Randon S.A. Implementos e Participações
(Publicly-held company)

Financial statements
December 31, 2008 and 2007

(A translation of the original report in Portuguese as published in Brazil containing financial statements prepared in accordance with accounting practices adopted in Brazil)

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Contents

Independent auditors’ report

To
The Board of Directors and Shareholders
Randon S.A. Implementos e Participações
Caxias do Sul - RS

1. We have examined the accompanying balance sheets of Randon S.A. Implementos e Participações and the consolidated balance sheets of the Company and its subsidiaries as of December 31, 2008 and the related statements of income, changes in shareholders’ equity, cash flows and added value for the year then ended, which are the responsibility of its management. Our responsibility is to express an opinion on these financial statements. The financial statements of the wholly owned subsidiaries Randon Argentina S.A., Master Sistemas Automotivos Ltda. and Suspensys Sistemas Automotivos Ltda., and the indirect subsidiaries Fras-le Argentina S.A. and Fras-le North America, Inc., for the year ended December 31, 2008 were examined by other independent auditors and our opinion, with respect to the amounts of these investments, which total R$ 140,750 thousand and the positive equity in the earnings of these subsidiaries in the amount of R$ 91,965 thousand, is based exclusively on the opinion of the other independent auditors.

2. Our examinations were conducted in accordance with auditing standards generally accepted in Brazil and included: (a) planning of the audit work, considering the materiality of the balances, the volume of transactions and the accounting systems and internal accounting controls of the Company and its subsidiaries; (b) verification, on a test basis, of the evidence and records which support the amounts and accounting information disclosed; and (c) evaluation of the most significant accounting policies and estimates adopted by Company management and its subsidiaries, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, based on our examinations and the opinion of other independent auditors, the aforementioned financial statements present fairly, in all material respects, the financial position of Randon S.A. Implementos e Participações and the consolidated financial position of the Company and its subsidiaries as of December 31, 2008, the result of its operations, changes in its shareholders’ equity, the cash flows and the added values of its operations for the year then ended, in conformity with accounting practices adopted in Brazil

4. Previously, we audited the financial statements of the Randon S.A. Implementos e Participações and the financial statements of this Company and its subsidiaries for the year ending December 31, 2007, which included the balance sheet, the statements of income, changes in shareholders' equity and changes in financial position for the year then ended, as well as the supplementary information, which included the statements of cash flows and added value, on which we issued our unqualified opinion, dated January 25, 2008. As reported in note 2, the accounting practices adopted in Brazil were altered as from January 01, 2008. The financial statements for the year ending December 31, 2007, presented comparatively with the financial statements for 2008, were prepared in accordance with accounting practices adopted in Brazil and in force until December 31, 2007, and as permitted by CPC Technical Pronouncement 13 – Initial Adoption of Law 11.638/07 and Provisionary Measure 449/08, they do not include the adjustments required for making comparisons between the two years. The financial statements of the direct subsidiaries Randon Argentina S.A., Master Sistemas Automotivos Ltda. and Suspensys Sistemas Automotivos Ltda., and those of the indirect subsidiaries Fras-le Argentina S.A., Fras-le North America, Inc., for the year ending December 31, 2007, were examined by other independent auditors and our opinion, with respect to the values of these investments, which amount to R$ 114,822 thousand and the positive equity in income from these subsidiaries, for the amount of R$ 51,840 thousand, was based exclusively on the opinions of these other independent auditors.

5. Our examinations were performed with the objective of expressing an opinion on the aforementioned financial statements taken as a whole. The information by business segment represent supplementary information to those financial statements, which are not required by accounting practices adopted in Brazil, and they have been included to facilitate additional analysis. This supplementary information was subjected to the same audit procedures as applied to the financial statements and, in our opinion, are presented fairly, in all material respects, in relation to the financial statements for the years ended December 31, 2008 and 2007, taken as a whole.

February 06, 2009

KPMG Auditores Independentes
CRC 2SP014428/F-7-RS

Wladimir Omiechuk
Accountant CRC 1RS041241/O-2

Randon S.A. Implementos e Participações

(Publicly-held company)

Balance sheets

December 31, 2008 and 2007

(In thousands of Reais)

		Parent company		Consolidated	
Assets	**Note**	**2008**	**2007**	**2008**	**2007**
Current assets					
Cash and cash equivalents	5	129,092	64,872	316,372	252,879
Interest earning bank deposits	6	-	65,262	32,222	65,262
Derivative financial instruments	23	-	-	320	26
Trade accounts receivable	7	242,479	204,278	420,675	408,576
Inventories	8	106,562	118,260	376,237	284,125
Recoverable taxes	9	31,595	37,442	80,622	63,868
Prepaid expenses		1,294	1,252	2,699	1,998
Deferred taxes	18	16,485	12,590	42,456	19,940
Rights due to consortium resources	14	-	-	30,574	32,077
Other accounts		30,272	30,157	13,758	11,610
		557,779	534,113	1,315,935	1,140,361
Non-current assets					
Long-term receivables					
Related parties	10	3,961	147	-	-
Consortium quotas		12,424	11,461	25,812	26,578
Deferred taxes	18	2,674	2,518	5,556	11,523
Recoverable taxes	9	23,371	17,937	50,730	36,417
Judicial deposits	16	347	1,437	7,389	9,062
Other accounts		88	11	17,873	4,697
		42,865	33,511	107,360	88,277
Investments	11	432,269	316,133	39,053	28,293
Property, plant and equipment	12	284,861	230,054	726,574	519,730
Intangible assets	12	4,727	3,732	12,773	7,835
Deferred charges		1,171	3,129	14,069	15,648
		723,028	553,048	792,469	571,506
		1,323,672	1,120,672	2,215,764	1,800,144

		Parent company		Consolidated	
Liabilities	**Note**	**2008**	**2007**	**2008**	**2007**
Current liabilities					
Loans and financing	13	107,826	105,336	225,231	229,335
Derivative financial instruments	23	5,811	9,836	27,372	9,836
Accounts payable to suppliers		16,499	43,298	71,082	119,900
Advance from customers		34,998	47,315	43,857	49,043
Clients per goods to be delivered		16,789	24,535	20,704	24,676
Taxes payable		10,582	12,032	25,961	23,952
Salaries and related charges		9,108	12,869	34,884	36,368
Dividends		34,359	14,576	46,531	24,700
Interest on shareholders' equity		17,600	21,915	26,640	29,728
Employees and management participation		15,723	12,806	34,531	30,850
Deferred taxes		298	115	3,152	1,421
Income and Social Contribution Taxes	18	-	-	1,826	3,523
Obligations due to consortium resources		-	-	30,574	32,077
Commission	14	6,589	5,312	10,408	7,193
Related parties	10	3,353	2,029	10,920	8,085
Other accounts		17,868	12,307	33,710	29,084
		297,403	324,281	647,383	659,771
Non-current liabilities					
Loans and financing	13	192,658	110,370	429,516	207,120
Income and social contribution taxes	15	751	-	11,285	9,979
Related parties	10	33,405	52,601	34,254	35,376
Deferred taxes	18	726	840	739	878
Provision for contingencies	16	6,730	5,492	9,693	9,217
Pension plan	17	125	904	386	1,430
Other accounts		2,959	2,290	3,408	7,189
		237,354	172,497	489,281	271,189
Non-controlling interest		-	-	291,619	246,240
		237,354	172,497	780,900	517,429
Shareholders' equity	20				
Capital		400,000	279,000	400,000	279,000
Profit reserves		378,029	336,802	376,595	335,852
Reavaluation reserve		8,047	8,092	8,047	8,092
Accumulated conversion adjustments		2,839	-	2,839	-
		788,915	623,894	787,481	622,944
		1,323,672	1,120,672	2,215,764	1,800,144

See the accompanying notes to the financial statements.

Randon S.A. Implementos e Participações

(Publicly-held company)

Statements of income

Years ended December 31, 2008 and 2007

(In thousands of Reais, except net income per share)

		Parent company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
Revenues					
Sale of goods and services		1,636,509	1,435,532	3,884,377	3,181,880
Deductions					
Sales taxes		(331,365)	(295,987)	(777,668)	(627,319)
Returns and discounts		(12,781)	(8,611)	(47,231)	(24,338)
		(344,146)	(304,598)	(824,899)	(651,657)
Net revenues		1,292,363	1,130,934	3,059,478	2,530,223
Cost of goods sold and services rendered		(936,525)	(871,264)	(2,225,788)	(1,859,111)
Gross profit		355,838	259,670	833,690	671,112
Operating income (expenses)					
Selling expenses		(112,634)	(97,609)	(237,892)	(204,749)
Administrative and general expenses		(38,942)	(41,120)	(109,632)	(97,004)
Management remuneration		(3,882)	(3,305)	(8,560)	(9,390)
Financial expenses	22	(125,523)	(51,070)	(253,432)	(100,809)
Financial income	22	97,996	51,666	218,033	101,380
Equity in income of subsidiaries	11	121,583	95,183	-	-
Other operating income (expenses)		(20,790)	(16,539)	(22,361)	(18,250)
		(82,192)	(62,794)	(413,844)	(328,822)
Net income before income and social contribution taxes and profit sharing		273,646	196,876	419,846	342,290
Income and Social Contribution Taxes	18	(38,639)	(21,423)	(108,769)	(89,737)
Directors profit sharing		(3,412)	(2,828)	(7,276)	(6,882)
Net income before non controlling interest		231,595	172,625	303,801	245,671
Non-controlling interest		-	-	(72,690)	(72,312)
Net income for the year		231,595	172,625	231,111	173,359
Net income per share - R$		1.45	1.08		
Number of shares in circulation at year-end		160,223,635	160,223,635		

See the accompanying notes to the financial statements.

Randon S.A. Implementos e Participações

(Publicly-held company)

Statements of changes in shareholders' equity

Years ended December 31, 2008 and 2007

(In thousands of Reais)

			Profit reserves					
	Capital	**Revaluation Reserve**	**Legal**	**Reserve for investment and working capital**	**Treasury shares**	**Accumulated conversion adjustments**	**Retained earnings accumulated**	**Total**
Balances at January 01, 2007	279,000	8,137	27,183	219,906	(6,852)	-	-	527,374
Realization of revaluation reserve	-	(45)	-	-	-	-	45	-
Acquisition of own shares	-	-	-	-	(20,774)	-	-	(20,774)
Net income for the year	-	-	-	-	-	-	172,625	172,625
Distributions:								
Legal reserve	-	-	8,634	-	-	-	(8,634)	-
Reserve for investment and working capital	-	-	-	108,705	-	-	(108,705)	-
Dividends	-	-	-	-	-	-	(14,534)	(14,534)
Interest on non-accrual loans	-	-	-	-	-	-	(40,797)	(40,797)
Balances at December 31, 2007	279,000	8,092	35,817	328,611	(27,626)	-	-	623,894
Capital increase with revenue reserves	121,000	-	-	(121,000)	-	-	-	-
Adjustments for initial adoption of Law 11638/07 and MP 449/08	-	-	-	-	-	-	3,307	3,307
Realization of revaluation reserve	-	(45)	-	-	-	-	45	-
Accumulated conversion adjustments	-	-	-	-	-	2,839	-	2,839
Net income for the year	-	-	-	-	-	-	231,595	231,595
Distributions:								
Legal reserve	-	-	11,747	-	-	-	(11,747)	-
Reserve for investment and working capital	-	-	-	150,480	-	-	(150,480)	-
Dividends	-	-	-	-	-	-	(34,322)	(34,322)
Interest on non-accrual loans	-	-	-	-	-	-	(38,398)	(38,398)
Balances at December 31, 2008	400,000	8,047	47,564	358,091	(27,626)	2,839	-	788,915

See the accompanying notes to the financial statements

Randon S.A. Implementos e Participações

(Publicly-held company)

Statements of cash flows - Indirect method

Years ended December 31, 2008 and 2007

(In thousands of Reais)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Cash flows from operating activities				
Net income before income and social contribution taxes	270,234	194,048	412,570	263,096
Adjustments for:				
Depreciation and amortization	17,423	10,972	67,481	52,065
Provisions	2,485	3,264	13,535	1,752
Result on the sale of fixed assets	(506)	2,221	681	(3,493)
Exchange variation on loans and financing	37,511	(8,711)	69,688	(9,356)
Interest and financial costs on loans and financing	27,176	20,719	50,432	30,790
Result of derivative financial instruments	6,246	2,723	28,810	(6,239)
Equity adjustment	(121,583)	(95,183)	-	-
Equity in income from other companies in subsidiaries	-	-	(10,750)	(3,944)
Non-controlling interest	-	-	(28,330)	41,876
Exchange variation in foreing subsidiairies' property, plant and equipment	-	-	(286)	221
Initial adjustments related to leases and adjustments to present value	(164)	-	(1,544)	-
Acummulated conversion adjustments	-	-	2,839	-
Profit and dividend received from subsidiaries	54,841	50,688	-	-
Income Tax and Social Contribution on Net Income payments	(41,861)	(28,668)	(118,061)	(92,980)
Withholding tax over interest on shareholders' equity payments	(1,804)	(1,636)	(3,468)	(4,714)
Forward, term, option and swap contracts payments	(15,170)	(8,868)	(20,110)	(11,611)
Forward, term, option and swap contracts received	8,543	1,294	17,506	10,938
Changes in assets and liabilities				
(Increase) decrease in other accounts receivable	60,505	(46,204)	(21,503)	(52,173)
(Increase) in accounts receivable	(42,012)	(43,210)	(16,921)	(85,028)
(Increase) decrease in inventories	1,052	(10,583)	(93,298)	(56,703)
(Decrease) increase in accounts payable and provisions	(26,799)	6,521	(48,818)	21,101
(Decrease) increase in other accounts payable	(14,671)	23,594	(5,287)	47,939
Cash provided by operating activities	221,446	72,981	295,166	143,537
Cash flows from investing activities				
Purchases of property, plant and equipment	(99,554)	(104,923)	(275,355)	(186,661)
Proceeds from the sale of property, plant and equipment	1,526	4,351	2,614	12,018
Purchases of shares and quotas	(7,946)	(31,684)	(21)	(1,025)
Deferred charges	-	(4,099)	(5,327)	(8,864)
Acquisition of own shares	-	(20,774)	-	(20,774)
Net cash (used in) investing activities	(105,974)	(157,129)	(278,089)	(205,306)
Cash flows from financing activities				
Dividends paid	(14,539)	(11,918)	(14,539)	(11,918)
Interest on shareholders' equity paid	(38,930)	(31,317)	(38,930)	(31,317)
Proceeds from issuance of loans	205,141	128,706	499,007	389,512
Principal payments on loans	(167,247)	(52,357)	(364,043)	(208,347)
Proceeds from issuance (payments) of loans from parent company and subsidiaries	(20,272)	18,373	(3,124)	15,411
Proceeds from issuance (payments) of loans from other related parties	2,399	337	4,837	3,904
Interest paid on loans	(17,804)	(14,820)	(36,792)	(25,818)
Cash provided by (used in) financing activities	(51,252)	37,004	46,416	131,427
Increase (decrease) in cash and cash equivalents	64,220	(47,144)	63,493	69,658
Increase (decrease) in cash and cash equivalents				
At beginning of year (Note 25)	64,872	112,016	252,879	183,221
At end of year (Note 25)	129,092	64,872	316,372	252,879
	64,220	(47,144)	63,493	69,658

See the accompanying notes to the financial statements.

