOGY AND QUALITY**

In order to be competitive and aligned with the overall trends of the automotive industry, Randon Companies invest approximately 1,5% of their revenues in research and development (Internal source). In its strategic planning the company sets goals that are aimed at searching for new alternatives and acting ahead of the market trends. The development of products and components for the OEM companies starts two or three years before the launch of the new products. Because of this, investments in quality certifications, labs (setting up and updating) and product testing are intense. Randon Companies are certified or were recommended for practically all standards required by the world automotive industry, such as ISO 9001, ISO 14001, ISO/TS 16949, AS 8001 and OHSAS 18001. It is worth noting that Fras-le has the most advanced lab for development and testing of friction materials in Latin America. In its lab, Fras-le develops formulas to make products for all kinds of vehicles. Randon Companies are contacting national public institutions that provide support for industrial and technological development with the purpose of entering into partnership agreements that will help them carry out new projects of this nature.

## **RISK MANAGEMENT**

### **Characteristics of the Company's Businesses**

Randon Companies have characteristics that are specific to each business segment.

The area of semi-trailers, special vehicles and railway wagons manufactures products upon purchase orders only. The inventory of finished products is made up of the equipment remaining in the yard of the company until the time of collection by the customer, upon the issuance of a trade note. From the order date to the time the collection time by the customer, there is a gap of no more than 120 days. In direct financing operations, the company requires the customer to make a down payment. The financing period usually does not exceed 4 months. The company holds a seller's lien on financed products so as to protect itself from possible payment defaults.

The production of components and systems is based on a schedule of weekly or monthly orders placed by customers. These customers are mostly OEM companies that produce commercial vehicles and semi-trailers, or independent distributors. Direct financing operations are offered to customers in terms not exceeding 60 days.

Sales follow policies that are related to each business segment. Usually, sales are released upon a careful credit analysis carried out by the financial department of each Unit. Losses with payment defaults are minimized through a permanent follow-up of the due times and through contact with the customers and/ or distributors. The contacts aim to solve outstanding debts.

## **Financial Risk**

Randon Companies follow corporate financial guidelines that provide safety standards for the management of resources. The management of the cash flow is the responsibility of the controlling company Randon S.A. in conjunction with the other Units, respecting the limits of the Articles of Incorporation and the individual capacity of each company.

The individual and consolidated cash flow projections are reviewed on a weekly, monthly and yearly basis. The remaining values are invested in first-class banks, backed by CDB (Bank Deposit Certificate) or equivalent, in fixed income linked to CDI. Eventual lack of resources is filled with inter-company resources and, alternatively, with external resources under terms, costs and guarantees according to the strategic planning of the Company.

## **Exchange Risk**

Randon Companies estimate an increase in exports for the next fiscal periods. As a result, exchange rates take on wider relevance. The controlling company projects the net exposure of each company in the short and long terms and adopts traditional hedging mechanisms such as the negotiation of export contracts in advance and changes in indexing systems (SWAPS) concerning financial liabilities. Derivatives, arbitrage or other instruments with speculative purposes are not used.

## **Insurance**

The company and its affiliates take out insurance policies to cover all their assets. The policies provide coverage against various risks such as: fire, rays, explosion, the company's vehicles fleet, insurance against third parties, etc. It also provides group life insurance to all employees, in addition to other insurance policies such as personal injury. All insurance policies are taken out with first-class companies, both national and foreign, enrolled at the IRB – Brazilian Reinsurance Institute. The Company and its affiliates are not covered against loss of profit, bad business performance and business liability insurance.

## **Environment**

Randon Companies follow the good practices of environmental protection laid down in its principles.

As usual, in 2004 several actions were taken in this area. Official acknowledgement was received through several awards. The most important one was the "12<sup>th</sup> Prêmio Expressão Ecologia" (Ecology Award) in the category Environmental Management, conferred by Editora Expressão to Randon S/A. - Implementos e Participações.

