

Financial Statements

Randon S.A. Implementos e Participações

December 31, 2009 and 2008
with Report of Independent Auditors

Randon S.A. Implementos e Participações

Financial statements

December 31, 2009 and 2008

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**A free translation from Portuguese into English of Report of Independent Auditors
on financial statements in accordance with accounting practices adopted in Brazil**

Report of independent auditors

The Board of Directors and Shareholders

Randon S.A. Implementos e Participações

Caxias do Sul – Rio Grande do Sul State

1. We have audited the balance sheets of Randon S.A. Implementos e Participações and the consolidated balance sheets of Randon S.A. Implementos e Participações and subsidiaries at December 31, 2009, and the related statements of income, changes in shareholders' equity, cash flows and value added for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements. The financial statements of subsidiaries Master Sistemas Automotivos Ltda and Suspensys Sistemas Automotivos Ltda. for the year ended December 31, 2009, were examined by other independent auditors and our opinion regarding the amounts of these investments which total R\$ 133,108 thousand and the positive equity pickup result from these subsidiaries of R\$ 52,323 thousand, is based exclusively in the reports of these independent auditors.
2. We conducted our audit in accordance with auditing standards applicable in Brazil which comprised: a) the planning of our work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company and its subsidiaries; b) the examination, on a test basis, of the evidence and records supporting the amounts and disclosures in the financial statements, and; c) an assessment of the practices used and significant estimates made by management of the Company and its subsidiaries as well as an evaluation of the overall financial statement presentation.
3. In our opinion, in accordance with our audit and the reports of other independent auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Randon S.A. Implementos e Participações at December 31, 2009, the result of its operations, the changes in its shareholders' equity, its cash flows and value added in operations for the year then ended, in accordance with accounting practices adopted in Brazil.

4. Our audit was carried out with the objective of expressing an opinion in the overall financial statements referred to in paragraph 1 above. The information by business segment for the year ended December 31, 2009, presented in Attachment I, for purposes of providing additional information about the Company is not a required component of the basic financial statements in accordance with accounting practices adopted in Brazil. Information by business segment was submitted to the same audit procedures described in paragraph 2 and, in our opinion, is fairly presented, in all material respects, in relation to the overall financial statements.
5. The financial statements for the year ended December 31, 2008, presented for purposes of comparison, were audited by other independent auditors who issued an unqualified opinion thereon, dated February 6, 2009.

Porto Alegre, February 05, 2010.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6/F/RS

Américo F. Ferreira Neto
Accountant CRC-1S192685/O-9/S/RS

A free translation from Portuguese into English of financial statements in accordance with accounting practices adopted in Brazil

Randon S.A. Implementos e Participações

Balance sheets
December 31, 2009 and 2008
(In thousands of reais)

	Note	Company		Consolidated	
		2009	2008	2009	2008
Assets					
Current assets					
Cash and cash equivalents	5	169,006	129,092	616,659	316,372
Short-term investments	6	68,513	-	68,513	32,222
Derivative financial instruments	22	-	-	-	320
Trade accounts receivable	7	232,389	242,479	418,509	420,675
Inventories	8	136,781	106,562	327,028	376,237
Taxes recoverable	9	59,032	31,595	112,767	80,622
Prepaid expenses		2,078	1,294	3,086	2,699
Deferred taxes	18	17,314	16,485	32,828	42,456
Receivables from consortium	14	-	-	39,280	30,574
Other		21,618	30,272	12,030	13,758
		706,731	557,779	1,630,700	1,315,935
Non-current assets					
Long-term receivables					
Related parties	10	15	3,961	-	-
Consortium quotas		12,529	12,424	24,656	25,812
Deferred taxes	18	2,074	2,674	12,265	5,556
Taxes recoverable	9	12,652	23,371	26,532	50,730
Judicial deposits	16	801	347	8,013	7,389
Other		-	88	16,781	17,873
		28,071	42,865	88,247	107,360
Investments	11	469,899	432,269	44,557	39,053
Property, plant and equipment	12	298,181	284,861	770,252	726,574
Intangible assets	12	13,085	4,727	31,297	12,773
Deferred charges		923	1,171	12,177	14,069
		782,088	723,028	858,283	792,469
		1,516,890	1,323,672	2,577,230	2,215,764

Liabilities and shareholders' equity	Note	Company		Consolidated	
		2009	2008	2009	2008
Current liabilities					
Loans and financing	13	34,173	107,826	166,699	225,231
Derivative financial instruments	23	-	5,811	43	27,372
Accounts payable to suppliers		70,452	16,499	146,134	71,082
Advances from customers		29,201	34,998	34,377	43,857
Trade accounts receivable - for goods to be delivered		12,679	16,789	19,167	20,704
Taxes and contributions		7,174	10,582	23,144	25,961
Salaries and vacation pay		15,245	9,108	44,319	34,884
Dividends		12,158	34,359	15,765	46,531
Interest on equity capital		14,578	17,600	22,359	26,640
Employee and management profit sharing		11,535	15,723	29,151	34,531
Deferred taxes	18	34	298	277	3,152
Income and social contribution taxes		-	-	1,844	1,826
Liabilities for consortium funds	14	-	-	39,280	30,574
Commissions		8,038	6,589	12,275	10,408
Related parties	10	3,818	3,353	5,498	10,920
Other		11,384	17,868	26,357	33,710
		230,469	297,403	586,689	647,383
Non-current liabilities					
Loans and financing	13	337,517	192,658	703,266	429,516
Taxes and contributions	15	2,492	751	7,124	11,285
Related parties	10	51,834	33,405	56,599	34,254
Deferred taxes	18	2,444	726	4,381	739
Provisions for disputes	16	5,301	6,730	11,100	9,693
Private pension plan	17	-	125	25	386
Other		2,084	2,959	1,726	3,408
		401,672	237,354	784,221	489,281
Non-controlling shareholders' equity		-	-	322,181	291,619
		401,672	237,354	1,106,403	780,900
Shareholders' equity					
Capital	20	406,000	400,000	406,000	400,000
Capital reserve		55	-	55	-
Income reserve		471,562	378,029	470,952	376,595
Revaluation reserve		8,002	8,047	8,002	8,047
Accumulated translation adjustments		(870)	2,839	(870)	2,839
		884,749	788,915	884,139	787,481
		1,516,890	1,323,672	2,577,230	2,215,764

See accompanying notes.

Randon S.A. Implementos e Participações

Statements of income
Years ended December 31, 2009 and 2008
(In thousands of reais)

	Note	Company		Consolidated	
		2009	2008	2009	2008
Gross operating revenue					
Sale of products and services		1,243,242	1,636,509	3,130,871	3,884,377
Deductions					
Sales taxes		(234,379)	(331,365)	(616,763)	(777,668)
Sales returns and rebates		(14,512)	(12,781)	(44,564)	(47,231)
		(248,891)	(344,146)	(661,327)	(824,899)
Net operating revenue		994,351	1,292,363	2,469,544	3,059,478
Cost of products sold and services rendered		(813,173)	(936,525)	(1,891,357)	(2,225,788)
Gross profit		181,178	355,838	578,187	833,690
Operating revenue (expenses)					
Sales		(79,484)	(112,634)	(205,562)	(237,892)
General and administrative		(41,585)	(38,942)	(113,188)	(109,632)
Management fees		(4,284)	(3,882)	(9,151)	(8,560)
Financial expenses	21	(71,709)	(125,523)	(148,106)	(253,432)
Financial income	21	80,471	97,996	184,118	218,033
Equity pickup	11	93,770	121,583	-	-
Other income (expenses) net		(4,456)	(20,790)	(6,654)	(22,361)
		(27,277)	(82,192)	(298,543)	(413,844)
Income before income and social contribution taxes and statutory profit sharing		153,901	273,646	279,644	419,846
Income and social contribution taxes	18	(11,774)	(38,639)	(63,098)	(108,769)
Management profit sharing		(4,001)	(3,412)	(7,970)	(7,276)
Net income before noncontrolling shareholders' equity holdings		138,126	231,595	208,576	303,801
Minority interest		-	-	(69,626)	(72,690)
Net income for the year		138,126	231,595	138,950	231,111
Earnings per share (R\$)		0.86	1.45		
Number of outstanding shares at year end		10,686,154	60,223,635		

See accompanying notes.