Randon S.A. Implementos e Participações

(Publicly-held company)

Statements of added value

Years ended December 31, 2008 and 2007

(In thousands of Reais)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Revenues				
Sale of goods and services, (-) returns	1,623,728	1,426,921	3,839,286	3,156,258
Revenues related to the construction of own assets	40,293	25,241	88,100	37,334
Other revenues	1,146	923	23,214	17,804
Allowance for doubtful accounts	(3,812)	(180)	(4,152)	(33)
	1,661,355	1,452,905	3,946,448	3,211,363
Inputs acquired from third parties (including ICMS and IPI)				
Costs of products, goods and services sold	1,080,840	997,345	2,293,863	1,909,790
Material, power, third-party services and other operating expenses	160,794	133,405	473,376	367,118
	1,241,634	1,130,750	2,767,239	2,276,908
Depreciation and amortization	15,450	10,972	67,481	52,065
Net added value produced by the company	404,271	311,183	1,111,728	882,390
Transferred added value				
Equity in income of subsidiaries	121,583	95,183	-	-
Rents and royalties	608	503	711	607
Financial income	97,996	51,666	218,033	101,380
	220,187	147,352	218,744	101,987
Total added value to be distributed	624,458	458,535	1,330,472	984,377
Distribution of added value				
Employees				
Payroll and related charges	100,700	92,442	266,206	221,053
Benefits	16,924	16,237	46,061	38,809
FGTS (Government Severance Indemnity Fund for Employees)	9,310	8,543	24,348	20,651
Commissions on sales	2,021	1,919	3,249	1,958
Management remuneration and profit sharing	7,294	6,133	15,805	15,171
Employees' profit sharing	17,624	14,322	37,959	34,013
Retirement and pension plans	1,708	1,770	3,235	3,332
	155,581	141,366	396,863	334,987
Taxes				
Federal	97,765	76,050	281,803	243,075
State	9,255	10,137	75,586	44,828
Municipal	1,430	1,508	3,337	2,994
	108,450	87,695	360,726	290,897
Financiers				
# Interest and financial expenses	125,523	51,070	255,236	100,809
Rent	3,308	5,779	13,361	11,980
	128,831	56,849	268,597	112,789
Shareholders' equity				
Non-controlling interest	-	-	72,690	72,312
Interest on shareholders' equity	38,398	40,797	38,398	40,797
Dividends	34,322	14,534	34,322	14,534
Retained earnings for the year	158,876	117,294	158,876	118,061
Added value distributed	624,458	458,535	1,330,472	984,377

See the accompanying note to the financial statements.

Randon S.A. Implementos e Participações

(Publicly-held company)

Notes to the financial statements

December 31, 2008 and 2007

(In thousands of Reais)

1 Operations

The objective of the Company is: a) investment in the capital of other companies; b) administration of its own assets and property; c) industry, commerce, importation and exportation of vehicles for road transport, implements for road and rail transport, mechanical apparatus, parts, pieces and components related to this line; d) road transport of cargo and; e) rendering of services related to its lines of business.

Incorporation of new subsidiary company:

In June 2008, the Company paid in capital, equivalent to the amount of R$ 38,096 in the company Randon Implementos para o Transporte Ltda., in which it retains 99.99% of the capital, through the transfer of real estate and fixed assets, its own inventory, as well as cash.

The object of this incorporated subsidiary is: a) the industrialization, sale, import and export of implements for railway and highway transport of mechanical equipment, vehicle equipment, parts, and components related to this sector; b) provide services related to this sector.

Incorporation of new indirect subsidiary:

Between June and November 2008, the subsidiary Fras-le S.A. paid in part of the capital, equivalent to R$ 3,368 in the company Fras-le Friction Material Pinghu Co. Ltda., retaining 100% of its capital.

The activity of the indirect subsidiary incorporated is to manufacture, sell and import components for brakes and friction materials, and also provide technical assistance services.

2 Presentantion of the financial statements

The Company only and consolidated financial statements were prepared in accordance with accounting practices adopted in Brazil, which are derived from the Brazilian Corporation Law, pronouncements, guidelines and interpretation of the Accounting Pronouncements Committee (CPC), and the rules of the Brazilian Securities Commission (CVM).

For the first time when preparing the Parent Company only and consolidated financial statements for 2008, the Company adopted the amendments to the Corporate Law introduced by Law 11638, which was approved on December 28, 2007 with the respective changes introduced by Provisional Measure 449 on December 3, 2008.

Law 11638/07 and Provisional Measure 449/08 amended Law 6404/76 with respect to the preparation and disclosure of the financial statements.

The adjustments with respect to the initial adoption of Law 11638/07 and Provisional Measure 449/08 are described in detail in Note 3.

Authorization for the issuance of these financial statements was given by the management on February 04, 2009.

With the objective of better presenting the information provided to the market, the Company is voluntarily presenting the Report by Business Segment. A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment) and is subject to risks and rewards that are different from those of other segments.

3 Description of significant accounting policies

3.1 Initial adoption of Law 11638/07

The company elected to prepare a transitional balance sheet on January 1, 2008 which will determine the beginning balances for the accounting in accordance with the Corporate Law amended by Law 11638/07 and Provisional Measure 449/08. The amendments introduced by the aforementioned legislation are defined as changes in accounting practices, however, as permitted by CPC Technical Pronouncement 13 - Initial Adoption of Law 11638/07 and Provisional Measure 449/08, approved by CVM Resolution 565 of December 17, 2008, all the adjustments that would impact net income/loss of previous years can to be recorded against accumulated profits and losses on the date of transition in the terms of article 186 of Law 6404/76, without retroactive application on the financial statements.

Adjustments to the Balance Sheet on the Transition Date, January 1, 2008, due to the initial adoption of Law 11638/07 and Provisional Measure 449/08

a) Parent company

Date of transition - 01/01/2008

(In thousands of Reais)

	12/31/07 Balances	Adjustments		Balances
Shareholders' equity	623,894	3,307		627,201
Capital	279,000	-		279,000
Revaluation reserves	8,092	-		8,092
Retained earnings	-	3,307	{a}	3,307
Profit reserves	364,428	-		364,428
Treasury shares	(27,626)	-		(27,626)

Summary of the adjustments

{a} Adjustments against retained earnings	3,307
{a1} Financial instruments valued at fair value through profit or loss	3,645
{a2} Financial leases	506
{a3} Adjustments to present value	(671)
{a4} Equity account method for subsidiaries adjustments	1,066
{a5} Deferred Net Income Tax and Social Contribution on Net Income	(1,239)

(In thousands of Reais)

b) Consolidated

	12/31/07 Balances	Date of transition - 01/01/2008 Adjustments		Balances
Shareholders’ equity	622,944	3,307		626,251
Capital	279,000	-		279,000
Revaluation reserves	8,092	-		8,092
Profit reserves	363,478	-		363,478
Retained earnings	-	3,307	{a}	3,307
Treasury shares	(27,626)	-		(27,626)

Summary of the adjustments	
{a} Adjustments against retained earnings	3,307
{a1} Financial instruments valued at fair value through profit or loss	8,644
{a2} Financial leases	586
{a3} Adjustments to present value	(2,130)
{a4} Non controlling interest on subsidiaries Adjustments	(1,019)
{a5} Deferred Net Income Tax and Social Contribution on Net Income	(2,774)

Financial instruments

The Company held financial instruments whose balances on the transition date were reclassified as: (i) financial assets or liabilities measured at fair value through the profit or loss; (ii) held to maturity; (iii) loans and receivables. With certain exceptions the financial liabilities are recognized initially at fair value plus applicable transition costs and then subsequently valued at amortized cost.

As permitted by CPC 13 - Initial Adoption of Law 11638/07 and Provisional Measure 449/08, approved by CVM Resolution 565, of December 17, 2008, the balances of financial instruments that were available for sale, stated at fair value through the profit and loss or valued at amortized cost, were restated at their fair value on the transition date.

On January 01, 2008, the Company and its subsidiaries held derivative financial instruments, classified as options, in the form of swaps with retraction, also know as “Zero Cost Collar”. The fair value of these operations outstanding at the transition date was R$ 3,645 (R$ 8,644 in consolidated). At December 31, 2007, this amount was not registered in the accounting records, since the Company was waiting for the purchase and sale options to be exercised before they became effective obligations and/or rights.

On the transition date, no financial instruments available for sale were identified, for which the difference between the book value and the fair value should be allocated to the equity evaluation adjustment account.

Other operations involving derivative financial instruments in 2007 were registered in the balance sheet at their curve values at the balance sheet date and refer to foreign exchange liability swap operations, of R$ 5,553 (R$ 5.553 in consolidated) and asset term operations of R$ 26, only on consolidation. The difference between the book values and fair values for these operations was not material at the transition date.

Financial leases

Certain assets obtained through financial lease contracts were recognized as property, plant and equipment at their fair value, or if lower, by the present value of the balance of minimum payments established in the financial lease contracts and depreciated by the rates established by the Company according to the nature of each asset. The residual value of assets obtained through financial lease contracts that were sold or written off as losses is recognized as a cost or loss, respectively, in the statement of income.

The respective balances payable on the financial lease contracts were recognized in current or non-current liabilities based on the present value of the remaining installments payable on the date of the transition. The difference between the present value and the total value of the payments falling due will be allocated in the statement of income as financial expenses for the remaining period of the contract using the amortized cost method, based on the effective interest rate.

The differences between the values of the assets net of depreciation and of the liabilities recognized on the date of transition and initial application of Law 11638/07 were recognized as retained earnings or accumulated losses.

In 2007 the financial lease contracts were recorded as operating leases.

Deferred charges

The balance of deferred charges as of December 31, 2008 will be maintained until they are fully realized through amortization or write-off against income.

Intangible assets

Certain intangible assets which were already recognized prior to the initial adoption of Law 11638/07 and Provisional Measure 449/08 and which meet the specific requirements of CPC Technical Pronouncement 04 - Intangible Assets, approved by CVM Resolution 553, were reclassified from property, plant and equipment or deferred charges to intangible assets.

The intangible assets that meet the requirements of the Pronouncement, but which had not been recorded previously, were not recognized.

Adjustments to present value

Certain short and long-term trade accounts receivable and accounts payable to suppliers were discounted to present value based on specific interest rates that reflect the nature of these assets and liabilities with respect to term, risk, currency, and prefixed or floating conditions of receipt or payment, or based on the opening balance on the transition date as permitted by CPC Technical Pronouncement 13 - Initial Adoption of Law11638/07 and Provisional Measure 449/08.

The effects of the adjustments to present value arising from the initial adoption of Law 11638 and Provisional Measure 449/08 were recorded against retained earnings.

Equity account method and non controlling interests

The effects of the adjustments from the Initial Adoption of Law 11638/07 and Provisionary Measure 449/08 in the Balance Sheet on the Transition Date were reflected to equity in income of subsidiaries in the parent company and non controlling interest in consolidated.

Deferred Net Income Tax and Social Contribution on Net Income

The tax effects of the adjustments arising from the initial adoption of Law 11638/07 and

(In thousands of Reais)

Provisional Measure 449/08, when applicable, were recorded in Shareholders' equity against deferred tax assets or liabilities.

Revaluation reserve

The balance of the Company's revaluation reserve will be maintained until its realization through depreciation expense, sale or write-off to loss.

The possibility of voluntarily revaluation of assets was eliminated beginning in 2008 with the amendments introduced in Brazilian Corporate Law.

Effects of the initial adoption of Law 11638/07and Provisional Measure 449/08

The reconciliation of net income for 2008 and shareholders' equity as of December 31, 2008 that reflect the effects of the initial adoption of Law 11638/07, with the results that would be obtained if the changes in accounting practices with respect to the aforementioned legislation had not been adopted, is as follows.

Statement of the effects in income/loss and Shareholders' Equity as of and for the year ending December 31, 2008 arising from the Initial Adoption of Law 11638/07 and Provisional Measure 449/08

	2008

a) Income/loss	**2008 Parent company**	**Consolidated**
Income for the year ended December 31	231,595	231,111
Adjustments of the effects arising from the initial adoption of Law 11638/07 and Provisional Measure 449/08	3,307	3,307
Financial instruments stated at fair value through profit or loss	(172)	(565)
Depreciation expense of assets obtained through financial lease contracts	834	1,033
Financial expenses arising from financial lease contracts	1,050	1,065
Reversal of lease expenses	(2,152)	(2,535)
Adjustments to present value of trade accounts receivable and accounts payable to suppliers		
Financial income	(13,352)	(36,890)
Financial expenses	4,393	13,300
Sales revenue	14,414	39,457
Cost of sales	(4,329)	(13,895)
Accumulated conversion adjustments	2,839	4,830
Temporary differences for income taxes	(233)	(329)
Equity in earnings of subsidiaries	862	-
Non controlling interest	-	(1,317)
Net income without the effects of Law 11638/07 (Net adjusted result)	239,056	238,572
Total net adjustments arising from the adoption of Law 11638/07 and Provisional Measure 449/08	7,461	7,461

b) Shareholders' Equity	**2008 Parent company**	**2008 Consolidated**
Shareholders' equity at December 31		
Adjustments on the date of transition recognized in	788,915	787,481
Retained earnings	(3,307)	(3,307)
Accumulated conversion adjustments	(2,839)	(2,839)
Difference between net income for 2008 and the adjusted net income	7,461	7,461
Shareholders' equity at December 31, 2008 without the effects of Law 11638/07 and Provisional Measure 449/08	790,230	788,796

3.2 Description of significant accounting policies

a. Statement of Income

Income and expenses are recognized on the accrual basis.