At the complex of Randon Companies in Caxias do Sul, R\$ 213 thousand were invested in systems for the retention of atmospheric emissions, environmental adjustments, commercialization of residue and machining shop. The investments projected for the next years are of approximately R\$ 5,0 million, broken down into projects for the expansion of the Effluent Treatment Station (postponed due to a study being made for new projects and alternative processes), retention systems for atmospheric emissions, a new cell for disposition of class II residue and construction of a center of paints.

At Fras-le's complex, in Forqueta, which is certified with ISO 14001 (1999), several actions have been taken: replacement of solvents, implementation of the Mud Compounding Project aiming to re-use compounds as fertilizers in the gardens of the company, re-utilization of approximately 70% of the generated exhaust powdered residue, and re-utilization of 26% of the treated effluents with consequent reduction in water consumption.

## Social Responsibility

In 2004, Randon Companies created 1,047 new jobs, ending the year with 6,413 employees.

Extensive training was provided to employees and executives through training programs in the technical and management areas. The programs were aimed at not only training people but also retaining qualified labor. Altogether, 430 thousand hours of training / development were given at all levels, an average of 68 hours per employee. The majority of the training sessions were given on the company's premises. To this end, partnerships with public and private teaching institutions were created, such as SENAI (National Service for Industrial Training), "Fundação Dom Cabral" and the University of Caxias do Sul. The various programs related to social responsibility are shown in minute detail in the 2004 Social Report of the Company.

## CORPORATE GOVERNANCE

### Fras-le joins Level I of Bovespa

Always seeking to improve its practices of Corporate Governance, on November 11, 2004, the affiliate company Fras-le S/A. formalized its adherence to Level 1 of Differentiated Practices of Corporate Governance of Bovespa (São Paulo Stock Exchange). Randon S/A. joined it in 2001 at the launch of the Program.

### Performance of the Shares

The shares of Randon S/A. - Implementos e Participações were appreciated by 159,4% during the 2004 period, ending December with quotations of R\$ 7,47 per share. In the same period (Jan-Dec 2004), 11,708 trades were carried out involving 37 million preferred shares of the company at Bovespa – São Paulo Stock Exchange (spot market). The daily average volume of trades was R\$ 766 thousand against R\$ 162 thousand in 2003. (Source: Bovespa).

### Shares Performance Overall Chart – Spot Market

<b>Variables</b>	<b>Jan-Dec/2004<sup>(2)</sup></b>	<b>Jan-Dec/2003<sup>(1)</sup></b>
Traded Quantity (Pref.)-	36.898.400	20.384.200
No. of Trades	11.708	4.408
Daily Average of Shares per Trade (THOUSAND)	148.186	83.886
Daily Average of Trades	47	18
Variance of Randon Shares (%)	159,4%	130,40%
Variance of IBOVESPA (%)	17,8%	97,3%
Share Book Value (Lot of one thousand shares)	1,69	1,11
Stock Market Value (Lot of one thousand shares)	7,47	2,88
Company's Market Value (in Millions of Reais)	1.124,4	433,5

(1) Quotation per lot of one thousand shares

(2) Unit Quotation

## Meetings and Events

In 2004, the Company held meetings and participated in several events with different audiences, such as the financial market, stock market, shareholders, prospective investors and the press. Below we highlight some of these events:

- On March 30, 2004, the Company held its second meeting with the media and special guests. At that time, the company made public and commented on its performance and main indicators of the 2003 Period, maintaining its policy of disclosure and practices of good Corporate Governance.
- Non-Deal Road Show abroad ( New York, Boston and Washington);
- Brazil Small Caps Conference – Fator Corretora
- 5<sup>th</sup> Annual Santander Benespa Conference;
- Meetings for analysts and investors at the headquarters of APIMEC in Porto Alegre and São Paulo in September 2004.

## **Remunerations of the Shareholders**

The company and its affiliates spent R\$ 49,1 million in dividends and interest over capital during the 2004 period. The values allow for the real disbursement taken place during the period. Inter-company payments are not included (only payments to external parties).