Randon S.A. Implementos e Participações

Statements of changes in shareholders' equity
 Years ended December 31, 2009 and 2008
 (In thousands of reais)

	Capital	Capital reserve	Revaluation reserve	Income reserve		Accumulated translation adjustments	Retained earnings	Total
				Legal	Investment and working capital reserve			
Balances at January 1, 2008	279,000	-	8,092	35,817	328,611	(27,626)	-	623,894
Net income for the year	-	-	-	-	-	-	231,595	231,595
Capital increase owing to income reserve	121,000	-	-	-	(121,000)	-	-	-
Adjustments from first-time adoption of Law No. 11638/07 and Provisional Executive Order No.449/08	-	-	-	-	-	-	3,307	3,307
Realization of revaluation reserve, net of taxes	-	-	(45)	-	-	-	45	-
Accumulated translation adjustments	-	-	-	-	-	2,839	-	2,839
Allocations:								
Legal reserve	-	-	-	11,747	-	-	(11,747)	-
Investment and working capital reserve	-	-	-	-	150,480	-	(150,480)	-
Dividends	-	-	-	-	-	-	(34,322)	(34,322)
Interest on equity capital – Law No. 9249/95	-	-	-	-	-	-	(38,398)	(38,398)
Balances at December 31, 2008	400,000	-	8,047	47,564	358,091	(27,626)	2,839	788,915
Net income for the year	-	-	-	-	-	-	138,126	138,126
Capital increase owing to income reserve	6,000	-	-	-	(6,000)	-	-	-
Sale of treasury stock	-	-	-	-	-	5,555	-	5,555
Earnings from sales of treasury stock	-	55	-	-	-	-	-	55
Realization of revaluation reserve, net of taxes	-	-	(45)	-	-	-	45	-
Accumulated translation adjustments	-	-	-	-	-	(3,709)	-	(3,709)
Allocations:								
Legal reserve	-	-	-	6,906	-	-	(6,906)	-
Investment and working capital reserve	-	-	-	-	87,072	-	(87,072)	-
Dividends	-	-	-	-	-	-	(12,102)	(12,102)
Interest on equity capital – Law No. 9249/95	-	-	-	-	-	-	(32,091)	(32,091)
Balances at December 31, 2009	406,000	55	8,002	54,470	439,163	(22,071)	(870)	884,749

See accompanying notes.

Randon S.A. Implementos e Participações

Statements of cash flows Years ended December 31, 2009 and 2008 (In thousands of reais)

	Company		Consolidated	
	2009	2008	2009	2008
Cash flow from operating activities				
Net income	138,126	231,595	138,950	231,111
Adjustment to reconcile net income with cash generated by operating activities				
Depreciation and amortization	18,966	17,423	57,209	67,481
Provisions for disputes	(1,429)	1,238	1,408	1,429
Other provisions	3,663	8,891	(2,733)	25,536
Residual cost of permanent asset write-offs and disposals	1,370	2,785	2,368	3,295
Equity pickup	(93,770)	(121,583)	-	-
Equity pickup from subsidiaries	-	-	(5,771)	(10,750)
Minority interest	-	-	30,562	45,380
Goodwill on sale of treasury shares	55	-	55	-
Sale of treasury shares	5,555	-	5,555	-
Foreign exchange variation of subsidiaries abroad	-	-	(32)	(286)
Accumulated translation adjustments	-	-	-	2,838
Changes in loans	(13,971)	56,638	(19,054)	120,120
Changes in derivatives	(5,811)	4,025	(27,329)	17,536
Adjustments from first-time adoption of Law No. 11638/07 and Provisional Executive Order No.449/08	-	3,307	-	3,307
Profit and dividends received from subsidiaries	58,487	54,841	-	-
Changes in assets and liabilities				
Accounts receivable	(74,115)	56,637	(45,833)	(31,315)
Trade accounts receivable	4,889	(42,012)	(1,442)	(16,911)
Inventories	(31,574)	(714)	50,688	(95,688)
Suppliers	53,954	(26,799)	75,052	(48,818)
Accounts payable	(16,258)	(24,051)	(15,125)	(21,306)
Income and social contribution taxes	1,741	751	3,900	1,546
Net cash from operating activities	49,878	222,972	248,428	294,505
Cash flow from investing activities				
Acquisition of fixed assets	(32,143)	(97,760)	(100,493)	(272,125)
Acquisition of shares and units of interest	(50,904)	(7,946)	(19)	(21)
Additions to intangible assets	(10,157)	(1,794)	(22,784)	(3,230)
Additions to deferred assets	-	-	-	(5,327)
Write-off of fixed assets for payment of capital	824	-	-	-
Write-off of investment for merger	44,559	-	-	-
Net cash used in investing activities	(47,821)	(107,500)	(123,296)	(280,703)
Cash flows from financing activities				
Payment of dividends	(34,303)	(14,539)	(42,869)	(12,491)
Interest on equity capital	(31,911)	(38,930)	(33,170)	(37,703)
Loans raised	204,785	205,141	553,004	499,007
Loan payments	(102,967)	(167,247)	(276,885)	(364,043)
Loans raised (paid) with Company and subsidiaries	16,784	(20,272)	17,303	(3,124)
Loans from other related parties	2,110	2,399	(380)	4,837
Interest paid on loans	(16,641)	(17,804)	(41,848)	(36,792)
Net cash used in financing activities	37,857	(51,252)	175,155	49,691
Increase in cash and cash equivalents	39,914	64,220	300,287	63,493
Statement of increase in cash and cash equivalents				
At the beginning of the year (Note 23)	129,092	64,872	316,372	252,879
At the end of the year (Note 23)	169,006	129,092	616,659	316,372
Increase in cash and cash equivalents	39,914	64,220	300,287	63,493

Randon S.A. Implementos e Participações

Statements of value added
Years ended December 31, 2009 and 2008
(In thousands of reais)

	Company		Consolidated	
	2009	2008	2009	2008
Revenues				
Sales of products and services, (-) returns	1,228,730	1,623,728	3,086,307	3,839,286
Revenue relating to the construction of own assets	13,058	40,293	47,370	88,100
Other revenue	5,054	1,146	28,170	23,214
Allowance for doubtful accounts	(3,516)	(3,812)	(4,204)	(4,152)
	1,243,326	1,661,355	3,157,643	3,946,448
Inputs acquired from third parties (including ICMS and IPI)				
Raw materials consumed	878,147	1,080,840	1,806,612	2,293,863
Materials, energy, third party services and other operating expenses	126,815	160,794	434,629	473,376
	1,004,962	1,241,634	2,241,241	2,767,239
Retentions				
Depreciation and amortization	18,966	15,450	57,209	67,481
Net value added generated by the Company	219,398	404,271	859,193	1,111,728
Value added received in transfer				
Equity pickup	93,770	121,583	-	-
Rents and royalties	1,023	608	1,133	711
Financial income	80,471	97,996	184,118	218,033
	175,264	220,187	185,251	218,744
Total value added to be distributed	394,662	624,458	1,044,444	1,330,472
Distribution of value added				
Employees				
Direct remuneration	93,980	100,700	262,050	266,206
Benefits	14,549	16,924	42,477	46,061
FGTS	9,638	9,310	27,171	24,348
Commission on sales	298	2,021	1,725	3,249
Management fees and directors' profit sharing	8,286	7,294	16,491	15,805
Employees' profit sharing	7,912	17,624	26,135	37,959
Private pension plans	1,220	1,708	3,056	3,235
	135,883	155,581	379,105	396,863
Taxes				
Federal	42,352	97,765	221,969	281,803
State	2,393	9,255	72,458	75,586
Municipal	1,004	1,430	3,053	3,337
	45,749	108,450	297,480	360,726
Funding agents				
Interest and financial expenses	71,709	125,523	148,106	255,236
Rents	3,195	3,308	12,001	13,361
	74,904	128,831	160,107	268,597
Shareholders' equity				
Minority interest	-	-	69,626	72,690
Interest on equity capital	32,091	38,398	32,091	38,398
Dividends	12,102	34,322	12,102	34,322
Retained earnings for the year	93,933	158,876	93,933	158,876
Value added distributed	394,662	624,458	1,044,444	1,330,472

See accompanying notes.