Revenue from the sale of goods is recognized in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the statement of income in proportion to the stage of completion of the service. Revenue is not recognized if there are significant uncertainties as to its realization.

b. Accounting estimates

The preparation of the financial statements in accordance with accounting practices adopted in Brazil requires that Management uses its judgment in determining and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the residual value of property, plant and equipment, allowance for doubtful accounts, inventories and deferred tax assets, provision for contingencies, and assets and liabilities related to employees' benefits. The settlement of transactions involving these estimates may result in significantly different amounts due to the lack of precision inherent to the process of their determination. The Company reviews the estimates and assumptions at quarterly.

c. Financial instruments

Non-derivative financial instruments include interest-earning bank accounts, investments in debt and equity instruments, accounts receivable and other receivables, including receivables related to concession services, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at their fair value plus, for instruments that are not recognized at fair value through profit or loss, any directly attributable transaction costs. After their initial recognition, non-derivative financial instruments are recognized as follows.

Instruments held to maturity

If the Company has the intention and the ability to hold its debt instruments until maturity, these are classified as held to maturity. Investments held to maturity are stated at amortized cost, using the effective interest rate method, less any decreases in their recoverable value.

Financial instruments at fair value through profit or loss

An instrument is classified as fair value through profit or loss if it is held for trading, i.e. designated as such upon initial recognition. Financial instruments are designated as fair value through profit or loss if the Company manages these investments and makes purchase and sales decisions based on their fair value in accordance with the investment strategy and risk management documented by the Company. After initial recognition, attributable transaction costs are recognized in income/expenses when incurred. Financial instruments at fair value through profit or loss are stated at fair value, and their fluctuations are recognized in income/expenses.

Other instruments

Other non-derivative financial instruments are stated at their amortized cost using the effective interest rate method, less any decreases in their recoverable value.

Derivative financial instruments

The Company holds derivative financial instruments to hedge against risks related to foreign currencies and interest rates.

Derivative financial instruments are initially recognized at their fair value; attributable transaction costs are recognized in income/expense when incurred. After their initial recognition, derivatives are stated at their fair value and changes are recorded in income except in the circumstances described below for the recording of hedging activities. At December 31, 2008 the Company and its subsidiaries did not adopted hedge accounting for contracted derivatives instruments.

d. Foreign currency

The Company's Management has defined that its functional currency is the Real in accordance with the rules established in CPC 02 - Effects of the Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Resolution 534.

Transactions in foreign currency, i.e. all transactions that are not carried out in the functional currency, are translated at the exchange rate on the dates of each transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate on the closing date. The gains and losses from the fluctuations in the exchange rates on monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated based on the exchange rates on the dates of the transactions or on the dates of valuation at fair value when applicable. The gains and losses arising from changes in investments abroad are recognized directly in shareholders' equity under equity valuation adjustments and recognized in the statement of income when these investments are fully or partially disposed of. The financial statements of subsidiaries and associated companies abroad are adjusted to comply with accounting practices in Brazil and, subsequently, translated into the local functional currency at the exchange rate on the closing date.

e. Current and noncurrent assets

- **Interest earning bank deposits**

  Interest earning bank deposits are recorded at cost plus income accrued up to the balance sheet date.

- **Trade account receivable**

  Trade accounts receivable are recorded at the amount billed, adjusted to present value when applicable, and include the respective direct taxes for which the Company is responsible, less the taxes withheld, which are considered tax credits.

The calculation of the present value is made for each transaction based on an interest rate that reflects the term, the currency and the risk of each transaction. For sales transactions the Company and its subsidiaries use the variation in the Interbank Certificates of Deposit – CDI, given that this is the reference rate used for transactions involving installment sales. The counter entry of the adjustments to present value of trade accounts receivable is made against gross revenue in the income statement. The difference between the present value of a transaction and the face value of the billing is considered financial income and will be amortized during the term of the transaction using the effective interest rate method.

The allowance for doubtful accounts was calculated at an amount considered adequate by management to cover any losses arising on collection of accounts receivable. The criteria for recording the allowance was the individual analysis of the balances of clients running the risk of default.

- **Inventories**

  Inventories are stated at average purchase or production cost and that does not exceed market value.

  The cost of inventories includes expenditure incurred in acquiring the inventories transport and storage. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overhead based on normal operating capacity.

- **Consortium quotas**

  Estimate for the credit value object of investment in consortium group quotas up to the date of the balance sheet, classified as receivables.

- **Other current and noncurrent assets**

  Presented at the net realizable amount.

- **Investments**

Investments in subsidiaries and associated companies where there is an interest in the voting capital of more than 20% or where there is significant influence and in other companies that are part of the same group or which are under common control are valued using the equity method of accounting.

Other investments that are not classified in the above category are valued at cost of acquisition, less a provision for impairment, when applicable.

- **Property, plant and equipment**

Recorded at the cost of acquisition, formation or construction. Depreciation is calculated using the straight-line method at rates described in Note 12, which take into account the estimated useful lives of the assets.

Expenditure incurred to replace a component of an item of fixed assets that is accounted for separately, including major inspection and overhaul costs, is capitalized. Other subsequent expenditures are capitalized only when it increases the future economic benefit of the item of property, plant and equipment. All other expenditures are recognized in the statement of income as an expense as incurred.

- **Leases**

- ***Financial leases***

Certain lease contracts substantially transfer the risks and benefits inherent to the ownership of an asset to the Company. These contracts are defined as financial lease contracts and the assets are recognized at their fair value or at the present value of the minimum payments established in the contract. The items recognized as assets are depreciated according to the rates of depreciation applicable to each group of assets in accordance with Note 12. The finance charges arising from the financial lease contracts are allocated to the income statement over the period of the contract, based on the amortized cost and effective interest rate methods.

- ***Operating leases***

Payments made on an operating lease contract are recognized as expenses in the statement of income in accordance with the straight line method over the period of the lease contract

- **Intangible assets**

Intangible assets at December 31, 2008 and 2007 comprise the assets acquired from third parties, stated at the total cost of acquisition, amortized using the straight-line method at rates described in Note 12, which take into account the estimated useful lives of the assets.

- **Deferred charges**

Deferred charges refer to pre-operating expenses. Those assets are amortized using the straight-line method over a period of 5 years.

The Company elected to maintain the deferred charges until they are fully realized through amortization or write-off in the statement of income.

- **Decrease in recoverable value**

The recoverable value of intangible assets, deferred assets and property, plant and equipment is tested for impairment at least annually if there are indications of loss in value

f. Current and noncurrents liabilities

Stated at the known amounts or estimated, plus, when applicable, the corresponding charges and monetary and/or exchange variations incurred up to the balance sheet date. When applicable, current and non-current liabilities are stated at present value, transaction by transaction, based on the interest rates that reflect the term, the currency and the risk of each transaction. The counter entry of the adjustments to present value is recorded against the accounts in the statement of income that gave rise to the aforementioned liability. The difference between the present value of a transaction and the face value of the liability is allocated to the statement of income over the period of the contract, based on the amortized cost and effective interest rate methods.

g. Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recorded considering the best estimates of the risk specific to the liability.

h. Pension plan and benefits to employees

The sponsorship costs of the pension plan and eventual deficits (surpluses) of the plan are recognized in compliance with CVM Resolution 371/00 and NPC 26 of the Brazilian Institute of Independent Auditors (IBRACON).

For the part referred to defined benefit plan, the sponsorship costs of the pension plan are recognized as expenses when they relate to a defined contribution plan.

When the benefits of a plan are increased, the portion of the increase in the benefit related to past service of employees is recognized in the statement of income according to the straight line method during the average period until the benefits are realized. If the criteria for obtaining these benefits are met immediately, the expenditure is recognized immediately in the statement of income.

i. Government subsidy

A government subsidy is recognized in the statement of income over the period that the expenses that it is intended to offset are recognized, on a systematic basis, provided that the conditions of CPC 07 - Government Subsidies and Assistance are met. While the requisites for recognition in the statement of income are not met, the counter entry of the government subsidy recorded in assets is made in a specific account in liabilities (or as an offseting account in assets).

j. Income and social contribution taxes

The income and social contribution taxes, both current and deferred, are calculated based on the rates of 15% plus a surcharge of 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax loss carryforward and negative basis of social contribution limited to 30% of the taxable income.

The deferred tax assets resulting from carryforward tax losses, negative basis of social contribution and temporary differences were recorded in accordance with CVM Instruction 371 of June 27, 2002, and consider past profitability and expectations of future taxable income, based on a technical viability study, approved by the Board of Directors.

(In thousands of Reais)

4 Consolidated financial statements

The consolidated financial statements include the financial statements of Randon S.A. Implementos e Participações and its subsidiaries, as listed below:

	Ownership percentage			
	2008		2007	
	Direct	Indirect	Direct	Indirect
Randon Argentina S.A. *(a)*	99.99	-	99.99	-
Randon Middle East *(a)*	100.00	-	100.00	-
Randon Automotive Ltda. *(a)*	100.00	-	100.00	-
Randon Implementos para o Transporte Ltda. *(c)*	99.99	-	-	-
Jost Brasil Sistemas Automotivos Ltda.	51.00	-	51.00	-
Master Sistemas Automotivos Ltda.	51.00	-	51.00	-
Suspensys Sistemas Automotivos Ltda.	22.88	27.12	22.88	27.12
Randon Administradora de Consórcios Ltda.	99.57	-	99.57	-
Randon Veículos Ltda.	99.99	-	99.99	-
Castertech Fundição e Tecnologia Ltda.	99.99	-	99.99	-
Fras-le S.A.	45.22	-	45.22	-
Fras-le Argentina S.A. *(a)*	6.00	94.00	6.00	94.00
Fras-le North América, Inc. *(a)*	-	100.00	-	100.00
Fras-le Andina Com. Y Repres. Ltda. *(a)*	-	99.00	-	99.00
Fras-le Europe *(a)*	-	100.00	-	100.00
Fras-le Friction Material Pinghu Co Ltda. *(b)*	-	100.00	-	-
Fras-le México S de RL de CV *(a)*	-	99.66	-	99.66

(a) Foreign subsidiary.
(b) Indirect foreign subsidiary, constituted in June, 2008;
(c) Brazilian subsidiary, constituted in June, 2008.

The accounting policies have been consistently applied in all the consolidated companies and are consistent with those used in the previous year.

(In thousands of Reais)

Description of main consolidation procedures

a. Elimination of intercompany asset and liability account balances;

b. Elimination of investment in the capital, reserves and retained earnings of the subsidiaries;

c. Elimination of intercompany income and expense balances and unearned income arising from intercompany transactions. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment;

d. Elimination of taxes charges on unearned income in the consolidated balance sheet; and

e. Identification of non controlling interests in the consolidated financial statements.

The reconciliation of the income for the year and shareholders' equity is shown below:

	Net income		**Shareholders'equity**	
	2008	**2007**	**2008**	**2007**
Parent company	231,595	172,625	788,915	623,894
Elimination of income earned by the parent company in transactions with subsidiaries, net of Income and Social Contribution	(484)	734	(1,434)	(950)
Consolidated	231,111	173,359	787,481	622,944

(In thousands of Reais)

5 Cash and banks

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Cash and banks	2,879	25,002	19,245	36,434
Interest earning bank deposits	126,213	39,870	297,127	216,445
	129,092	64,872	316,372	252,879

These securities and other investments are readily convertible into a known amount of cash and they are subject to an insignificant risk of a change in value.

Interest earning bank deposits refer substantially to Banks Deposits Certificates and Fixed Income Funds, remunerated at rates which vary from 98.0% to 103.2% of the Interbank Deposit Certificate – CDI, with daily liquidity.

6 Short term securities

		Parent company		Consolidated	
Tipo	**Remuneration**	**2008**	**2007**	**2008**	**2007**
Debentures	From 14.4 to 15.2 % p.a.	-	65,262	32,222	65,262

(In thousands of Reais)

7 Trade accounts receivable

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current:				
Domestic customers	79,898	156,798	283,678	332,317
Foreign customers	87,641	45,042	165,787	99,570
Subsidiaries	90,700	14,089	-	-
Less:				
Vendor	(6,703)	(8,250)	(8,714)	(10,224)
Exchange trade bills discounted	-	-	(3,902)	(5,406)
Adjustment to present value	(1,844)	-	(3,671)	-
Allowance for doubtful accounts	(7,213)	(3,401)	(12,503)	(7,681)
	242,479	204,278	420,675	408,576

	Parent company		Consolidated	
Accounts receivable - overdue	**2008**	**2007**	**2008**	**2007**
from one to 30 days	36,647	45,628	77,298	74,678
from 31 to 60 days	18,308	8,947	28,635	20,726
from 61 to 90 days	12,348	4,740	18,439	7,679
from 91 to 180 days	5,703	6,692	16,269	11,385
more than 181 days	5,132	4,287	10,993	10,110
Total	78,138	70,294	151,634	124,578

8 Inventories

(In thousands of Reais)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Finish goods	38,003	35,929	118,014	67,031
Work in process	19,409	43,970	67,421	70,489
Raw materials	28,557	23,887	149,174	119,064
Miscellaneous materials	11,164	9,989	24,656	22,027
Inventory obsolescence provision	(974)	(605)	(2,920)	(1,734)
Advances to suppliers	4,144	790	6,415	2,268
Imports in transit	6,259	4,300	13,477	4,980
	106,562	118,260	376,237	284,125

9 Taxes recoverable

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
ICMS	29,441	30,111	66,928	51,063
IPI	89	513	3,212	2,455
Income Tax and Social Contribution	5,428	8,744	9,251	11,470
COFINS	16,416	13,133	31,336	24,507
PIS	3,581	2,867	6,892	5,384
Others	11	11	13,733	5,406
Total	54,966	55,379	131,352	100,285
Current	31,595	37,442	80,662	63,868
Noncurrent	23,371	17,937	50,730	36,417

a. *Value-Added Tax on Sales and Services - ICMS*

The balance is originated by tax credits recorded in commercial operations and purchase of fixed assets, generated on productive and commercial units of the Company.

b. *Employees' Profit Participation Program (PIS) and Social Contribution on Billings (COFINS)*

The balance is originated by PIS and Cofins non-cumulated taxation, recorded mainly in purchase transactions of fixed assets, which are compensated in monthly successive installments, as determined by tax legislation.

c. *Excise Tax - IPI*

The balance is originated mainly by amounts recorded in commercial operations.

d. *Income Tax and Social Contribution*

Correspond to income tax withheld at source in interest earning bank deposits and anticipated payments of Income Tax and Social Contribution realizable by compensation on federal payable taxes.