Randon S/A. - Implementos e Participações	26,7 million
Fras-le	10,1 million
Master	4,7 million
Suspensys	5,6 million
Jost	2,0 million

In addition, a new disbursement of interest over capital took place in January 2005, according to deliberation by the Board of Directors during a meeting held on December 8, 2004. The payment started on January 26, 2005, and the amount credited and paid to all shareholders was R\$ 9.633.512,64, or R\$ 0,064 per common or preferred share.

## **Relevant Fact**

The Ordinary General Meeting held on April 30, 2004 decided to carry out a grouping of the total shares of the Company (150.523.636.075), in the proportion of 1,000 (one thousand) shares for 1 (one) share of the same class, without changing the stock capital (R\$ 109.264.986,12). The shares resulting from the grouping started to be traded at their unit quotation.

## **Change of the Independent Auditors**

According to Instruction CVM 308/99 – Art. 31, in the second quarter of 2004, the Independent Auditors in Randon and in its affiliates Fras-le, Randon Veículos and Jost were replaced. The new Auditors are KPMG Auditores Independentes.

## **CVM Instruction no. 381**

The company informs that it paid, during the 2004 Period, the amount of R\$ 165.789,47 to Ernst & Young Auditores Independentes, for its specialized services. These services are not part of the mandatory legal audits and represent 16,44% of the total value paid to the Auditors of Randon Companies (controlling company and affiliates). Such services did not affect the independence or objectivity of the procedures related to the Legal Audit.

## **AWARDS AND DISTINCTIONS**

Randon S/A. - Implementos e Participações – The 100 Best Companies to Work for in Latin America. The announcement was made in Brazil by the Magazine Você S/A., in April 2004. The assessment of the companies was made by the Great Place to Work Institute. The

Institute evaluated 800 companies in Latin America, including more than 160,000 workers from countries such as Argentina, Brazil, Chile, Colombia, Mexico and Uruguay.

Prize “Industry Distinction – 2004 Edition – Honorable Mention, for its product “Safety Plus Tank”, conferred by FIERGS / CIERGS to Randon S/A.- Implementos e Participações.

Master Sistemas Automotivos – Considered as the best Brazilian company in the automotive sector in Brazil – according to ranking by The Best and the Largest of “Revista Exame”, 2004 Edition;

Suspensys Sistemas Automotivos Ltda received, in August, the award “The Best of the Automotive Sector 2004” in the category “Metallic”, elected by journalists of Editora Autodata. The prize qualifies Suspensys to compete with four other companies for the prize “Autodata 2004”. The winner is chosen by the Autodata Magazine readers.

Randon S/A.- Implementos e Participações – Ranked among the 10 Best Companies to Work For in Brazil, 2004 Edition. The prize was granted by “Revista Exame” during a ceremony held on September 8, 2004. Randon ranks the 8<sup>th</sup> position on the list of the 150 Best Companies to Work For. Fras-le, an affiliate company, was also ranked in the group of the 150 Best Companies to Work for in Brazil.

Fras-le S/A. - FGV Award of Entrepreneurial Excellence. Granted by Fundação Getúlio Vargas, this prize ranks the company as the best manufacturer of auto parts in Brazil.

Suspensys – Sistemas Automotivos Ltda – Global Excellence Award – Conferred by the North-American company ArvinMeritor, in recognition for Suspensy’s excellent performance in sales and results achieved during the 2004 fiscal period (September 2003 to August 2004).

Caxias do Sul, March 2005.

The Management

#### **Board of Directors**

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

#### **Audit Board**

Wellington Geraldo Silva  
Luiz Fernando Júlio  
Benilda Waschow  
Walmor José Vanazzi  
Olívio Viecceli

#### **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

Controller and Audit Corporate Manager

Ademar Salvador

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

## ADDRESSES AND CONTACTS

### Investor Relations

Director: Astor Milton Schmitt  
Manager: Geraldo Santa Catharina  
Phone: (55) (54) 209.2536  
Fax: (55) (54) 209.2566  
E-mail: geraldo@randon.com.br  
Internet site: [www.randon.com.br](http://www.randon.com.br)

### Stocholders Services

Banco Itaú S.A  
Endereço: Rua Boa Vista, 176 – (Basement) - Downtown, 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