Randon S.A. Implementos e Participações

Notes to financial statements
December 31, 2009 and 2008
(In thousands of reais)

1. Operations

The Company's business purpose is: a) the manufacture, sale, import and export of automotive and towed vehicles for the movement and transportation of goods; implements for road and rail transport; mechanical apparatus, equipment, machinery, pieces, parts and components related to that sector; b) investment in the capital of other entities; c) administration of its own assets and property; d) road transport of goods; and, e) rendering of services pertinent to its lines of business.

Corporate restructuring

At the Extraordinary Shareholders' Meeting held on June 30, 2009, the merger of direct subsidiary Randon Veículos Ltda was approved. The merger was based on studies that indicated both financial and tax administrative and operating savings.

The amounts incorporated are summarized as follows:

Current asset	60,020
Non-current asset	
Long-term receivable	315
Permanent assets	2,051
Current liabilities	(17,015)
Non-current liabilities	(809)
Net assets incorporated	<u>44,562</u>

The incorporated net assets include the income calculated in the period from January 1 to June 30, 2009, as stated below:

Net revenue from sales	40,613
Cost of services	(30,138)
Operating expenses	(5,352)
Other operating revenue (expenses), net	(450)
Income tax and social contribution	(1,038)
Net income for the year	<u>3,635</u>

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

1. Operations (Continued)

Setting up of subsidiary

On September 28, 2009, another subsidiary, Randon Investimentos Ltda., was registered with the Trade Board of the State of Rio Grande do Sul in which the Company retains 99.996% of capital. Payment for which was made through the transfer of funds in current Brazilian currency amounting to R\$ 25,000 on October 30, 2009.

The sole business purpose of this subsidiary is to hold investment in other corporate entities characterized as financial or other institutions authorized to operate by the Central Bank of Brazil. This is a step in the process to set up Banco Randon S/A., which obtained authorization from the Central Bank of Brazil to begin preparation of the corporate documents pertaining to its Charter on August 6, 2009.

2. Basis for the preparation and presentation of financial statements

Conclusion of preparation of the financial statements was authorized by the Executive Board meeting held on January 26, 2010.

The financial statements were prepared in accordance with accounting practices adopted in Brazil and Brazil's Securities and Exchange Commission (CVM) rules, in light of the accounting guidelines contained in Brazil's Corporation Law ("Law No. 6404/76") with new pronouncements, guidelines and interpretations issued by Brazil's FASB (CPC).

In order to provide further information to the market the Company is presenting, as additional information, the consolidated position of its operations by geographic segment (See attachment I).

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices

a) Determination of profit and loss

The result of operations is determined on the accrual basis of accounting.

Revenue from product sales is recognized when all the risks and rewards inherent to the product are transferred to the buyer. Revenue from services rendered is recognized upon its realization. Revenue is not recognized if there is significant uncertainty about realization thereof.

b) Accounting estimates

The preparation of financial statements in accordance with accounting practices adopted in Brazil requires management to use professional judgment in making and recording accounting estimates. Significant assets and liabilities subject to these estimates and assumptions include the net book value of fixed assets, the allowance for doubtful accounts, inventories and deferred tax assets, the provision for contingencies and assets and liabilities linked to employees' benefits. Settlement of transactions involving such estimates may result in significantly different amounts from those estimated due to inaccuracies inherent to the estimation process. The Company reviews its estimates and assumptions at least on a quarterly basis.

c) Financial instruments

Non-derivative financial instruments include short-term investments, accounts and other receivables, cash and cash equivalents, loans and financing as well as accounts payable and other liabilities.

Non-derivative financial instruments are initially recognized at fair value plus, for instruments that are not recognized through profit and loss, any directly attributable transaction costs. Non-derivative financial instruments are subsequently measured as described below:

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

c) Financial instruments (Continued)

Instruments held to maturity

If the Company has the intention and capacity to maintain its financial instruments to maturity, these are classified as held to maturity. Investments held to maturity are measured at amortized cost using the effective interest rate method, less impairment.

Financial instruments at fair value through profit and loss

An instrument is classified at fair value through profit and loss if maintained for trading, i.e. denominated as such upon initial recognition. Financial instruments are classified as fair value through profit and loss if the Company manages these investments and makes purchase and sale decisions based on their fair value according to the investment and risk strategy documented by the Company. After initial recognition attributable transaction costs are recognized in the statements of income when incurred. Financial instruments at fair value through profit and loss are measured at fair value and any fluctuations are recognized in the statements of income.

Available for sale:

Financial assets that do not fit into the categories described above. After initial recognition they are stated at fair value and their changes, except impairment and foreign currency differences of these instruments are recognized directly in shareholders' equity, net of tax effects. When an investment is no longer recognized, accumulated gain or loss in shareholders' equity is transferred to the statements of income.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method, less impairment, if any.

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Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

c) Financial instruments (Continued)

Derivative financial instruments

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

Derivatives are initially recognized at fair value and attributable transaction costs are recognized in the statements of income when incurred. After initial recognition, derivatives are measured at fair value and changes are recorded in the statements of income.

d) Foreign currency

The Company's management defined that its functional currency is the Brazilian Real according to the rules in CPC 02 – Effects from Changes in Exchange Rates and Translation of Financial Statements, approved by CVM Rule No 534.

Transactions in foreign currency, i.e. all those not carried out in the functional currency, are translated at the exchange rate of each transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate of the closing date. Exchange gains or losses on monetary assets and liabilities are recognized in the statements of income. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated at the exchange rate of the transaction date or on the valuation dates at fair value when this is used. Gains and losses from changes in foreign investments are directly recognized in shareholders' equity in the equity valuation adjustments account and recognized in the statement of income when these investments are sold, whether in fully or in part. The financial statements of foreign subsidiaries or affiliates are adjusted to accounting practices adopted in Brazil and later translated to the functional currency using the exchange rate on the financial statements closing date.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

e) Current and non-current assets

Cash and cash equivalents

These include cash, positive account balances and short-term financial investments redeemable within 90 days from the balance sheet date and with very low risk of change in their market value. Financial investments included in cash and cash equivalents are mostly classified as “financial assets at fair value through profit and loss”.

Short-term investments

The classification of investments depends on the purpose for which they were acquired and are adjusted to fair value, according the criteria as described in Note 3.c. When applicable, the costs directly attributable to the acquisition of the financial asset are added to the amount recorded originally.

Trade accounts receivable

Trade accounts receivable are recorded at the billed amount, adjusted to present value as applicable, including direct taxes for which the Company is responsible less withholding taxes, which are considered tax credits.

The allowance for doubtful accounts was set up for an amount considered sufficient by management to cover any losses on receivables, based on the individual analysis of trade accounts receivable involving risk of default.

Inventories

These are stated at average cost of acquisition or production, which does not exceed market value and adjusted by a provision for obsolescence, when applicable.

Inventory cost includes acquisition, transportation and warehousing expenses incurred. In the case of inventories of finished products and goods in process, cost includes general production expenses based on normal operating capacity.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

e) Current and non-current assets (Continued)

Adjustment to present value of assets and liabilities

Monetary assets and liabilities are adjusted to present value when the effect is considered significant with regard to overall financial statements. Present value is calculated for each transaction based on an interest rate reflecting the term and the risk of each transaction. For sales transactions, the Company and its subsidiaries use the Interbank Deposit Certificate (CDI) rate variation, since it is the reference rate used in installment sales.

The contra entry of adjustments to present value of accounts receivable is posted against gross revenue in the statement of income. The difference between the present value of a transaction and the nominal billing amount is considered financial income, appropriated based on the amortized cost and effective interest rate method through to transaction maturity.

The adjustment to present value of purchases is recorded in the suppliers and cost accounts and its realization is matched against the financial expenses account, according to use of the period by suppliers.

Consortium quotas

Evaluated at the amount of credit subject to the investment in quotas of the consortium group up to the balance sheet date. These are classified as receivables.

Investments

Investments in subsidiaries and affiliates with participation in voting capital in excess of 20% or with significant influence and in other companies belonging to the same group or that are under common control are stated by the equity pickup method.