(In thousands of Reais)

10 Related parties transacions

a. Balances and operations with related parties

The main asset and liability balances at December 31, 2008 and 2007, as well as the transactions that affect the result for the year, related to operations with related parties, originate from transactions with the Company and its subsidiaries, which were performed under normal market conditions for the respective types of transactions and specific conditions considering the volumes of the transactions and the payment terms.

	Subsidaries and related parties														Parent company	
	Randon Veículos Ltda.	Master Sistemas Automotivos Ltda. (b)	Jost Brasil Sistemas Automotivos Ltda.	Fras-le S.A.	Suspensys Sistemas Automotivos Ltda. (b)	Randon Implementos para o Transporte Ltda.	Randon Argentina S.A.	Randon Administradora de Consórcios Ltda.	Randon Middle East	Randon Automotive Ltda.	DRAMD Particip. e Adm. Ltda. (c)	Ravimia Corretora de Seguros Ltda.	Fras-le Argentina S.A.	Other related parties (a)	2008	2007
Assets																
Accounts receivable from sales	99	1,268	4,250	-	8,754	60,086	16,236	7	-	-	-	-	-	-	90,700	14,089
Advances to subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
Intercompany loans receivable	3,255	565	40	101	-	-	-	-	-	-	-	-	-	-	3,961	147
Liabilities																
Accounts payable purchase	-	(11)	(20)	-	(45)	315	-	-	-	-	-	-	-	-	239	412
Advances from subsidiaries	71	15	-	-	1	84	-	-	-	-	-	-	-	-	171	95
Intercompany loans payable	-	-	-	-	26	492	-	-	-	-	27,339	1,391	-	7,510	36,758	54,630
															2008	**2007**
Income																
Income from products and services	6,241	5,857	2,256	4,123	11,577	101,105	25,958	1,013	-	-	-	-	263	-	158,393	50,095
Purchase of products and services	-	12,574	36,272	318	168,784	16,229	-	-	193	2,237	-	-	-	-	236,607	188,769
Financial incomes	19	9	-	4	15	74	-	-	-	-	-	-	-	7	128	136
Financial expenses	1	214	271	121	237	5	-	-	-	-	2,710	88	-	936	4,583	5,098

(a) Balances of loans receivable and payable held by the directors, managers, members of the board of directors and other related parties.

(b) The subsidiaries Master Sistemas Automotivos Ltda. and Suspensys Sistemas Automotivos Ltda. have operations with their respective quota holders, Arvin Meritor do Brasil Sistemas Automotivos Ltda. and Meritor Heavy Vehicle Systems, LLC, company from Arvin Meritor Group. In 2008 the sales transactions with Arvin Meritor Group companies reached the amount, in Master Sistemas Automotivos Ltda., of R$ 71,512 (R$ 57,993 in 2007) and, in Suspensys Sistemas Automotivos Ltda. the amount of R$ 24,827 (R$ 36,104 in 2007). The commercial transactions exercised with those related parties follow specific price and maturity dates established in association agreement between the parties. This commercial agreement take into account maturity date, volume and the peculiarity of the products purchased by the related parties, that are not comparable with the products sold to non-related parties.

(c) Ultimate parent company.

(In thousands of Reais)

The rights and obligations with related parties are represented by commercial transactions, related to purchase and sales transactions. Current account balance, related to the loan contracts between the parent company and subsidiaries, which have an open-ended term of maturity, and are updated on a pro-rata basis by the DI-Extra rate, published by National Association of Open Market Institutions ANDIMA, without interest.

The amounts referring to remuneration of key administration personnel are presented below:

	2008	**2007**
Short-term benefits	19,654	18,650

b. Guarantees

On December 31, 2008 and 2007, the Company presented the following amounts of guarantees represented by sureties, bonds, fiduciary properties and mortgages rendered to the related parties:

	Guarantees	**2008**	**2007**
Randon Veículos Ltda.	Sureties	162	587
Master Sistemas Automotivos Ltda,	Sureties and bonds	32,498	48,632
Jost Brasil Sistemas Automotivos Ltda,	Sureties	3,325	-
Fras-le S,A,	Sureties and bonds	77,023	40,162
Randon Argentina S,A,	Bonds	9,348	1,437
Castertech Fundição e Tecnologia Ltda,	Sureties	45,065	2,470
Suspensys Sistemas Automotivos Ltda,	Sureties, bonds and fiduciary property	23,759	45,804
		191,180	139,092

11 Investments

(In thousands of Reais)

a. Composition of balances

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Investments in subsidiaries	431,373	315,257	-	-
Other companies' interest in subsidiaries	-	-	37,172	26,342
Other investments	1,718	1,698	3,347	3,598
Provision for devaluation of investments stated at historical cost	(822)	(822)	(1,466)	(1,647)
	432,269	316,133	39,053	28,293

(In thousands of Reais)

b. Movement of investments

	Fras-le S.A.	Suspensys Sistemas Automotivos Ltda.	Master Sistemas Automotivos Ltda.	Jost Brasil Sistemas Automotivos Ltda.	Randon Implementos para o Transporte Ltda.	Randon Veículos Ltda.	Randon Administradora de Consórcios Ltda.	Randon Argentina S.A.	Castertech Fundição e Tecnologia Ltda.	Randon Middle East	Randon Automotive Ltda.	Fras-le Argentina S.A.	Total
Balances at December 31, 2007	86,629	21,777	77,641	16,052	-	29,305	24,646	5,883	52,800	123	48	353	315,257
- Capital Increase	-	-	-	-	-	-	-	-	7,372	-	-	-	7,372
- Capital incorporation	-		-	-	38,096	-	-	-	-	-	-	-	38,096
- Interest in capital received and dividends	(5,370)	(17,851)	(18,267)	(8,880)	-	(1,831)	(2,467)	-	-	-	-	(174)	(54,840)
- Accumulated conversion adjustments	900	-	-	-	-	-	-	1.939	-	-	-	-	2,839
- Adjustments for initial adoption of Law nº 11.638/07 and Provisory Measure nº 449/08	1,347	(158)	(66)	(17)	-	(40)	-	-	-	-	-	-	1,066
- Equity in income of subsidiaries	10,443	27,862	31,831	11,930	12,820	14,783	9,872	1,688	-	137	(14)	231	121,583
Balances at December 31, 2008	93,949	31,630	91,139	19,085	50,916	42,217	32,051	9,510	60,172	260	34	410	431,373

(In thousands of Reais)

c. *Information on the investees*

	Fras-le S.A. (b)	Suspensys Sistemas Automotivos Ltda. (a) e (b)	Master Sistemas Automotivos Ltda. (a) e (b)	Jost Brasil Sistemas Automotivos Ltda. (b)	Randon Implementos Tansporte Ltda.	Randon Veículos Ltda. (b)	Randon Adminis-tradora de Consórcios Ltda.	Randon Argen-tina S.A. (a)	Castertech Fundição e Tecnologia Ltda.	Randon Middle East	Randon Automotive Ltda.	Fras-le Argentina S.A. (a)	Parent Company	
													2008	2007
Capital	100,000	34,233	32,100	5,690	38,100	15,000	5,950	36,748	52,807	53	55	37		
Quantity of subsidiaries' shares or quotas														
(in lots of one thousand shares)														
- Common	44,116	-	-	-	-	-	-	31,016	-	-	-	1,547		
- Preferred	24,137	-	-	-	-	-	-	-	-	-	-	-		
- Quotas	-	100,000	92,000	5,690	38,100	15,000	5,950	-	70,000	-	210	-		
Interest in capital at end														
of the year - %	45.22	22.88	51.00	51.00	99.99	99.99	99.57	99.99	99.99	100.00	100.00	6.00		
Adjusted net equity	208,124	141,918	178,921	38,428	50,941	42,226	32,189	9,511	60,179	260	33	6,843		
Net income (loss) for the year	25,522	69,361	62,562	23,015	12,841	14,788	9,915	1,044	-	98	(1)	2,927		
Accumulated conversion adjustments	900	-	-	-	-	-	-	1,939	-	-	-	-		
Adjustments for initial adoption of Law														
nº 11.638/07 and Provisory Measure nº 449/08	1,347	(158)	(66)	(17)	-	(40)	-	-	-	-	-	-		
Equity in income of subsidiaries	10,443	27,862	31,831	11,930	12,820	14,783	9,872	1,688	-	137	(14)	231	121,583	95,183
Value of investments at December 31, 2008	93,949	31,630	91,139	19,085	50,916	42,217	32,051	9,510	60,172	260	34	410	431,373	315,257

(a) Information examined by other independent auditors;

(b) It does not include unearned income in inventories: Fras-le S.A. (R$ 169), Suspensys Sistemas Automotivos Ltda. (R$ 843), Master Sistemas Automotivos Ltda. (R$ 111), Jost Brasil Sistemas Automotivos Ltda. (R$ 513), Randon Implementos para o Transporte Ltda. (R$ 19) and Randon Veículos Ltda. (R$ 7).

d. *Interest on shareholders' equity and dividends received*

The Company received from the subsidiaries interest on shareholders' equity in the amount of R$ 15,659 which until December 31, 2008 (R$ 14,386 in 2007).

The Company received from controlled companies dividends in the value of R$ 39,181 in 2008 (R$ 36,302 in 2007).

(In thousands of Reais)

12 Property, plant and equipment and Intangible assets

a. Composition of balances

	Average rate annual of depreciation % p.a.	Parent Company				Consolidated			
		2008			2007	2008			2007
		Cost	Depreciation	Net	Net	Cost	Depreciation	Net	Net
Tangible									
Buildings	4	67,651	(25,737)	41,914	37,474	166,618	(50,964)	115,654	90,430
Machinery and equipment	10	134,409	(39,413)	94,996	46,928	527,679	(274,992)	252,687	165,793
Molds	10	13,756	(5,240)	8,516	7,218	95,355	(48,636)	46,719	39,555
Furniture and fixtures	10	6,326	(3,454)	2,872	2,867	24,264	(12,845)	11,419	7,473
Vehicles	21	13,005	(7,454)	5,551	3,014	20,131	(11,425)	8,706	4,549
Computer equipment	20	5,657	(4,025)	1,632	1,648	17,902	(12,455)	5,447	4,445
Land		30,291	-	30,291	36,188	52,625	-	52,625	48,911
Others		4,024	-	4,024	3,688	4,098	-	4,098	3,688
Fixed assets in progress		91,641	-	91,641	86,303	212,335	-	212,335	139,860
Imports in transit		1,083	-	1,083	1,565	3,863	-	3,863	3,025
Advances to suppliers		2,341	-	2,341	3,161	13,021	-	13,021	12,001
		370,184	(85,323)	284,861	230,054	1,137,891	(411,317)	726,574	519,730
Intangible									
Trademarks and patents		202	-	202	209	220	-	220	220
Software	20	9,638	(5,113)	4,525	3,523	26,701	(14,148)	12,553	7,615
		9,840	(5,113)	4,727	3,732	26,921	(14,148)	12,773	7,835
		380,024	(90,436)	289,588	233,786	1,164,812	(425,465)	739,347	527,565

(In thousands of Reais)

b. Movement of cost

Parent company

	2007	2008			
	Cost	**Additions**	**Write-offs**	**Others**	**Cost**
Tangible					
Buildings	65,789	2,398	(12,459)	11,923	67,651
Machinery and equipment	82,351	23,976	(9,626)	37,708	134,409
Molds	11,521	2,577	(442)	100	13,756
Furniture and fixtures	6,591	1,047	(1,395)	83	6,326
Vehicles	9,031	5,751	(1,820)	44	13,006
Computer equipment	5,762	944	(1,083)	34	5,657
Land	36,188	2,706	(8,603)	-	30,291
Others	3,688	482	(146)	-	4,024
Fixed assets in progress	86,303	58,420	(3,169)	(49,914)	91,640
Imports in transit	1,565	245	-	(726)	1,084
Advances to suppliers	3,161	-	(784)	(37)	2,340
	311,950	98,546	(39,527)	(785)	370,184
Intangible					
Trademarks and patents	209	-	(7)	-	202
Software	8,013	1,794	(970)	801	9,638
	8,222	1,794	(977)	801	9,840
	320,172	100,340	(40,504)	16	380,024

(In thousands of Reais)

Consolidated

	2007	2008			
	Cost	**Additions**	**Write-offs**	**Others**	**Cost**
Tangible					
Buildings	140,135	8,484	(5,947)	23,946	166,618
Machinery and equipment	403,849	65,786	(7,164)	65,208	527,679
Molds	81,154	8,580	(216)	5,837	95,355
Furniture and fixtures	21,444	2,693	(581)	708	24,264
Vehicles	13,889	7,860	(1,685)	67	20,131
Computer equipment	16,210	3,594	(1,889)	(13)	17,902
Land	48,911	3,698	-	16	52,625
Fixed assets in progress	139,860	140,475	(264)	(67,736)	212,335
Others	3,688	475	(65)	-	4,098
Imports in transit	3,025	11,446	(730)	(9,878)	3,863
Advances to suppliers	12,001	19,701	(1,252)	(17,429)	13,021
	884,166	272,792	(19,793)	726	1,137,891
Intangible					
Trademarks and patents	220	7	(7)	-	220
Software	19,068	3,223	(626)	5,036	26,701
	19,288	3,230	(633)	5,036	26,921
	903,454	276,022	(20,426)	5,762	1,164,812

Fixed assets in progress are represented substantially by expansion and improvement projects for industrial units, mainly related to construction of industrial plant from the subsidiary Castertech Fundição e Tecnologia Ltda.

Fixed assets fully depreciated in use in 2008 correspond to the amount of R$ 39,649 (R$ 40,528 in 2007) for parent company and R$ 229,110 (R$ 199,547 in 2007) for consolidated.

During the year ending December 31, 2008, the Company did not identify evidence that any of its fixed assets and intangibles were stated above their recoverable values, in accordance with CVM Resolution 527 which approved CPC 01 – Reduction to Recoverable Value of Assets.

c. Intangible Asset

The main intangible assets refer to software rights acquired from third parties, amortized using the straight-line method over a period of 5 years.

The Company recognized in income/loss in 2008 the amount of R$ 13,480 in parent company (R$ 11,771 in 2007) and R$ 45,540 in consolidated (R$ 32,824 in 2007) referring to research and development expenses.

(In thousands of Reais)

13 Loans and financing

	Index	Interest	Parent company 2008	Parent company 2007	Consolidated 2008	Consolidated 2007
Local currency:						
FINAME	URTJLP / TJLP	2.5% to 5.6% p.a.	28	112	1,575	2,743
FINEP	TJLP	2.5% to 3.0% p.a.	12,170	15,491	66,710	45,447
Bank loans	TJLP	0.5% to 2.5% p.a.	-	4,062	103	8,593
Leasing	CDI	0.1% to 0.2% p.m.	3,853	-	4,087	-
Subsidized borrowings Fundopem (a)	IPCA	3.0% to 4.0% p.a.	-	-	7,713	-
BNDES	URTJLP / TJLP	2.2% to 5.4 % p.a.	153,854	131,285	321,871	255,233
Foreign currency:						
Advances on exchange contracts of prepayment for exportation of US$ 16,552 thousand in parent company and US$ 31,781 thousand in consolidated	Exchange variance + Libor	2.65% to 6.15% p.a.	38,683	40,266	74,273	69,049
Financing of US$ 33,393 thousand in parent company and US$ 56,554 thousand in consolidated	Exchange variance + Libor	0.75% to 6.17% p.a.	78,039	16,759	132,166	27,559
Banks loans of US$ 3,305 thousand in consolidated	Exchange variance	11.5% to 12.5% p.a.	-	-	7,723	2,550
BNDES	UMBND / Exchange variance	2.5% to 4.5 % p.a.	13,857	7,731	38,526	25,281
			300,484	215,706	654,747	436,445
Current portion included in current liabilities			107,826	105,336	225,231	229,335
Noncurrent liabilities			192,658	110,370	429,516	207,120

(a) Refer to subsidized loan mentioned in Note 24.

(In thousands of Reais)

The long-term installments have the following payment schedule:

	Parent company	Consolidated
Year of maturity:	**2008**	**2008**
2010	32,488	108,076
2011	39,246	84,733
2012	33,200	73,829
2013	25,096	53,142
2014 to 2021	62,628	109,736
	192,658	429,516

The loans and financing are guaranteed by sureties and guarantees for the subsidiaries in the amount of R$ 191,179 (R$ 130,752 in 2007), a mortgage in the amount of R$ 17,000 (R$ 17,000 in 2007) in the parent company and R$ 59,111 (R$ 59,111 in 2007) in consolidated; assets given as guarantee and collateral in the amount of R$ 18,398 (R$ 18,820 in 2007) in the parent company and R$ 137,661 (R$ 129,207 in 2007) in consolidated; promissory notes and guarantee letters in the amount of R$ 36,375 (R$ 53,127 in 2007) in parent company and R$ 57,575 (R$ 74,327 in 2007) in consolidated.

On December 31, 2008, the Company and its subsidiaries did not identify significant amounts for financial charges incurred from funding obtained, in accordance with CVM Resolution 556/08, which approved CPC 08 – Transaction Cost and Premiums on the Issue of Securities.

The Company recognized to liabilities, the amount of R$ 11,824 which referred to the commission for credit risk to be paid on the financing contract with International Finance Corporation – IFC. This commission will be liquidated by the final maturity date of the principal contract, and the amortization dates of this commission are determined by the Company's EBITDA. This commission is recognized to results using the amortized cost method, and the amount still not appropriated is reported as a reduction against the commission payable, included in current liabilities. The net value reported to non current liabilities, at December 31, 2008, was R$ 455.

The financing contracts with International Finance Corporation – IFC, in the amount of R$ 7,441 in parent company and R$ 9,304 in consolidated recorded in current liabilities and in the amount of R$ 58,880 in parent company and R$ 82,230 in consolidated recorded in noncurrent liabilities on December 31, 2008, and the financing contracts with National Bank for Economic and Social Development – BNDES have restrictive covenants which include, among others, partial or total maturity anticipation when certain financial ratios are default. On December 31, 2008, those ratios are in compliance with the determined in those contracts.

In the parent company, the loan contract "C" agreed with IFC, for which final maturity was agreed for October 15, 2008, for the amount of R$ 7,080, classified to current liabilities, includes a clause that guarantees IFC the right to replace the loan with preference shares through exercising the conversion option at any time. The option was exercised by IFC on November 07, 2008, and the Company has to deliver the number of preference shares corresponding to the amount outstanding at the settlement date. The delivery of these shares is currently in the process of being approved with the CVM. If this option had been liquidated on December 31, 2008, the Company would have delivered 1,118,182 preference shares in order to settle the loan.

14 Rights and obligations due to consortium resources

It basically refers to the subsidiary Randon Administradora de Consórcios Ltda.'s balances of resources pending receipt arisen from judicial collection derived from closing of groups transferred to the Administrator, as provided for Circular no. 3084 of the Central Bank of Brazil, dated January 31, 2002, and the respective obligations of prorating values proportionally among beneficiaries of the remaining balance of groups to be paid related to obligations derived from closing of consortium groups, the resources of which have been transferred to the Administrator, as provided for in Circular no. 3084 of the Central Bank of Brazil, dated of January 31, 2002, updated according to earnings obtained through resource investments.

15 Special program for payment of taxes in installments – PAES

The subsidiary Fras-le S.A. is taking part in the special program for payment of federal and social security taxes, as permitted by Law 10684/02. The requests for payment in installments, officially filed on July 30, 2003, will be paid off over 120 months with price-level restatement by the variation of the Long-Term Interest Rate (TJLP).

The amounts included in this program include the renouncement of the injunction related to full offsetting of tax losses for 1996 and of desistance from the proceedings for offsetting of IPI, PIS and COFINS for 1998 with negative bases of income tax and social contribution computed in 1995.

The main effects included in the program are as follows:

(In thousands of Reais)

	Federal taxes
Principal	10,091
Fine and interest	8,727
Total debts included in PAES	18,818
(-)Adjustment requested for offsetting ratified by the Federal Revenue Department	(1,864)
Total of the debts included in PAES	16,954
(-)Payments made until December 31, 2008	(12,161)
+ Monetary updating until December 31, 2008	5,547
Balance of the debts at December 31, 2008	10,340
(-) Total of current liabilities	(2,298)
Total of noncurrent	8,042
Other noncurrent taxes	3,243
Noncurrent taxes and contribution (consolidated)	11,285

16 Provision for contingencies

The Company and its subsidiaries are a party in judicial and administrative proceedings before several courts and governmental bodies, arisen on the ordinary course of the business, involving tax, labor, civil, social security and other matters. The Company made several deposits in court in connection with proceedings related to taxes in judicial discussion. The estimated loss was provisioned for in non-current liabilities based on the opinion of its legal counsel for the cases in which loss is considered as probable.

a) Contingent Liabilities

The following table demonstrates the contingent risks (loss) as of December 31, 2008, according to the opinion of the Company's legal advisors:

(In thousands of Reais)

	Parent company			Consolidated			Court Deposit	
Passivo Contingente	**Probable**	**Possible**	**Remote**	**Probable**	**Possible**	**Remote**	**Parent company**	**Consolidated**
a) civil	1,145	272	272	1,380	1,678	2,205	5	21
b) tax	1,491	22,376	31,413	3,014	34,274	179,584	111	6,733
c) labor	1,355	863	720	2,268	7,118	1,688	220	367
d) social security	3,749	36	24,185	6,053	2,492	25,563	1,021	3,290
Total:	7,740	23,547	56,590	12,715	45,562	209,040	1,357	10,411
Court deposit	(1,010)	-	-	(3,022)	-	-	(1,010)	(3,022)
Net total	6,730	23,547	56,590	9,693	45,562	209,040	347	7,389

Civil – the majority of actions are related to collection charges;

Tax – represented by federal assessments which are presently being judged in the administrative and judicial spheres.

The Company and its subsidiaries have proceedings in progress for which, based on the opinion of their legal advisors (possible and remote risk), and in consonance with the accounting practices adopted in Brazil, no provisions for contingencies have been recorded. Challenges have been presented on the lack of basis of the assessments, being proceedings in the administrative phase. The main remote and possible risk proceedings are the following:

a. **Export premium credit – BEFIEX –** The Company was assessed for additional tax by the Federal Revenue Department in the actualized amount of R$ 11,454 in an export process for the use of BEFIEX-DRAWBACK tax benefits, referring to import duties and excise tax (IPI).

b. **COFINS** – The Company was assessed by the Federal Revenue Department in the actualized amount of R$ 10,662 due to COFINS compensation against FINSOCIAL.

c. **Compensation based on IRPJ and CSLL negative balance** – The Company was assessed by the Federal Revenue Department in the actualized value of R$ 8,468 due to Income Tax and Social Contribution compensations based on the Income Tax, Social Contribution on Net Income negative balance related to the 2002 calendar year, ascertained upon the spin-off event occurred in September 2002.

d. **Credits of Income Tax and Social Contribution on Net Income** – The subsidiary Fras-le S.A. was assessed an amount of R$ 8,238, by Federal Revenue Department regarding non addition of Excise Tax (IPI) in Gross Revenue for Income Tax and Social Contribution on Net Income calculation.

e. **Income Tax, Social Contribution on Net Income and Income Tax Withheld at Source** – The subsidiary Fras-le S.A. was assessed an actualized amount of R$ 102,848, and the subsidiary Master Sistemas Automotivos Ltda an actualized amount of R$ 3,755 regarding payments regularly made to their foreign agents, as sales and services agency commission. The values include principal, penalty and interest.

f. **Income Tax and Social Contribution on Net Income –** The subsidiary Fras-le S.A. rectified 1995 and 1996 base-year income tax returns since it considered the third party debt assumption upon acquisition of the shareholding control by Randon S.A. Implementos e Participações and external advisory expenditure installments to be deductible. The Federal Revenue Department disallowed and adjusted the Social Contribution on Net Income's taxable income and calculation basis. The actualized value of proceeding is of R$ 5,549.

g. **IPI, PIS, COFINS –** The subsidiary Fras-le S.A. rectified 1995 and 1996 base-year income tax returns since it considered the third party debt assumption upon acquisition of the shareholding control by Randon S.A. Implementos e Participações to be deductible, thus requesting to be refunded, which was object of carry-forward against values due in subsequent periods as PIS, COFINS and IPI, but its refund request was not granted. The actualized value of proceeding is of R$ 11,148.

h. **Import duty –** The subsidiary Fras-le S.A. was assessed for extra tax, under the presumption of noncompliance with the ratio – Domestic Capital Assets vs. Capital Assets, and consequent infraction of that established in article 2, item II, of Law 9449/97, and article 6 of Decree 2072/96, in the actualized amount of R$ 5,570. The subsidiary presented a refutation suggesting that the statute had run for the fine applied. Furthermore, errors of fact and existing rights were presented in the tax assessment and full cancellation of the tax assessment was requested.

i. **IPI** – The subsidiary Fras-le S.A was assessed due to lack of IPI withholding or payment during the period from January 1997 until September 1997 in the value of R$ 3,529. The subsidiary Fras-le S.A. presented a challenge claiming nullity of the assessment tax notice due to absence of requirements for compensation request included in the specific proceedings.

j. **Value-Added Tax on Sales and Services (ICMS) –** The subsidiary Suspensys Sistemas Automotivos Ltda. was assessed for extra tax in the amount of R$ 7,801 due to an alleged irregularity in the computation of the benefit of a reduction in ICMS through the *Fundopem/Nosso Emprego* program. The amount includes the principal, fine and interest. On January 24, 2007, as a result of the refutation presented by the company, the debit was recalculated by the tax authorities. Management estimates that the total amount of the assessment will be reduced by approximately R$ 2,277, including the principal, fine and interest.

(In thousands of Reais)

Labor – various labor claims, the majority in connection with various actions for damages;

Social Security – INSS assessments under judgment at the regional federal court. The main proceeding, of remote risk, refers to collection of social contribution upon remuneration to self-employed workers considered by the social security department as employees, in the current amount of R$ 18,435. The Company is also defending a tax assessment by the National Institute of Social Security (INSS) for the calculation basis of employees' profit sharing, with chances of loss estimated as remote, the actualized amount of which is R$ 4,943.

b) Contingent assets

The statement as of December 31, 2008 containing information on contingent assets (gain), in the opinion of the legal advisors and is presented below:

Assets	**Parent company**			**Consolidated**		
Contingent	**Probable**	**Possible**	**Remote**	**Probable**	**Possible**	**Remote**
a) tax	1,038	2,045	1,989	1,357	5,063	3,145
b) social security	1,134	45	3,297	2,407	339	4,251
Total :	2,172	2,090	5,286	3,764	5,402	7,396

a) tax – represented mainly by state and federal assessments awaiting decisions at High Court of Justice (STJ) and Supreme Court (STF);

b) social security - related to work accident insurance and social security taxes for self-employed workers.

The Company did not record the contingent gains, as it only enters them in the accounting after the final decision of the lawsuits which is not subject to appeals or after the effective entry of the resources.

(In thousands of Reais)

During 2008 the subsidiary Fras-le S.A. recognized the amount of R$ 5,051 as other income, which referred to the claim filed against Eletrobrás for reimbursement of compulsory loans paid in prior years, after the claims had been judged.

a. Movement of lawsuits

	Consolidated			
	12/31/2007	December 31, 2008		
	Opening balance	Additions to the provision	Used	Closing balance
Civil	1,721	-	(341)	1,380
Labor	2,326	688	-	3,014
Tax	3,371	-	(1,103)	2,268
Social security	4,703	1,350	-	6,053
Total	12,121	2,038	(1,444)	12,715

(In thousands of Reais)

17 Pension plans and post-employment benefits for employees

The Company and its subsidiaries are sponsors of RANDONPREV – Plano de Pensão, the main objective of which is to supplement benefits assured and provided by the Social Security to its employees. The supplementary plan is a defined contribution for retirement of its employees, with a financial capitalization regime.

The position of the actuarial liabilities at the end of the year calculated based on an independent actuarial report is as follows:

	2008	
	Parent company	**Consolidated**
Actuarial liability		
Present value of actuarial obligations	(10,231)	(14,094)
Fair value of the plan's assets	11,509	15,854
Unrecognized actuarial (losses)	(1,403)	(2,146)
Net liability in the balance sheet	(125)	(386)

The composition of the result is as follows:

Accumulated service cost	(276)	(485)
Interest on obligation	(827)	(1,149)
Expected return on the plan's assets	1,388	1,935
Net actuarial gains recognized in the year	142	215
Total	427	516

(In thousands of Reais)

Movements in the net liability recognized in the balance sheet are as follows:

	2008	
	Parent company	**Consolidated**
Net liability at beginning of year	(904)	(1,504)
Net expense recognized in the statement of income/ shareholders' equity	427	516
Contributions paid	352	602
Net liability at end of year	(125)	(386)

The main actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

	%
Discount rate at December 31	9.20 p.a.
Expected return on the plan's assets at December 31	11.65 p.a.
Future salary increases	7.12 p.a.
Inflation rate	4.00 p.a.