Other investments not fitting into the above category are stated at cost of acquisition, less a valuation allowance, when applicable.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

e) Current and non-current assets (Continued)

Property, plant and equipment

These are recorded at the cost of build up or construction including interest incurred with loans for the construction thereof. Depreciation is calculated by the straight line method at the rates mentioned in Note 12, which take into consideration the estimated useful lives of the assets.

Expenses with replacement of components of fixed asset items are recorded separately, including inspections and reviews. Other expenses are capitalized only when there is an increase in the economic benefits stemming from these fixed asset items. Any other type of expenditure is recognized in the statement of income as an expense.

Commercial leasing

Financing lease agreements

Certain financial lease agreements substantially transfer the risk and benefits inherent in the ownership of assets to the Company. The contracts are characterized as financial lease agreements and the assets are recognized at fair value or at the present value of current minimum payments provided for in contracts. Assets recognized as such are depreciated by the depreciation rate applicable to each asset group in accordance with Note 12. Financial expenses relating to financial lease agreements are allocated to the statements of income over the term of the agreement based on the amortized cost method and the effective interest rate in accordance with Note 19.

Operating lease agreements

Payments made under operating lease agreements are recognized as expenses in the statements of income under the heading rents and leasing in accordance with the straight line method over lease agreement term.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

e) Current and non-current assets (Continued)

Intangible assets

Intangible assets acquired separately are measured upon initial recognition at cost of acquisition, later deducting accumulated amortization and impairment, when applicable.

Deferred charges

Deferred charges refer to preoperational expenses. These assets are amortized by the straight line method over a 5 year term.

As allowed by CPC 13 (First-time adoption of Law No. 11638/97 and MP No. 449/08), the Company opted to maintain the deferred charges balance to realization through amortization or write-off matched against income.

Impairment

Property and equipment, intangible assets and deferred tax assets are subjected to impairment testing at least annually, if there is any indication of loss in value.

f) Current and non-current liabilities

Current and non-current liabilities are stated at known or computable amounts increased, when applicable, by the corresponding charges, monetary and/ or foreign exchange variations incurred through to the balance sheet date. Monetary liabilities are adjusted to present value when the effect is considered significant in relation to overall quarterly financial information. Purchase transactions are recorded at present value, transaction by transaction, based on the interest rate reflecting the term, the currency and the risk of each transaction, with the counter entry recorded in the statements of income under the heading cost of goods sold. The difference between the present value of a transaction and the nominal value of a liability is appropriated to the statement of income during the contract term based on amortized cost and effective interest rate methods.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

g) Provisions

A provision is recognized in the balance sheet when the Company has an actual or constructive obligation as a result of a past event and it is probable that economic resources will be required to settle the obligation. Provisions are recorded based on the best estimates of the risk involved.

h) Employee private pension and post-employment benefit plan

Benefit plans are actuarially evaluated at each year end to verify if the contribution rates are sufficient for the formation of reserves necessary to meet current and future commitments. Actuarial gains or losses are recognized on the accrual basis.

For the portion referring to private pension with defined contributions, the private pension plan sponsoring costs are recognized as expenses when the contributions are made.

When the benefits of a plan are expanded, the portion representing increase in benefits related to employee past services is recognized in the statements of income on the straight line basis over the average period until the benefits are vested. When the criteria for obtaining these benefits are immediately met, the expense is immediately recognized in the statements of income.

i) Taxation

Revenues from sales and services are subject to the following taxes and contributions, at the following statutory rates:

	<u>Rates</u>
ICMS – State VAT	7% to 25%
IPI – Federal VAT	0 % to 45%
COFINS – Social Contribution Tax on Gross Revenue for Social Security Financing	0% to 10.8%
PIS – Social Contribution Tax on Gross Revenue for Social Integration Program	0% to 2.3%
ISSQN – Service Tax	2% to 5%

These charges are presented in sales deductions in the statements of income. Non-cumulative PIS/COFINS credits are presented deducting cost of products sold in the statements of income.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

3. Summary of significant accounting practices (Continued)

i) Taxation (Continued)

Current and deferred income and social contribution taxes are calculated at 15% plus 10% surtax on the portion of taxable income in excess of R\$ 240 for income tax and at 9% on taxable income for social contribution tax and consider offset of income and social contribution tax losses, limited to 30% of taxable income.

Deferred tax assets arising from income and social contribution tax losses and temporary differences were recorded in conformity with CVM Rule No. 371 dated June 27, 2002, and take into consideration the history of profitability and expected generation of future taxable income supported by a technical feasibility analysis, approved by the Board of Directors.

j) Government grants

Government grants are recognized in the statements of income over the period and crosschecked with the expenses they intended to offset, on a systematic basis, as long as the conditions of the CVM Rule No. 555, dated November 12, 2008, that approved accounting pronouncement , CPC 07 Government Grants and Assistance are met. While the requirements for recognition in the statement of income are not met, the contra entry of the government grant is recorded in specific liability account (or as reducing assets).

k) Statements of cash flows

The statements of cash flows were prepared and are being presented in accordance with CVM Rule No. 547, dated August 13, 2008, that approved accounting pronouncement CPC 03 – Statements of cash Flows, issued by Brazil's FASB (CPC).

l) Statements of value added

The statements of value added were prepared and are being presented in accordance with CVM Rule No. 557, dated November 12, 2008, that approved accounting pronouncement CPC 09 – Statements of value added, issued by Brazil's FASB (CPC).

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(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 listed below:

	Ownership interest %			
	2009		2008	
	Direct	Indirect	Direct	Indirect
Randon Argentina S.A. (a)	99.99	-	99.99	-
Randon Middle East (a)	100	-	100	-
Randon Automotive Ltda. (a)	100	-	100	-
Randon Implementos para o Transporte Ltda.	99.99	-	99.99	-
Jost Brasil Sistemas Automotivos Ltda.	51	-	51	-
Master Sistemas Automotivos Ltda.	51	-	51	-
Suspensys Sistemas Automotivos Ltda.	22.88	27.12	22.88	27.12
Randon Administradora de Consórcios Ltda.	99.57	-	99.57	-
Randon Veículos Ltda. (b)	-	-	99.99	-
Castertech Fundação e Tecnologia Ltda.	99.99	-	99.99	-
Randon Investimentos Ltda. (c)	99.99	-	-	-
Fras-le S.A.	45.22	-	45.22	-
Fras-le Argentina S.A. (a)	6	94	6	94
Fras-le North America, Inc. (a)	-	100	-	100
Fras-le Andina Com. Y Repres. Ltda. (a)	-	99	-	99
Fras-le Europe (a)	-	100	-	100
Fras-le Friction Material Pinghu Co Ltda. (a)	-	100	-	100
Fras-le Mexico S de RL de CV (a)	-	99.66	-	99.66

(a) Foreign subsidiary.

(b) Brazilian subsidiary, merged in June 2009.

(c) Brazilian subsidiary, set up in September 2009.

Accounting policies were consistently applied by all consolidated companies and are aligned with those used in the prior year.

Description of main consolidation procedures

- Elimination of the intercompany assets and liabilities balance;
- Elimination of participation in capital, reserves and retained earnings of consolidated companies;
- Elimination of the revenues and expenses balances as well as unrealized profits arising from intercompany businesses. Unrealized losses are eliminated in the same manner, but only when there is no uncertainty in relation to recovery of the related assets;
- Elimination of taxes on unrealized profit presented as deferred taxes in the consolidated balance sheet; and
- Separate disclosure of the amount of minority interest in the consolidated financial statements.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

4. Consolidated financial statements (Continued)

Description of main consolidation procedures (Continued)

Reconciliation of net income for the year and shareholders' equity is set out below:

	<u>Net income for the year</u>		<u>Shareholders' equity</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Company	138,126	231,595	884,749	788,915
Elimination of Company profits in transactions with subsidiaries, net of income and social contribution taxes				
	824	(484)	(610)	(1,434)
Consolidated	138,950	231,111	884,139	787,481

5. Cash and cash equivalents

	<u>Company</u>		<u>Consolidated</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash and banks	2,361	2,879	29,547	19,245
Short-term investments	166,645	126,213	587,112	297,127
	169,006	129,092	616,659	316,372

Short-term investments describe investments are highly liquid, short-term and readily convertible into known cash amounts and are subject to insignificant risk of change in value.