The fair value of the plan's assets was determined based on market parameters at the end of the fiscal year or, when applicable, by the projection of the future benefits derived from the utilization of the asset, discounted at the present value.

The actuarial liability at the end of the fiscal year was determined based on the calculations of the independent actuary using the projected unit credit method.

18 Income Tax and Social Contribution

In accordance with Provisionary Measure 449/08, the Company and its subsidiaries opted to adopt the Transition Taxation System a (RTT) for purposes of determining corporate income tax and social contribution for the year ending December 31, 2008.

a. Deferred income taxes

The deferred Income and Social Contribution Taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values.

Tax credit recovery estimates were based on taxable income projections, taking into consideration several financial and business premises considered at the end of the fiscal year, approved by the Board of Directors. Consequently, estimates may not be accomplished in the future, in view of the uncertainties inherent to such forecasts. The management considers that deferred taxes realization derived from temporary differences in the fiscal years mentioned below is subject to a final solution of the accounting estimates projected.

(In thousands of Reais)

The origin of deferred Income and Social Contribution Taxes is presented below:

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Current assets:				
Tax loss carry-forwards	-	-	1,422	-
Provision for commissions and freight	2,041	1,850	2,658	2,655
Allowance for doubtful accounts	2,452	1,156	3,475	3,618
Provision for guarantees	4,315	2,810	5,654	3,682
Derivative operations	1,937	2,560	9,268	2,560
Employees' profit share provision	4,204	3,396	8,666	3,726
Adjustments Law 11.638/07 and MP n° 449/08	-	-	993	-
Miscellaneous provisions and others	1,536	818	10,320	3,699
	16,485	12,590	42,456	19,940
Noncurrent assets:				
Tax loss carry-forwards	-	-	-	3,440
Negative basis of social contribution tax	-	-	-	1,287
Provision for contingences	2,632	2,211	4,359	3,960
Provision for pension plan	42	307	100	465
Derivative operations	-	-	-	1,292
Miscellaneous provisions and others	-	-	1,097	1,079
	2,674	2,518	5,556	11,523
Current liabilities:				
Derivative operations	-	-	-	1,306
Adjustments Law 11.638/07 and MP n° 449/08	183	-	683	-
Outras operações	-	-	2,354	-
Revaluation reserve	115	115	115	115
	298	115	3,152	1,421
Noncurrent liabilities:				
Incited accelerated depreciation	-	-	13	38
Revaluation reserve	726	840	726	840
	726	840	739	878

(In thousands of Reais)

Based on the projections for future taxable income, prepared in accordance with CVM Instruction 371, the Company expects to offset the tax credits in the following years:

	Parent company	**Consolidated**
Year of maturity:	**2008**	**2008**
2009	16,187	39,304
2010	1,948	4,817
	18,135	44,121

(In thousands of Reais)

b. Reconciliation of tax expenses

The reconciliation between the tax expense as calculated by the combined statutory rates and the Income and Social Contribution Tax expense charged to net income is presented below:

	Parent Company		Consolidated	
	2008	**2007**	**2008**	**2007**
Profit before Income and Social Contribution Taxes	273,646	196,876	419,846	342,290
Combined statutory rates	34%	34%	34%	34%
Income and Social Contribution Taxes Combined statutory rates	93,040	66,938	142,748	116,379
Permanent additions:				
Nondeductible expenses	602	793	2,052	3,099
Permanent exclusions:				
Equity in income of subsidiaries	(41,338)	(32,362)	-	-
Interest on shareholders' equity	(7,731)	(8,980)	(17,165)	(17,102)
Deductions	(5,983)	(4,931)	(21,710)	(16,243)
Other items:				
Effect of changes in tax rates deferred	-	-	252	148
Others	49	(35)	3,042	3,456
Income and Social Contribution Taxes on net income	38,639	21,423	108,769	89,737
Effective rate	14.1%	10.9%	25.9%	26.2%

19 Leases

a) Financial leases

(In thousands of Reais)

The Company and its subsidiaries have assets acquired through financial leases contracts. The contracts have clauses for options of purchase, monthly installment readjustment and maturity date as detailed below:

Parent company **Assets**	**Remaining period in months**	**Charges**	**Balance of contracted amounts** 12/31/2008	 12/31/2007	**Purchase option / residual value** 12/31/2008	 12/31/2007
Computer equipment	18 months	100% to 103% of CDI + 0.13% to 0.18% p.m.	61	157	1	18
Machinery and equipment	3 to 32 months	CDI + 0% to 0.21% p.m.	3,440	4,929	68	69
Vehicles	11 to 20 months	CDI + 0% to 0.13% p.m.	352	561	8	8
			3,853	5,647	77	95

Consolidated **Assets**	**Remaining period in months**	**Charges**	**Balance of contracted amounts** 12/31/2008	 12/31/2007	**Purchase option / residual value** 12/31/2008	 12/31/2007
Computer equipment	18 months	100% to 103% of CDI + 0% to 0.18% p.m. or 1.5% p.m	61	490	1	45
Machinery and equipment	3 to 32 months	CDI + 0% to 0.21% p.m. or 1.4% to 2% p.m.	3,441	5,191	71	76
Vehicles	11 to 20 months	CDI + 0% to 0.16% p.m. or 0.41% p.m.	585	1,023	15	17
			4,087	6,704	87	138

The assets listed above are included in the Company's and subsidiaries' property, plant and equipment and the amounts due in loans and financing.

(In thousands of Reais)

The residual accounting amount for the assets obtained in financial leases contracts in 2008 is demonstrated below:

	Parent company	Consolidated
	2008	**2008**
Installations	441	441
Machineries	2,629	2,715
Vehicles	1,524	1,709
Computer equipments	31	219
Total	4,625	5,084

During the year ended December 31, 2008, the Company recognized an expense in the statement of income relating to financial leases in the amounts of R$ 2,152 (R$ 2,190 in consolidated) with respect to financial expenses and R$ 834 (R$ 1,034 in consolidated) with respect to depreciation expenses.

The future minimum payments are separated as follows:

	Present value of the minimum payments 2008 Parent company	**Present value of the minimum payments 2008 Consolidated**
Up to one year	2,327	2,544
From one to five years	1,526	1,543

b) Operating leases

The minimum future payments for operating leases that cannot be cancelled are separated as follows:

	Present value of the minimum payments 2008
Up to one year	1,144
From one to five years	2,640

The Company (parent company and consolidated) has assets with operating lease contracts. The contracts have a term between 3 to 5 years, started in 2008, with clauses for options of purchase at market value at the end of the contracts and with monthly installment readjustment related to CDI variation added by fixed interest rates from 0% to 0.17% p.m.

The Company (parent company and consolidated) recognized the amounts of R$ 195 related to expenses with operating leases, not presenting operating subleases and contingent payments related to leases contracts.

20 Equity (Parent company)

a. Capital

The authorized capital, in accordance with the Company's by-laws is 270,000,000 shares, of which 90,000,000 are common shares and 180,000,000 preferred shares. On December 31, 2008 subscribed and paid-in capital is represented by 162,523,635 (162,523,635 in 2007) nominative shares of which 54,592,196 (54,592,196 in 2007) are common shares and 107,931,439 (107,931,439 in 2007) preferred shares, with no par value.

In the Ordinary General Meeting on April 17, 2008 it was approved the Company's capital increase in R$ 121,000, from R$ 279,000 to R$ 400,000, using part of the reserve for investment and working capital, not issuing new shares.

b. Reserves

- *Legal reserve*

  In compliance with article 193 of Law 6404/76, the reserve was recorded at the rate of 5% of the net profit for the year, up to the limit of 20% of the capital.

- *Revaluation reserve*

  The reserve was formed as a result of the revaluations of the fixed assets of the Parent Company, for purposes of paying in capital in the subsidiaries Master Sistemas Automotivos Ltda., on September 29, 2006, and Castertech Tecnologia e Fundição Ltda., on September 1, 2006, based on appraisal reports prepared by an independent appraiser.

(In thousands of Reais)

The deferred income and social contribution taxes corresponding to the revaluation reserve for buildings are recorded in current and noncurrent assets.

The revaluation reserve is being realized in proportion to the depreciation of the buildings recorded in the Parent Company against retained earnings, net of tax charges. The effect of the realization of the revaluation reserve is reflected in the results for the year, by the depreciation of the revalued assets.

As of December 31, 2008, the Company's revaluation reserve was composed as follows:

Revaluation reserve for land	7,029
Revaluation reserve for buildings	1,703
(-) Realization of revaluation reserve for buildings	(160)
(-) Income and social contribution taxes	(525)
Total of reavaluation reserve	8,047

The realization of the revaluation reserve is included in the calculation basis of the dividends related to the fiscal year ended on December 31, 2008.

- *Reserve for investment and working capital*

Its purpose is to assure investments in items of permanent assets and growth in working capital, inclusively through amortization of the company's debts, as well as the financing of subsidiaries and associated companies. It is formed by the balance of the adjusted income after deducting the compulsory dividend and the maximum limit, in a total amount the may not exceed, jointly with the legal reserve, the value of the capital.

Considering the profit distribution in 2008, in accordance with corporate legislation and the Company's by-laws, the balance of profit reserves exceeded the amount of the capital. For this reason, in compliance with article 199 of Law 6.404/76, the Administration proposed application of this excess on capital increase, to be deliberated by shareholders in general stockholders' meeting.

c. *Treasury shares*

(In thousands of Reais)

On July 26, 2006 and on April 26, 2007, the Board of Directors, considering that established in item “p” of Article 21 of the bylaws and meeting the requirements of paragraphs 1 and 2 of article 30 of Law 6404/76, as well as CVM Instruction 10/80 and its amendments, authorized the acquisition by the Company of up to 1,000,000 and 1,300,000 preferred shares of its own, respectively, issuance to be held in treasury for subsequent disposal or cancellation, with no reduction in capital.

The objective of the transaction was to take advantage of the investment opportunity for the Company, considering the quotation price of the preferred shares on the stock exchange and the acquisitions were made using the available funds supported by profit reserves reported in the last balance approved by the Annual General Meeting held on April 13, 2007.

The shares were acquired, during the period from August 11, 2006 to July 03, 2007, in quantity of 2,300,000 preferred shares, at the price quoted on the stock market at a weighted average cost of R$ 12.01 per share, and the maximum cost was R$ 17.68 and the minimum cost was R$ 6.38.

The market value of the treasury shares, based on the last stock market quotation on December 31, 2008, is R$ 14,421.

d. Dividends

In accordance with the Company’s by-laws, the common and preferred shares are entitled to a minimum dividend of 30% of the adjusted income and the preferred shares have all the other rights attributed to common shares under equal conditions, but they have priority in the reimbursement of capital, without a premium, proportionally to their interest in the capital in the event of eventual liquidation of the Company and, furthermore, the right to be included in the public offering of divestiture of control, in the terms of article 254-A of Law 6404/76, with the new wording given by Law 10303/01.

Dividends were calculated as follows

Net income for the year	231,595

(In thousands of Reais)

(+) Realization of reserves	45
(-) Adjustments for initial adoption of Law 11638/07 and MP 449/08	3,307
(-) Legal reserve	(11,747)
Calculation basis	223,200
Minimum mandatory dividends 30%	66,960
(-)Interest on shareholders' equity paid	(38,398)
Withholding Income Tax	5,760
Net value credited	34,322

The value of the referred interest on shareholders' equity shall be imputed to the mandatory dividend previously declared, on account of the current fiscal period, as per item V of CVM Resolution 207/96.

21 Interest on shareholders' equity - Law 9249/95

In accordance with the option provided in Law 9249/95, the Company computed interest on shareholders' equity of R$ 38,398 (R$ 40,797 in 2007) by using the benchmark interest rate (TJLP) in effect for the year.

Income and Social Contribution Taxes for the year decreased by R$ 13,055 (R$ 13,871 in 2007) as a result of the deduction of these taxes on interest on shareholders' equity.

(In thousands of Reais)

22 Financial result

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Financial incomes:				
Exchange variance	54,076	24,886	111,567	48,084
Interests on incomes from short-term financial investments	14,111	14,264	38,345	27,373
Incomes from swap operations	897	2,019	897	2,019
Gains from other derivatives operations	9,550	81	16,264	10,704
Incomes from intercompany loans receivable	128	136	8	2
Adjustments to present value	13,352	-	36,890	-
Other financial incomes	5,882	10,280	14,062	13,198
	97,996	51,666	218,033	101,380
Financial expenses:				
Exchange variance	(72,504)	(19,922)	(135,750)	(44,130)
Interest on financing	(20,160)	(15,316)	(37,723)	(29,139)
Expenses from swap operations	(1,194)	(4,823)	(1,194)	(5,706)
Loss from other derivatives operations	(15,499)	-	(44,777)	(778)
Expenses from intercompany loans payable	(4,583)	(5,105)	(4,066)	(3,621)
Adjustments to present value	(4,393)	-	(13,300)	-
Other financial expenses	(7,190)	(5,904)	(16,622)	(17,435)
	(125,523)	(51,070)	(253,432)	(100,809)
Financial result	(27,527)	596	(35,399)	571

23 Financial instruments

The Company and its subsidiaries carry out operations with financial instruments. The management of these instruments is done through operating strategies and internal controls aimed at assuring liquidity, profitability and security.

The use of financial instruments for hedging purposes is done through a periodic analysis of the risk exposure that management intends to mitigate.

To protect against foreign currency exposure, the Company has a Foreign Exchange Protection Policy, written by the Finance and Planning Committee, and evaluated by the Executive Directors. The objective of this policy is to standardize the procedures between the Company and its subsidiaries, define responsibilities and limits for operations that involve foreign exchange protection, reducing the foreign exchange effects on the different currency flows forecast by the cashflows. The Company and its subsidiaries do not make speculative investments, in derivatives or any other risk assets. The results obtained from these operations are consistent with the policies and strategies defined by Company management.

The foreign currency cashflow is projected monthly for the following twelve months, based on the forecasts in the Strategic Plan, or the up dated expectations for each company. The instruments used are conservative and are previously approved by the same committee. The instruments used for the operations contracted consist of *Non Deliverable Forward* (NDF) and *Zero Cost Collar*. The average rate to be followed has to be equal to or greater than that provided in the Annual Business Plan (Budget) for the companies. All of the operations are controlled by the Parent company’s financial director and the Executive Committee is kept informed.

All the operations with financial instruments are recognized in the Company’s financial statements in conformity with the following table:

(In thousands of Reais)

		Parent company							
		2008				2007			
	Note	Fair value through results	Held until maturity	Amortized cost	Total	Fair value through results	Held until maturity	Amortized cost	Total
Assets									
Interest earning bank deposits	6	-	-	-	-	-	65,262	-	65,262
Accounts receivable	7	-	-	242,479	242,479	-	-	204,278	204,278
Intercompanies assets	10	-	-	3,961	3,961	-	-	147	147
Consortium quotas		-	-	12,424	12,424	-	-	11,461	11,461
Liabilities									
Loans and financing in local currency	13	-	-	(169,905)	(169,905)	-	-	(150,950)	(150,950)
Loans and financing in foreign currency	13	-	-	(130,579)	(130,579)	-	-	(64,756)	(64,756)
Intercompanies liabilities	10	-	-	(36,758)	(36,758)	-	-	(54,630)	(54,630)
Derivative financial instruments		(5,811)	-	-	(5,811)	(9,836)	-	-	(9,836)
Total		(5,811)	-	(78,378)	(84,189)	(9,836)	65,262	(54,450)	976

(In thousands of Reais)

		Consolidated							
		2008				2007			
	Note	Fair value through results	Held until maturity	Amortized cost	Total	Fair value through results	Held until maturity	Amortized cost	Total
Assets									
Interest earning bank deposits	6	-	32,222	-	32,222	-	65,262	-	65,262
Accounts receivable	7	-	-	420,675	420,675	-	-	408,576	408,576
Consortium quotas		-	-	25,812	25,812	-	-	26,578	26,578
Derivative financial instruments		320	-	-	320	26	-	-	26
Liabilities									
Loans and financing in local currency	13	-	-	(402,059)	(402,059)	-	-	(312,016)	(312,016)
Loans and financing in foreign currency	13	-	-	(252,688)	(252,688)	-	-	(124,439)	(124,439)
Intercompanies liabilities		-	-	(45,174)	(45,174)	-	-	(43,461)	(43,461)
Derivative financial instruments		(27,372)	-	-	(27,372)	(9,836)	-	-	(9,836)
Total		(27,052)	32,222	(253,434)	(248,264)	(9,810)	65,262	(44,762)	10,690

The effects from the initial adopting of CVM Resolution 566, of December 17, 2008, which approved CPC 14 are presented in note 3.

- *Financial risk management*

The operations of the Company and its subsidiaries are subject to the risk factors described below:

This note presents information about the Company's exposure for each risk above mentioned, the Company's objectives, policies and process for evaluation and administration of risk. In addition quantitative disclosures were included in presented financial information.

Credit risk

This arises from the possibility of the Company and its subsidiaries suffering losses due to the default of their counterparties or of financial institutions where they have funds or financial investments. To mitigate these risks, the Company and its subsidiaries have a policy of analyzing the financial position of their counterparties, as well as defining credit limits and constantly monitoring outstanding accounts. With respect to financial institutions, the Company and its subsidiaries only conduct transactions with low risk financial institutions as assessed by rating agencies. For trade account receivables the Company and its subsidiaries recognize allowance for doubtful accounts, as mentioned in Note 7.

Price risk of goods sold or produced or of inputs acquired

This arises from the possibility of fluctuations in the market prices of products sold or produced by the Company and of other inputs used in the production process. These fluctuations in prices can cause substantial changes in the revenues and costs of the Company and its subsidiaries. To mitigate these risks, the Company and its subsidiaries constantly monitor local and international markets, seeking to anticipate changes in prices.

Interest rate risk

This arises from the possibility of the Company and its subsidiaries sustaining gains or losses arising from fluctuations in interest rates on its financial assets and liabilities. In order to mitigate this type of risk, the Company and its subsidiaries seek to diversify the raising of funds in terms of prefixed and floating rates, and in certain circumstances hedges are utilized to lock-in the financial cost of the operations.

(In thousands of Reais)

Exchange rate risk

This arises from the possibility of fluctuations in the exchange rates of the foreign currencies used by the Company for the purchase of imports, the sale of products and the purchasing of financial instruments, mainly related to US Dollar, which presented in 2008 a positive variation of 32% (negative variation of 17.0% in 2007). In addition to the amounts payable and receivable in foreign currency, the Company has investments in subsidiaries and affiliated companies abroad and makes purchases and sales in other currencies. The Company and its subsidiaries permanently assess the utilization of hedges to mitigate these risks.

The net exchange exposure for the Company and its subsidiaries are presented below:

	US$ mil	
	2008	**2007**
A. Loans/financings in U.S. dollars thousand		
Parent company	55,875	32,315
Consolidated	108,125	50,981
B. Net assets in U.S. dollars thousand		
Parent company	48,323	32,948
Consolidated	86,190	60,128
C. Fair value of derivatives financial instruments		
Parent company	2,487	5,553
Consolidated	11,576	5,553
D. Deficit calculated (A-B+C)		
Parent company	10,039	4,920
Consolidated	33,511	(3,594)

Capital structure risk (or a financial risk)

This arises from the choice between equity capital (financial resources provided by shareholders and retaining of profits) and third-party capital that the Company and its subsidiaries use to finance their operations. To mitigate liquidity risks and to optimize the weighted average cost of capital, the Company and its subsidiaries permanently monitor the level of indebtedness in accordance with market standards and covenants established in loan, financing and debenture contracts.

Derivative financial instruments

The Company and its subsidiaries have a policy of carrying out operations with derivative financial instruments for the purpose of mitigating or eliminating risks inherent to its operation, as described in the previous item.

Through internal controls the Company's management and the management of its subsidiaries permanently monitor the derivative financial instruments.

The current derivative financial instruments contracted for the Company are related to exchange rate risk, and are registered in the Clearing House for the Custody and Financial Settlement of Securities (CETIP).

The Company contract derivative operations to protect approximately 60% of its credit balance denominated in foreign currency. The Company and its subsidiaries use forward contracts to protect their currency risks (exchange risks) most of them with maturity date less than one year.

The following derivative instruments are used or were used by the Company in 2008:

"NDF - Non Deliverable Forward"

For these operations the Company and its subsidiaries have duties and obligations based on the quotation previously contracted at the time of maturity. The net results from these operations are registered on an accruals basis in the company's financial statements.

"Zero Cost Collar"

For this type of operation the Company and its subsidiaries only have obligations or rights when the foreign exchange rate is higher or lower than the quotation interval for the foreign currency, as agreed in the contract.

With these operations the Company guaranteed a minimum value for the liquidation of its future exports corresponding to the dollar exchange rate which varies depending on maturity and it will only have an obligation if the dollar rate is above a second exchange position, with the rate higher than the latter, which also varies by maturity date. The intermediary dollar exchange rate during these positions does not generate obligations or rights for either of the parties.

There were no operations of this nature outstanding at 12/31/2008.

“Foreign exchange Swap”

These are operations that refer to the exchange of indexers, on a notional value, whereby the Company, in the asset position, receives the foreign exchange variation between the start of the contract and the maturity date, and pays, as the liability part, the variation in the CDI less the prefixed discount for each maturity. This type of operation is contracted to protect against foreign exchange variations for some types of borrowings contracted in foreign currencies. The asset and liability rates are presented below.

There were no operations of this nature outstanding at 12/31/2008.

Fair value of the derivatives financial instruments

The estimated fair value of the derivative financial instruments held by the Company and by its subsidiaries was determined through information available in the market and specific valuation methodologies. However, considerable judgment was required to interpret the market data in order to produce the estimated fair value for each operation. The methods and premises used by the Company to estimate the fair value of their derivatives on December 31, 2008 and December 31, 2007 are described below:

The fair value is generally based on the market price quotations or market quotations for similar assets and liabilities. If these market prices are not available, the fair values are based on quotations from market operators, pricing models, discounted cash flows or similar techniques, for which management has to use its judgment or significant estimates in order to determine the fair value. Market price quotations are used to determine the fair values of the derivative financial instruments. The fair values of swaps are determined using discounted cash flow models that use income curves, reflecting the appropriate risk factors. The information to construct the income curves is obtained mainly from the BM&F and the secondary domestic and international markets. These income curves are used to determine the fair values of currency swaps, interest rates and swaps with other risk factors. The fair values of term contracts and futures contracts are determined based on market price quotations for derivatives negotiated on exchanges or using methods similar to those described for swaps.

Non Deliverable Forward – NDF and *Zero Cost Collar operations*: The fair value is generally based on the market price quotations or market quotations for similar assets and liabilities. If these market prices are not available, the fair values are based on quotations from market operators, discounted cash flows or similar techniques, for which management has to use its judgment or significant estimates in order to determine the fair value. The fair values of term contracts and futures contracts are determined based on market price quotations for derivatives negotiated on exchanges or using methods similar to those described for swaps. These contracts do not provide for intermediary payments prior to maturity. The Company does not intend to liquidate these contracts prior to maturity.

On December 31, 2008 and December 31, 2007 the nominal amounts with US Dollar rate variation exposure, as well as the respective fair values, are demonstrated below:

Parent company:

Description / Counterpart	Notional amount in thousands of US$ 2008	Notional amount in thousands of US$ 2007	Notional amount in thousands of R$ 2008	Notional amount in thousands of R$ 2007	Fair Value – in thousands of R$ - (credit) / debit 2008	Fair Value – in thousands of R$ - (credit) / debit 2007	Accrual Amount – in thousands of R$ - (credit) / debit 2008	Accrual Amount – in thousands of R$ - (credit) / debit 2007	Accumulate efect in 2008 –in thousands of R$ (credit) / debit Received Amount	Accumulate efect in 2008 –in thousands of R$ (credit) / debit Paid Amount	Accumulated effect in 2007 – in thousands of R$ (credit) / debit Received Amount	Accumulated effect in 2007 – in thousands of R$ (credit) / debit Paid Amount
Zero Cost Collar	**-**	**36,000**	**-**	**67,297**	**-**	**3,565**	**-**	**-**	**7,258**	**(5,038)**	**1,294**	**-**
Banco Santander	-	32,000	-	59,280	-	2,486	-	-	4,886	(1,671)	895	-
Banco Itaú BBA	-	4,000	-	8,017	-	1,079	-	-	2,372	-	399	-
Unibanco	-	-	-	-	-	-	-	-	-	(480)	-	-
Banco do Brasil	-	-	-	-	-	-	-	-	-	(2,887)	-	-
NDF	**9,300**	**6,000**	**14,988**	**10,648**	**(5,811)**	**79**	**(5,811)**	**-**	**1,285**	**-**	**-**	**-**
Banco Santander	9,300	6,000	14,998	10,648	(5,811)	79	(5,811)	-	239	-	-	-
Unibanco	-	-	-	-	-	-	-	-	421	-	-	-
Banco do Brasil	-	-	-	-	-	-	-	-	578	-	-	-
HSBC	-	-	-	-	-	-	-	-	47	-	-	-
Swap	**-**	**(3,928)**	**-**	**(11,625)**	**-**	**(9,836)**	**-**	**(9,836)**	**-**	**(10,132)**	**-**	**(8,868)**
Banco Itaú BBA	-	(3,928)	-	(11,625)	-	(9,836)	-	(9,836)	-	(10,132)	-	(8,868)
Total	**9,300**	**38,072**	**14,988**	**66,320**	**(5,811)**	**(6,192)**	**(5,811)**	**(9,836)**	**8,543**	**(15,170)**	**1,294**	**(8,868)**

Consolidated:

Description / Counterpart	Notional amount in thousands of US$ 2008	Notional amount in thousands of US$ 2007	Notional amount in thousands of R$ 2008	Notional amount in thousands of R$ 2007	Fair Value – in thousands of R$ - (credit) / debit 2008	Fair Value – in thousands of R$ - (credit) / debit 2007	Accrual Amount – in thousands of R$ - (credit) / debit 2008	Accrual Amount – in thousands of R$ - (credit) / debit 2007	Accumulated effect in 2008 – in thousands of R$ (credit) / debit Received Amount	Accumulated effect in 2008 – in thousands of R$ (credit) / debit Paid Amount	Accumulated effect in 2007 – in thousands of R$ (credit) / debit Received Amount	Accumulated effect in 2007 – in thousands of R$ (credit) / debit Paid Amount
Zero Cost Collar	**-**	**78,600**	**-**	**148,460**	**-**	**8,674**	**-**	**-**	**16,038**	**(8,447)**	**8,963**	**-**
Banco Santander	-	56,600	-	104,481	-	6,635	-	-	8,067	(5,080)	6,109	-
Banco Itaú BBA	-	4,000	-	8,017	-	1,079	-	-	2,372	-	1,012	-
Unibanco	-	18,000	-	35,962	-	960	-	-	5,599	(480)	-	
Banco do Brasil	-	-	-	-	-	-	-	-	-	(2,887)	-	-
Votorantim	-	-	-	-	-	-	-	-	-	-	1,842	-
NDF	**49,148**	**10,300**	**86,335**	**18,175**	**(28,777)**	**(4)**	**(6,660)**	**26**	**1,468**	**(1,531)**	**1,975**	**(43)**
Banco Santander	40,700	8,800	65,954	15,499	(22,192)	(30)	(1,800)	-	348	(1,084)	1,535	(43)
Unibanco	-	-	-	-	-	-		-	421	-	-	-
Banco do Brasil	8,448	1,500	20,381	2,676	(6,585)	26	(4,860)	26	652	(447)	440	-
HSBC	-	-	-	-	-	-		-	47	-	-	-
Swap	**-**	**(3,928)**	**-**	**(11,625)**	**-**	**(9,836)**	**-**	**(9,836)**	**-**	**(10,132)**	**-**	**(11,568)**
Banco Itaú BBA	-	(3,928)	-	(11,625)	-	(9,836)	-	(9,836)	-	(10,132)	-	(11,568)
Total	**49,148**	**84,972**	**86,335**	**155,010**	**(28,777)**	**(1,166)**	**(6,660)**	**(9,810)**	**17,506**	**(20,110)**	**10,938**	**(11,611)**

The maturity periods for these operations are summarized below, in thousands of US Dollar, in consolidated:

Description	2008 From one to 30 days	2008 From 31 to 180 days	2008 From 181 to 365 days	2008 Net total	2007 Net total
Zero Cost Collar	-	-	-	-	78,600
NDF	4,131	22,586	22,431	49,148	10,300
Swap	-	-	-	-	(3,928)
Total	**4,131**	**22,586**	**22,431**	**49,148**	**84,972**

Furthermore, the Company has NDF operations to protect exchange rate from materials imports in Euros, contracted from Banco do Brasil, summarized below:

Description/ Counterpart	Notional amount – in thousands of US$		Notional amount – in thousands of R$		Fair Value– in thousands of R$ - (credit) / debit		Accumulated effect in 2008 – in thousands of R$ (credit) / debit		Accumulated effect in 2007 – in thousands of R$ (credit) / debit	
	2008	2007	2008	2007	2008	2007	Received Amount	Paid Amount	Received Amount	Paid Amount
NDF	**2,380**	**-**	**5,810**	**-**	**1,725**	**-**	**384**	**-**	**-**	**-**
Banco do Brasl	2,380	-	5,810	-	1,725	-	384	-	-	-

The maturity periods for these operations are summarized below, in thousands of Euros:

Descrição	2008 From one to 30 days	2008 From 31 to 180 days	2008 From 181 to 365 days	2008 Net total	2007 Net total
NDF	297	1,785	298	2,380	-

The credit amount presented in December 31, 2008 for NDF operations are classified as derivatives operations, other current liabilities.