Short-term investments basically refer to bank deposit certificates and fixed income funds, remunerated at rates from 98% and 105% (98% to 103.2% at December 31, 2008) of CDI, with daily redemptions.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

6. Short-term investments

Type	Remuneration	Company		Consolidated	
		2009	2008	2009	2008
Debentures	103.5% of CDI	48,053	-	48,053	32,222
CDB	105% of CDI	20,460	-	20,460	-
		68,513	-	68,513	32,222

Maturities of the transactions above are scheduled to occur in 270 days.

7. Trade accounts receivable

	Company		Consolidated	
	2009	2008	2009	2008
Current:				
Domestic	181,809	79,898	383,785	283,678
Foreign	15,538	87,641	61,651	165,787
Subsidiaries	54,879	90,700		-
Less:				
Vendor	(6,309)	(6,703)	(6,309)	(8,714)
Discounted exchange bills		-	(2,185)	(3,902)
Adjustment to present value	(1,114)	(1,844)	(2,321)	(3,671)
Allowance for doubtful accounts	(12,414)	(7,213)	(16,112)	(12,503)
	232,389	242,479	418,509	420,675

The Company's aging-list (Company and consolidated) is as follows:

Accounts receivable – overdue	Company		Consolidated	
	2009	2008	2009	2008
From 1 to 30 days	44,222	36,647	78,119	77,298
From 31 to 60 days	21,245	18,308	30,803	28,635
From 61 to 90 days	7,097	12,348	11,854	18,439
From 91 to 180 days	2,641	5,703	7,880	16,269
Above 181 days	11,520	5,132	16,561	10,993
Total	86,725	78,138	145,217	151,634

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

8. Inventories

	Company		Consolidated	
	2009	2008	2009	2008
Finished products	24,880	38,003	82,187	118,014
Work in process	43,923	19,409	87,102	67,421
Raw materials	48,723	28,557	131,279	149,174
Sundry materials	17,890	11,164	23,254	24,656
Provision for obsolete inventories	(2,330)	(974)	(3,832)	(2,920)
Advances to suppliers	3,311	4,144	5,018	6,415
Imports in transit	384	6,259	2,020	13,477
	136,781	106,562	327,028	376,237

9. Taxes recoverable

	Company		Consolidated	
	2009	2008	2009	2008
ICMS	28,238	29,441	59,967	66,928
IPI	19,322	89	22,584	3,212
Income and social contribution taxes	6,755	5,428	8,764	9,251
COFINS	14,145	16,416	28,845	31,336
PIS	3,167	3,581	6,342	6,892
Other	57	11	12,797	13,733
Total	71,684	54,966	139,299	131,352
(-)Current	59,032	31,595	112,767	80,622
Non-current	12,652	23,371	26,532	50,730

a. State VAT (ICMS)

The balance comprises credits arising from commercial operations and purchase of fixed assets, generated by the Company's production and commercial units.

b. PIS and COFINS

The balance comprises non-cumulative PIS and COFINS credits, mainly from purchase of fixed assets, which are offset in monthly and successive installments, as determined by legislation.

c. Federal VAT (IPI)

The balance is substantially composed of amounts stemming from commercial transactions and can be offset with taxes of the same nature.

d. Income and social contribution taxes

These correspond to withholding income tax on financial investments and prepaid income and social contribution taxes realizable through offset against federal taxes and contributions payable.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

10. Transactions with related parties

a) Balances and operations with related parties

The main balances of assets and liabilities at December 31, 2009 and 2008, as well as transactions that affected net income for the year, related to transactions with related parties stem from transactions with the Company and its controlling company and subsidiaries, which were carried out under usual market conditions for these types of transactions as well as under specific conditions considering the volume of transactions and payment terms.

	Subsidiaries and related parties														Consolidated		
	Randon Veiculos Ltda.(e)	Master Sistemas Automotivos Ltda. (b) and (d)	Jost Brasil Sistemas Automotivos Ltda.(b)	Fras-le S.A.(b)	Suspensys Sistemas Automotivos Ltda. (b) and (d)	Randon Implementos para o Transporte Ltda.(b)	Castertech Fundação e tecnologia Ltda.(b)	Randon Argentina S.A.(b)	Randon Administradora de Consórcios Ltda.(b)	Randon Middle East(b)	Randon Automotive Ltda.(b)	DRAMD Particip. e Adm. Ltda. (a)	Ravimia Corretora de Seguros Ltda.(c)	Fras-le Argentina S.A. (b)	Other related parties (c)	2009	2008
Assets																	
Accounts receivable for sales	-	390	4,063	123	6,095	40,134	-	4,018	56	-	-	-	-	-	-	54,879	90,700
Advances to subsidiaries	-	-	2	-	-	-	-	-	-	-	-	-	-	-	-	2	-
Loans receivable	-	-	-	-	-	15	-	-	-	-	-	-	-	-	-	15	3,961
Liabilities																	
Accounts payable for purchases	-	58	126	-	1,415	7,977	-	-	-	-	-	-	-	-	-	9,576	239
Advances from subsidiaries	-	-	-	-	3	1	-	-	-	-	-	-	-	-	-	4	171
Loans payable	-	-	-	-	-	-	-	-	-	-	44,642	1,375	-	9,635	55,652	36,758	
Net income for the year																	
Sale of products and services	985	3,923	12,154	4,093	9,183	120,442	-	9,219	1,010	-	-	-	-	30	-	161,039	158,393
Purchase of products and services	-	9,743	32,750	38	136,060	13,258	-	-	-	251	1,358	-	-	-	-	193,458	236,607
Financial income	8	24	-	2	7	1	74	-	-	-	-	-	-	-	42	158	128
Financial expenses	1	1	2	1	-	2	-	-	-	-	3,889	125	-	878	4,899	4,583	
Average period for receipt in days for goods sold																	
Average period for receipt in days for goods sold	-	2	2	20	2	90	-	60	6	-	-	-	-	-	-	-	-
Average payment period in days for purchase of inputs																	
Average payment period in days for purchase of inputs	-	2	2	4	2	2	-	-	-	-	-	-	-	-	-	-	-

- (a) Ultimate parent company;
 (b) Subsidiaries controlled directly and indirectly by the Company
 (c) Other related parties – loans receivable and payable maintained together with the directors, managers, board members among other related parties.
 (d) The companies Controladas Master Sistemas Automotivos Ltda. and Suspensys Sistemas Automotivos Ltda. have transactions with their respective members Arvin Meritor do Brasil Sistemas Automotivos Ltda. and other companies of the group belonging to the entrepreneur Arvin Meritor. In 2009, sales transactions with companies of the Arvin Meritor group reached the amount of R\$38,865 (R\$71,512 at December 31, 2008) at Master Sistemas Automotivos Ltda., and R\$13,999 (R\$24,827 at December 31, 2008) at Suspensys Sistemas Automotivos Ltda. The commercial transactions carried out with these related parties follow the pricing policies and specific terms established in the partnership agreement between the parties. The commercial agreement takes into consideration the term, the volume and specifically the products acquired by the related parties that are not comparable to sales to unrelated parties.
 (e) Company organized on June 30, 2009 in accordance with Note 1.
 (f) On overdue commercial transactions the Company uses an interest rate based on the CDI that is the same reference rate for commercial transactions carried out with third parties. For commercial transactions that are not overdue do not incur interest.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

10. Transactions with related parties (Continued)

b) Nature, terms and transaction conditions

Sales with related parties refer to sale of products to supply the markets in which they are headquartered, and sales of production inputs. Purchase operations with related parties refer to supply of inputs and services used in the Company's production process.

Current account balances related to loan agreements between the Company, subsidiaries and other related parties have undetermined maturities and are restated on a pro-rata tempore basis by the DI-Extra rate, informed by National Association of Open Market Institutions (ANDIMA), without interest.

c) Remuneration of key management members

The amount of remuneration of key management members is stated below:

	<u>2009</u>	<u>2008</u>
Short-term benefits (salaries, wages, profit sharing and medical care expenses)	21,335	19,791
Post employment benefits – contributions to Randon - Previd	796	729
Net liability at the end of the year	<u>22,131</u>	<u>20,520</u>

The Company did not pay key management members any remuneration in other categories, namely: i) long-term benefits, ii) labor contract termination benefits and iii) share based remuneration.

d) Guarantees

At December 31, 2009 and 2008, the Company presented the following amounts in guarantees represented by guarantees, sureties, liens and mortgages given to related companies:

	<u>Type of guarantee</u>	<u>2009</u>	<u>2008</u>
Randon Veículos Ltda	Guarantees	-	162
Master Sistemas Automotivos Ltda	Guarantees and sureties	22,923	32,498
Jost Brasil Sistemas Automotivos Ltda	Guarantees	3,538	3,325
Fras-le S.A.	Guarantees and sureties	60,376	77,023
Randon Argentina S.A.	Sureties	21,250	9,348
Castertech Fundação e Tecnologia Ltda.	Guarantees	80,547	45,065
Suspensys Sistemas Automotivos Ltda.	Guarantees, sureties and liens	51,480	23,759
		<u>240,114</u>	<u>191,180</u>

Randon S.A. Implementos e Participações

Notas explicativas às demonstrações financeiras--Continuação
31 de dezembro de 2009 e 2008
(Em milhares de reais)

11. Investments

a) Balance breakdown

	Company		Consolidated	
	2009	2008	2009	2008
Investments in subsidiaries	469,256	431,373	-	-
Equity holdings of other companies in subsidiaries	-	-	42,831	37,172
Other investments	1,527	1,718	3,240	3,347
Provision for the devaluation of investments kept at cost	(884)	(822)	(1,514)	(1,466)
	469,899	432,269	44,557	39,053

b) Balance activity

	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 Fundação e Tecnologia Ltda	Randon Investimentos Ltda.	Randon Middle East	Randon Automotive Ltda.	Fras-le Argentina S.A.	Total
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
- Capital increase	-	-	-	-	15,998	3	-	-	9,871	-	-	-	-	25,872
- Capital payment	-	-	-	-	-	-	-	-	-	25,000	-	-	-	25,000
- Interest on equity capital received and dividends	(5,676)	(19,919)	(22,065)	(7,112)	-	(1,300)	(2,222)	-	-	-	-	-	(194)	(58,488)
- Accumulated translation adjustments	(1,262)	-	-	-	-	-	-	(2,295)	-	-	(66)	(8)	(78)	(3,709)
- Equity pickup	19,091	25,257	27,066	7,075	18,439	3,642	8,884	(4,978)	(10,858)	-	62	28	62	93,770
- Write-off from merger (Note 1)	-	-	-	-	-	(44,562)	-	-	-	-	-	-	-	(44,562)
Balances at December 31, 2009	106,102	36,968	96,140	19,048	85,353	-	38,713	2,237	59,185	25,000	256	54	200	469,256

Randon S.A. Implementos e Participações

Notas explicativas às demonstrações financeiras--Continuação
31 de dezembro de 2009 e 2008
(Em milhares de reais)

11. Investments (Continued)

c) Information on 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 para o Transporte Ltda.(b)	Randon Veículos Ltda.	Randon Administra dora de Consórcios Ltda.	Randon Argentin a S.A. (a)	Castertech Fundição e Tecnologia Ltda.	Randon Investime ntos Ltda	Randon Middle East	Randon Automo tive Ltda.	Fras-le Argentina S.A. (a)	Company	
														2009	2008
Capital	118,000	71,291	105,000	5,690	54,100	15,000	17,000	29,604	70,050	25,000	70	49	29,604		
Total number of units of interest or shares (in lots of 1,000)															
- Common	44,116	-	-	-	-	-	-	31,016	-	-	-	-	1,547		
- Preferred	24,137	-	-	-	-	-	-	-	-	-	-	-	-		
- Units of interest	-	100,000	105,000	5,690	54,100	15,000	17,000	-	70,050	25,100	-	210	-		
Ownership interest at year end %	45,22	22,88	51,00	51,00	99,99	100	99,57	99,99	99,99	99,99	100,00	100,00	6,00		
Adjusted shareholders' equity	235,069	164,065	188,788	38,563	85,380	37,455	38,881	2,237	59,190	25,000	256	53	3,328		
Net income (loss) for the year	43,896	52,329	53,132	14,079	18,439	3,635	8,823	(4,979)	(10,859)	-	62	27	1,049		
Accumulated translation adjustments	(1,262)	-	-	-	-	-	-	(2,295)	-	-	(66)	(8)	(78)	(3,709)	2,839
- Equity pickup	19,091	25,257	27,066	7,075	18,439	3,642	8,884	(4,978)	(10,858)	-	62	28	62	93,770	121,583
Investment value at December 31, 2009	106,102	36,968	96,140	19,048	85,353	-	38,713	2,237	59,185	25,000	256	54	200	469,256	431,373

(a) Information examined by other independent auditors;

(b) Excludes unrealized income in inventories: Fras-le S.A. (R\$ 196), Suspensys Sistemas Automotivos Ltda. (R\$ 570), Master Sistemas Automotivos Ltda. (R\$ 142), Jost Brasil Sistemas Automotivos Ltda. (R\$ 619) and Randon Implementos for Transporte Ltda. (R\$ 18).

d) Interest on equity capital and dividends received

Up to December 31, 2009, the Company received interest on equity capital from subsidiaries amounting to R\$ 16,407 (R\$ 15,659 at December 31, 2008). The Company received dividends from subsidiaries amounting to R\$ 42,081 in the year ended December 31, 2009 (R\$ 39,181 at December 31, 2008).

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

12. Property, plant, equipment and intangible assets

a) Balance breakdown

	Average annual rate of depreciation % a.a.	Company			Consolidated			2008 Net	
		2009			2009				
		Cost	Depreciation	Net	Net	Cost	Depreciation		Net
Tangible assets									
Buildings	2 to 4	133,734	(28,697)	105,037	41,914	294,487	(54,703)	239,784	115,654
Machinery and equipment	7.5 to 20	161,058	(50,134)	110,924	94,996	639,126	(306,007)	333,119	252,687
Molds	10 to 28.6	20,152	(7,904)	12,248	8,516	109,062	(57,047)	52,015	46,719
Furniture and fixtures	10 to 29	6,855	(3,970)	2,885	2,872	25,444	(14,373)	11,071	11,419
Vehicles	8 to 37	13,582	(7,985)	5,597	5,551	20,978	(12,076)	8,902	8,706
IT equipment	2 to 44	7,314	(4,923)	2,391	1,632	19,029	(13,920)	5,109	5,447
Land		30,038	-	30,038	30,291	52,815	-	52,815	52,625
Other		4,596	-	4,596	4,024	4,687	-	4,687	4,098
Construction in progress		22,411	-	22,411	91,641	58,236	-	58,236	212,335
Imports in transit		1,794	-	1,794	1,083	3,457	-	3,457	3,863
Advances to suppliers		260	-	260	2,341	1,057	-	1,057	13,021
		<u>401,794</u>	<u>(103,613)</u>	<u>298,181</u>	<u>284,861</u>	<u>1,228,378</u>	<u>(458,126)</u>	<u>770,252</u>	<u>726,574</u>
Intangible assets									
Trademarks and patents		202	-	202	202	220	-	220	220
Software and licenses	20	20,220	(7,337)	12,883	4,525	38,126	(18,445)	19,681	12,553
Substation energy use rights	10	-	-	-	-	11,396	-	11,396	-
		<u>20,422</u>	<u>(7,337)</u>	<u>13,085</u>	<u>4,727</u>	<u>49,742</u>	<u>(18,445)</u>	<u>31,297</u>	<u>12,773</u>
		<u>422,216</u>	<u>(110,950)</u>	<u>311,266</u>	<u>289,588</u>	<u>1,278,120</u>	<u>(476,571)</u>	<u>801,549</u>	<u>739,347</u>

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
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12. Property, plant, equipment and intangible assets (Continued)

b) Cost activity

Company

	2008		2009		
	Cost	Additions	Write-offs	Other	Cost
Tangible assets					
Buildings	67,651	2,788	(677)	63,972	133,734
Machinery and equipment	134,409	8,219	(215)	18,644	161,057
Molds	13,756	4,498	(455)	2,353	20,152
Furniture and fixtures	6,326	584	(66)	11	6,855
Vehicles	13,006	1,340	(852)	89	13,583
IT equipment	5,657	1,548	(7)	116	7,314
Land	30,291	102	(355)	-	30,038
Other	4,024	631	(59)	-	4,596
Construction in progress	91,640	13,361	(245)	(82,346)	22,410
Imports in transit	1,084	1,787	-	(1,076)	1,795
Advances to suppliers	2,340	125	-	(2,205)	260
	370,184	34,983	(2,931)	(442)	401,794
Intangible assets					
Trademarks and patents	202	-	-	-	202
Software and licenses	9,638	10,157	(17)	442	20,220
	9,840	10,157	(17)	442	20,422
	380,024	45,140	(2,948)	-	422,216