The Company and its subsidiaries do not have margins given as guarantees for derivatives financial instruments open in December 31, 2008.

The Company and its subsidiaries presented gains and losses with derivatives financial instruments in 2008 and 2007, as demonstrated below:

(In thousands of Reais)

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Hedge operations				
Financial income:				
Income from swap operations	897	2,019	897	2,019
Gains from NDF and Collar operations	9,550	81	16,264	10,704
Financial expenses:				
Expenses from swap operations	(1,194)	(4,823)	(1,194)	(5,706)
Losses from NDF and Collar operations	(15,499)	-	(44,777)	(778)
	(6,246)	(2,723)	(28,810)	6,239

The estimated fair value of the derivative financial instruments held by the Company and by its subsidiaries was determined through information available in the market and specific valuation methodologies. However, considerable judgment was required to interpret the market data in order to produce the estimated fair value for each operation. Consequently, the following estimates do not necessarily indicate the amount that will be effectively realized upon the financial settlement of the operations.

Sensitivity analysis of changes in foreign currency

The Company and its subsidiaries have loans and financing in foreign currency and derivative financial instruments intended to eliminate (or mitigate) these risks.

Three scenarios are considered in the previous table, and the Company selects the probable scenario. These scenarios were defined based on management's expectations of changes in the exchange rate on the maturity dates of the respective contracts subject to these risks.

In addition to this scenario, the Brazilian Securities Commission (CVM) established through Instruction 475 that two more scenarios were presented with deteriorations of 25% and 50% of the variable for the risk considered. These scenarios are being presented in conformity with the CVM regulations.

		Parent company		
Operation	**Risk**	**Probable scenario**	**Scenario A**	**Scenario B**

Non Deliverable Forward – NDF (derivatives)	US Dollar Increase	(5,955)	(4,093)	(8,126)
Other financial instruments (non derivatives)	Variation in US Dollar Exchange rate	17,647	22,058	26,470

		Consolidated		
Operation	**Risk**	**Probable scenario**	**Scenario A**	**Scenario B**
Non Deliverable Forward – NDF (derivatives)	US Dollar Increase	(29,686)	(22,347)	(44,696)
Non Deliverable Forward – NDF (derivatives)	Euro decrease	1,761	(1,252)	(2,086)
Other financial instruments (non derivatives)	Variation in US Dollar Exchange rate	51,256	64,069	76,883

24 Subsidies and government assistance

a. Subsidized borrowings Fundopem/RS

In December 2006, the Company and its subsidiaries signed a Term of Adjustment with the State for Rio Grande do Sul, as adhesion to Fundopem/RS (Company Operation Fund for the State of Rio Grande do Sul).

The tax incentive consists of a delayed payment of the ICMS debt generated monthly, with a grace period of between 33 and 54 months, and payment period of between 54 and 96 months, as from each debt, corrected by the IPCA/IBGE index and an interest rate of between 3% p.a. and 4% p.a.. The part of the debt for which payment is delayed is calculated based on an increase in revenue, increase in the ICMS debt and generation of employment opportunities, as defined in the Term of Adjustment.

To increase the amount financed the Company and its subsidiaries observe all of the requirements to receive this type of incentive, as follows:

a) Incremental monthly gross revenue;
b) Incremental monthly ICMS;
c) Increment in number of direct employees.

The Company classified this operation as working capital financing, with interest and subsidized terms, as reported in note 13.

b. Fundopem/RS - Nosso Emprego (Our Job)

In August 1998, the subsidiary Suspensys Sistemas Automotivos Ltda. received from the government for the State of Rio Grande do Sul, a tax incentive tied to generating employment, known as Fundopem Nosso Emprego, which is valid until 2010.

(In thousands of Reais)

The Company calculated the value of the benefit based on the rules specified in protocol 18/98, in law 11.028/97 and other relevant legislation, including Normative Resolution 40/97. The structure for the calculation is based on DRP Normative Instruction 45/98, title 1, chapter V, item 6.0. The spreadsheet used to prepare this calculation is sent monthly for analysis by the State System to Attract and Develop Productive Activities (SEADAP).

Following the guidelines from Law 11.638/07 and CPC 07, the subsidiary Suspensys Sistemas Automotivos Ltda., obtained an incentive for the amount of R$ 11,578 in 2008 (R$ 8,944 in 2007) which was recognized in the consolidated statement of income.

In its individual financial statements the subsidiary Suspensys Sistemas Automotivos Ltda. registered this amount to an income account, with a transfer to the specific account, Incentive Investment Reserve, included in shareholders' equity. The subsidiary does not intend to distribute this amount as profits, since it has been allocated only for to be used for a future capital increase.

25 Statement of cash flows

Cash and cash equivalents are recorded as follows:

	Parent company		Consolidated	
	2008	**2007**	**2008**	**2007**
Cash and bank deposits	2,879	25,002	19,245	36,434
Short-term financial investments	126,213	39,870	297,127	216,445

In June 2008, the Company paid in capital to the subsidiary Randon Implementos para o Transporte Ltda. for the amount of R$ 10,277 in inventories and R$ 27,266 as fixed assets.

On December 31, 2008, the Company and its subsidiaries reported R$ 128,531 which referred to the credit limits available for future borrowings, which had still not been liberated by the financial institutions.

In addition, as reported in note 24, the Company has an approved limit for the Fundopem Term of Adjustment – RS, which has still not been used, for the amount of R$ 30,008

(In thousands of Reais)

(R$ 77,285 on consolidation).

26 Insurance coverage

The Company has insurance policies taken out with the main insurance companies in Brazil, which were determined in accordance with the orientation of experts, and take into consideration the nature and the level of risk involved. The adopted assumptions for risked, given their nature, are not part of the scope of an audit of financial statements and, accordingly, they were not examined by our independent auditors.

The main insurance coverage is as follows:

		Consolidated	
		Total of indemnification limits	
	Risk covered	**2008**	**2007**
Buildings, inventories, machinery and others fixed assets	Fire, gale, electric damages, robbery and general risks	222,384	180,031
Vehicles	Body	14,441	13,338
Airplanes	RETA, public liability and Body	26,174	19,839
Exportation credit	Commercials and politics	67,840	24,798
Public liability	Public liability	26,667	3,000
Personal accidents	Bodily injury	33,259	31,177
		390,765	272,183

27 Vendor operations

At December 31, 2008, the Company and its subsidiaries had outstanding vendor operations with its clients in the amount of R$ 8,714 (R$ 10,224 in 2007), in which the Company participates as intervening guarantor.

28 Employees' profit sharing plan

The employees' profit share was calculated as stipulated in the Profit Sharing Program ratified by the union representing the Company's employees, according to the provisions of Law 10101 of

December 19, 2000. The amount of profit sharing referring to 2008 was R$ 17,624 (R$ 14,322 in 2007) in parent company and R$ 37,959 (R$ 34,013 in 2007) in consolidated.

29 Subsequent events

Fras-le S.A. – Purchase of own shares

On February 04, 2009, the subsidiary Fras-le S.A. finalized the process to purchase shares to be held in treasury, as approved by the Company's board of directors on November 26, 2008. During the period between November 27, 2008 and February 04, the subsidiary Fras-le S.A. purchased 1,600,000 preference shares, for the total value of R$ 3,886, at an average price of R$ 2.43 per share.

Randon S.A. Implementos e Participações

(Publicly-held Company)

Board of Directors
Raul Anselmo Randon - Chairman
David Abramo Randon - Vice-chairman
Hugo Eurico Irigoyen Ferreira – Board Member
José Maria Rabelo – Board Member
Ery José Bernardes - Board Member

Fiscal Council
Jessé Souto Amaral
Benilda Waschow
Carlos Osvaldo Pereira Hoff
Werner Bornholdt
Luis Antonio Careli

Management
Raul Anselmo Randon - Director President
Alexandre Randon - Director Vice - President
Astor Milton Schmitt - Director
Erino Tonon – Director

Investor Relations Director
Astor Milton Schmitt

Financial Director Holding Division
Geraldo Santa Catharina

Controller Corporate Manager
Maria Tereza Casagrande

Ieda Maria Onzi Perosa
Accountant CRC/RS: 49.886/O-3

Randon S.A. Implementos e Participações

(Publicly-held Company)

Supplementary information

Appendix I

Segment report – Consolidated

(In thousands of Reais)

Information by segment are presented in relation to the consolidated business of the Company identified based on accounting information, on its management structure and on internal managerial information.

The business segments presented have been determined in the consolidation of the information of the following companies of the Randon group:

Road, railroad equipment and specialty vehicles segment: it refers to the consolidated results of the 2008 and 2007 fiscal year of the companies Randon S.A. Implementos e Participações, Randon Argentina S.A., Randon Middle East, Randon Automotive Ltda. and Randon Veículos Ltda., being the main products included in this segment the following: trailers, semi-trailers, rallroad cars, off-road trucks, backhoe loaders and other road equipment and specialty vehicles.

Auto-parts and automotive systems segment: it refers to the consolidated results of the 2008 and 2007 fiscal year of the companies Fras-le S.A., Suspensys Sistemas Automotivos Ltda., Master Sistemas Automotivos Ltda. and Jost Brasil Sistemas Automotivos Ltda., being the main products of this segment the following: friction materials, axle beams, suspension components, air brakes, coupling systems and truck articulations.

Services segment: it refers to the result of the company Randon Administradora de Consórcios Ltda., derived from consortium groups administration operations for acquisition of durable goods.

Randon S.A. Implementos e Participações

(Publicly-held Company)

Supplementary information

Appendix I

Segment report – Consolidated

(In thousands of Reais)

a. Information by business segments

	Road and railroad equipment and specialty vehicles		Auto-parts and automotive systems		Services		Consolidated	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Revenues	1,882,588	1,547,216	1,951,698	1,592,205	50,091	42,459	3,884,377	3,181,880
Deductions	(391,841)	(327,061)	(428,021)	(320,489)	(5,037)	(4,107)	(824,899)	(651,657)
Net revenues	1,490,747	1,220,155	1,523,677	1,271,716	45,054	38,352	3,059,478	2,530,223
Cost of goods sold and services rendered	(1,067,811)	(936,208)	(1,157,977)	(922,903)	-	-	(2,225,788)	(1,859,111)
Gross profit	422,936	283,947	365,700	348,813	45,054	38,352	833,690	671,112
Operation expenses	(210,643)	(178,993)	(137,229)	(123,222)	(30,573)	(27,178)	(378,445)	(329,393)
Financial incomes (expenses), net	(31,605)	688	(4,618)	(687)	824	570	(35,399)	571
Operation income	180,688	105,642	223,853	224,904	15,305	11,744	419,846	342,290
Net income for the year	124,969	78,385	95,399	86,538	10,743	8,436	231,111	173,359
Fixed assets	326,376	237,086	399,256	281,824	942	820	726,574	519,730

Randon S.A. Implementos e Participações

(Publicly-held Company)

Supplementary information

Appendix I

Segment report – Consolidated

(In thousands of Reais)

b. Net sales by geographic segments

	Road and railroad equipment and specialty vehicles		Auto-parts and automotive systems		Services		Consolidated total	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Geographic region								
Domestic market	1,188,750	991,249	1,255,967	1,022,253	45,054	38,352	2,489,771	2,051,854
Mercosur and Chile	173,608	125,554	66,105	45,346	-	-	239,713	170,900
NAFTA	1,455	305	123,100	119,045	-	-	124,555	119,350
Europe	1,763	-	37,951	46,128	-	-	39,714	46,128
Africa	106,512	61,801	9,874	8,938	-	-	116,386	70,739
South and Central America	13,033	37,749	9,415	7,600	-	-	22,448	45,349
Middle East	54	154	7,739	4,429	-	-	7,793	4,583
Asia	-	-	2,916	4,308	-	-	2,916	4,308
Oceania	-	-	2,416	2,673	-	-	2,416	2,673
Others	5,572	3,343	8,194	10,996	-	-	13,766	14,339
Total	1,490,747	1,220,155	1,523,677	1,271,716	45,054	38,352	3,059,478	2,530,223

RANDON S.A. Implementos e Participações
Listed Company
CNPJ 89.086.144/0001-16
NIRE 43300032680

Audit Board`s Opinion

The current members of the Audit Board of Randon S.A.- Implementos e Participações, in conformity with items II, III and VII of Article 163, Law 6.404/76, have examined the 2008 Management Report and Financial Statements, which are adjusted to current and audited accounting standards, relative to the Fiscal Year ended December 31, 2008; they have listened to the management and to the representative of KPMG Auditores Independentes about these documents; their opinion is that it reports the main business activities and administrative facts occurred during the Fiscal Period, and that the Financial Statements properly express the equity of the Company and the Mutations taken place during the Period; the proposal to allocate dividends, included in the mentioned Financial Statements, complies with the Company`s By-laws and with legislation. The Audit Members recommend the approval of these Management documents by the shareholders at the Ordinary General Meeting. Caxias do Sul, February 13, 2009.

Carlos Osvaldo Pereira Hoff　　Odilar Capellari　　Werner Bornholdt

Jessé Souto Amaral　　Benilda Waschow