Consolidated

	2008		2009		
	Cost	Additions	Write-offs	Other	Cost
Tangible assets					
Buildings	166,618	4,785	(692)	123,776	294,487
Machinery and equipment	527,679	27,002	(2,014)	86,459	639,126
Molds	95,355	8,747	(866)	5,826	109,062
Furniture and fixtures	24,264	1,203	(208)	185	25,444
Vehicles	20,131	1,911	(1,325)	261	20,978
IT Equipment	17,902	1,598	(303)	(168)	19,029
Land	52,625	577	(355)	(32)	52,815
Construction in progress	212,335	39,500	(262)	(193,337)	58,236
Other	4,098	648	(59)	-	4,687
Imports in transit	3,863	11,888	-	(12,294)	3,457
Advances to suppliers	13,021	2,634	(5)	(14,593)	1,057
	1,137,891	100,493	(6,089)	(3,917)	1,228,378
Intangible assets					
Trademarks and patents	220	-	-	-	220
Software and licenses	26,701	11,389	(390)	426	38,126
Substation energy use rights	-	11,396	-	-	11,396
	26,921	22,785	(390)	426	49,742
	1,164,812	123,278	(6,479)	(3,491)	1,278,120

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

12. Property, plant, equipment and intangible assets (Continued)

b) Cost activity (Continued)

Consolidated construction in progress substantially corresponds to projects for expansion and optimization of industrial units. In the year ended December 31, 2009, interest incurred on loans was capitalized providing funding for these projects, amounting to R\$ 1,150 (R\$1,804 at December 31, 2008).

Fully depreciated financial assets in use at December 31, 2009, amount to R\$ 39,084 (R\$ 39,649 at December 31, 2008) and R\$ 229,207 (R\$ 229,110 at December 31, 2008) consolidated.

In 2009, as allowed by CPC 13 – First Time Adoption of Law No. 11638/07, the review of the useful lives of the Company's fixed assets was concluded. These started to be depreciated at new rates. The effect of this change, amounting to R\$ 4,265 (R\$12,335 consolidated) was recognized as from 2009.

In the year ended December 31, 2009, the Company did not identify evidence that the carrying amount of certain fixed and intangible assets could be in excess of their recoverable value, in accordance with CVM Rule No. 527, which approved CPC 01 – Impairment of Assets.

c) Intangible assets

The main intangible assets refer to software rights and licenses acquired from third parties, who are amortized over their estimated useful life of 5 years and substation energy use rights which are amortized over 10 years.

Substation energy use rights in consolidated financial statements represent the costs relating to the implementation of a connection point (electrical energy substation), constructed by the direct subsidiary, Castertech Fundação e Tecnologia Ltda. based on an agreement signed with CEEE-GT on November 29, 2009, resulting from the economic benefit from better operational performance of its industrial activities in the use of electrical energy. The asset is being amortized according to the recoverability of the investment estimated at 10 years.

In the Company's statements of income, expenses relating to research and development were recognized amounting to R\$ 15,381 for the Company (R\$ 15,414 in 2008) and R\$ 48,073 consolidated (R\$ 52,132 in 2008).

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2009 and 2008

(In thousands of reais)

13. Loans and financing

	Index	Interest	Company		Consolidated	
			2009	2008	2009	2008
Local currency:						
FINAME	URTJLP / TJLP	2.5% to 5.6% p.a.	-	28	495	1,575
Bank loans - FINEP	TJLP	2.5% to 3% p.a.	38,846	12,170	90,528	66,710
Bank loans	TJLP	0.5% to 2.5% p.a.	-	-	-	103
Lease agreements	CDI	0.1% to 0.2% p.m.	1,706	3,853	1,777	4,087
Tax incentive - Fundopem (*)	IPCA	3% to 4% p.a.	753	-	11,652	7,713
BNDES	URTJLP / TJLP	2.2% to 5.4 % p.a.	259,482	153,854	560,253	321,871
Foreign currency:						
Advances on foreign exchange contracts of export prepayments of US\$ 8,500 thousand Company, and US\$ 31,402 thousand consolidated	Exchange rate variation + Libor	2.65% to 6.15% p.a.	14,800	38,683	54,677	74,273
Financing of US\$ 27,742 thousand Company and US\$ 50,212 thousand consolidated	Exchange variation + Libor	0.75% to 6.17% p.a.	48,305	78,039	87,430	132,166
Working capital loan US\$ 12,264 thousand	Exchange variation	11.5% to 12.5% p.a.	-	-	21,354	7,723
BNDES	UMBNDDES / Exchange variation	2.5% to 4.5 % p.a.	7,798	13,857	41,799	38,526
			371,690	300,484	869,965	654,747
Portion to be amortized within short term classified in current liabilities			34,173	107,826	166,699	225,231
Non-current liabilities			337,517	192,658	703,266	429,516

(*) Refers to subsidized loan as mentioned in Note 23.

The portion classified in non-current liabilities has the following payment schedule:

Maturity:	Company	Consolidated	Company	Consolidated
	2009	2009	2008	2008
2010	-	-	32,488	108,076
2011	39,193	104,721	39,246	84,733
2012	208,674	393,044	33,200	73,829
2013	28,376	71,877	25,096	53,142
2014 to 2021	61,274	133,624	62,628	109,736
	337,517	703,266	192,658	429,516

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

13. Loans and financing (Continued)

Loans and financing are guaranteed by sureties/ guarantees to subsidiaries amounting to R\$ 240,114 (R\$ 191,179 in December 31, 2008) a mortgage amounting to R\$ 36,000 (R\$ 17,000 at December 31, 2008) Company and R\$ 49,432 (R\$ 59,111 at December 31, 2008) in consolidated; assets given as guarantee and liens amounting to R\$ 18,370 (R\$ 18,398 at December 31, 2008) Company and R\$ 65,779 (R\$ 137,661 at December 31, 2008) consolidated; promissory notes and a guarantee letter amounting to R\$ 14,946 (R\$ 36,375 at December 31, 2008) Company and R\$ 17,332 (R\$ 57,575 at December 31, 2008) consolidated.

Financing contracts with the International Finance Corporation (IFC), amounting to R\$ 151 Company and R\$ 1,418 consolidated classified as current liabilities, and R\$ 41,335 in the Company and R\$ 57,586 in consolidated classified under non-current assets at December 31, 2009, and contracts with the National Bank for Economic and Social Development - BNDES contain restrictive covenants that include, among other factors, partial or full advance maturity when certain financial ratios (current liquidity, long-term indebtedness and debt coverage) are not complied with.

The loan agreement by and between the parent company and the International Finance Corporation (IFC) at December 31, 2009 showed that the long-term indebtedness ratio was misaligned, however the Company obtained an IFC's formal declaration that no compensation set forth in the agreement will be required in connection with the non-compliance with that long-term ratio. Although the IFC has agreed therewith, the Company has been taking steps to reestablish the agreed-upon performance indicators.

13. Loans and financing (Continued)

In the Company, the "C" loan agreement signed with the IFC, whose final maturity would have been October 15, 2008, contains a guarantee clause giving the IFC the right to substitute the loan for preferred shares at any time, through exercise of the conversion option. The option was exercised by the IFC on November 7, 2008, whereby the Company delivered a number of preferred shares corresponding to the amount outstanding in the settlement date.

On August 10, 2009, the CVM approved the transfer of 462,519 preferred shares held in treasury, at a market price amounting to a total of R\$ 5,610, settling the "C" loan with the IFC.

14. Rights and obligations for consortia funds

Refers to outstanding receivables at Randon Administradora de Consórcio Ltda.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)

December 31, 2009 and 2008

(In thousands of reais)

owing to judicial collection derived from the closing of groups transferred to administrators as provided for in Central Bank of Brazil Circular No. 3,084 dated January 31, 2002. After conclusion of the judicial collection process these resources are allocated proportionally between the group's beneficiaries.

15. Special Tax Payment in Installments Program (PAES)

The subsidiary Fras-le S.A., started to participate in the special program for payment of federal and social security taxes in installments, according to Law No. 10684/02. The applications for tax payment in installments, filed on July 30, 2003, were scheduled to be settled in 120 months with monetary restatement by reference to the Long-term Interest Rate (TJLP) variation.

The amounts included in this program consider waiver of the injunction related to full offset of tax losses in 1996 as well as of all the processes for offsetting IPI, PIS and Cofins for 1998 using income and social contribution tax losses of 1995.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

15. Special Tax Payment in Installments Program (PAES) (Continued)

On November 17, 2009, the Company started to participate in a new tax payment in installments program provided for by Law No. 11941/09, through formal waiver of the special program and the option for payment on demand of the remaining debt balance with applicable reduction of penalty and arrears interest.

In view of this, at December 31, 2009, the balance activity related to the referred to program is as follows:

	<u>Federal taxes</u>
Total debts included in PAES, as approved by Brazilian IRS in 2003	16,954
(+) Monetary restatement through to 11/30/2009	5,562
(-) Total of payments made up to 11/30/2009	(20,045)
(-) Reduction according to Law No. 11941/2009	(2,471)
Debt balance at December 31, 2009	<u>-</u>

16. Provision for disputes

The Company and its subsidiaries are parties in judicial and administrative proceedings filed with several courts and government bodies, arisen in the normal course of operations, involving tax, labor, social security and civil issues, among other matters. The estimated loss has been provided for in non-current liabilities based on the opinion of the Company's legal advisors, for cases involving probable loss.

a) Contingent liabilities

The chart below sets out the contingent risks (losses) at December 31, 2009 based on the opinion of the Company's legal advisors:

Contingent liabilities	Company			Consolidated			Judicial Deposit	
	Probable	Possible	Remote	Probable	Possible	Remote	Company	Consolidated
a) civil	639	3,146	684	874	6,965	2,800	5	60
b) tax	-	12,953	38,275	4,870	27,423	204,772	361	6,199
c) labor	2,546	1,578	909	3,376	7,894	2,104	304	727
d) social security	2,916	3,589	-	3,628	6,881	221	931	2,675
Subtotal:	6,101	21,266	39,868	12,748	49,163	209,897	1,601	9,661
Judicial deposit	(800)	-	-	(1,648)	-	-	(800)	(1,648)
Total net	5,301	21,266	39,868	11,100	49,163	209,897	801	8,013

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

16. Provision for disputes (Continued)

a) Contingent liability

Civil – Represented by collection lawsuits regarding the obligation to pay trade union contributions based on Consolidation of Labor Laws (CLT) Article 578, in proceedings brought against the Company and others brought against subsidiaries, which have been incorporated by it.

Tax – Represented by federal tax assessments that are pending judgment either by administrative authorities or by the higher or supreme courts.

The Company and its subsidiaries present proceedings pending judgment for which, when there is a possible or remote chance of loss and in compliance with accounting practices adopted in Brazil no provision for contingencies has been recorded. Oppositions were filed against the tax assessments and the proceedings are pending judgment by the administrative authorities. The main proceedings involving possible and remote unfavorable outcomes are the following:

- (a) **COFINS** – The Company was served a tax delinquency notice by the Brazilian IRS at the restated amount of R\$ 11,267 for the offset of COFINS with FINSOCIAL. The tax credits have already been offset and the Company is seeking the judicial recognition of these offset amounts.
- (b) **Offset of income and social contribution tax losses** – The Company was served a tax delinquency notice by the Brazilian IRS at the restated amount of R\$ 8,930 for offset of income and social contribution taxes, based on income and social contribution tax losses on net income for 2002, computed due to a split-off in September 2002. Awaiting judgment of a voluntary appeal filed by the Company.
- (c) **Income and social contribution tax credits** – The subsidiary Fras-le S.A. was served a tax delinquency notice amounting to R\$ 9,052, by the Brazilian IRS referring to failure to include IPI credit on exports in gross revenue for purposes of determining net revenue.
- (d) **Income Tax, Social Contribution Tax and Withholding Income Tax** – The subsidiary Fras-le S.A. was served a tax delinquency notice at the restated amount of R\$ 113,017 and the subsidiary Master Sistemas Automotivos Ltda. to the value of R\$ 4,010, referring to payments regularly made to its foreign agents, as sale and service commissions. The other amounts continue being discussed at the administrative level.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

16. Provisions for disputes (Continued)

a) Contingent liabilities (Continued)

- (e) **Income and social contribution taxes** – The subsidiary Fras-le S.A. rectified its income tax returns for 1995 and 1996 due to the fact that it considered third party debts assumed upon the acquisition of controlling interest by Randon S.A. Implementos e Participações and installments carried under spending on external consulting as deductible. This was disallowed by the Brazilian IRS which adjusted taxable income and the social contribution tax base on taxable income. The restated amount of this process is R\$ 6,097.
- (f) **IPI, PIS, COFINS** – The Company rectified the income tax returns for 1995 and 1996 due to the fact it had considered third party debts assumed upon acquisition of controlling interest by Randon S.A. Implementos e Participações as deductible and filed an application for tax refund that was subject matter of tax offset against PIS, COFINS and IPI of subsequent periods, however the application for tax refund has been dismissed. The case involves the amount of R\$ 12,251.
- (g) **Import Duty** – The subsidiary, Fras-le S.A. received a tax notice due to alleged noncompliance with the ratio Domestic Capital Assets vs. Total Capital Assets and consequent infraction of article 2, item II of Law No. 9449/97 and article 6 of Decree No. 2072/96, amounting to R\$ 6,121. The subsidiary filed an appeal claiming that the penalty applied had been statute barred. In addition, mistakes of facts and law were alleged in relation to the tax assessment and, as such, full cancellation of the tax notice has been applied for.
- (h) **IPI** – The subsidiary, Fras-le S.A. the Company received a tax delinquency notice due to lack of or insufficient IPI payment in the period from January 1997 to September 1997, for the restated amount of R\$ 3,956. The Company filed an opposition alleging that the tax notice is null and void due to existence of a specific application for tax offset.
- (i) **State VAT (ICMS)** – The subsidiary, Suspensys Sistemas Automotivos Ltda. was served a tax delinquency notice amounting to a total of R\$ 7,801, due to alleged irregularities in determining the reduction of ICMS benefit through the program FUNDOPEM/Nosso Emprego. The amount included the principal, penalties and interest. On January 24, 2007, as a result of an appeal filed by the Company the tax debt was recalculated by the tax authorities. The amount of the suit was reduced in 2008 due to the annulment action made by the Company, at the new amount of R\$ 2,277 including penalties and interest.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

16. Provision for disputes (Continued)

a) Contingent liabilities (Continued)

- (j) **IPI matching credit** – Refers to tax delinquency notices issued by the Brazilian IRS served to the subsidiary, Master Sistemas Automotivos Ltda, amounting to a total of R\$ 1,399, through which tax authorities rejected the request for refund of matching credit made by the Company and demanded payment of the corresponding tax. The amount includes the principal, penalty and interest.
- (k) **ICMS matching credit on steel purchases** – refers to tax delinquency notices served by the State of Rio Grande do Sul Finance Department to the subsidiary, Master Sistemas Automotivos Ltda, amounting to a total of R\$ 6,328, in which tax authorities found award of tax benefit higher than permitted by legislation. The amount includes the principal, penalty and interest.
- (l) The Company received several assessment notices from the Brazilian IRS, due to non-approval of offset of tax credits stemming from income tax and social contribution tax losses and of third parties that totaled approximately R\$ 10,867. These proceedings await judgment on the irregularities presented.

Labor – several labor proceedings mostly involving indemnification claims;

Social security – INSS assessments pending judgment at the Federal Regional Court (TRF). Some of these proceedings relate to employee profit sharing that are underway and assessed as possible loss, whose restated amount to the Company is R\$ 3,589, R\$ 1,834 relating to the subsidiary, Fras-le S.A. and R\$ 516 relating to the subsidiary, Master Sistemas Automotivos Ltda.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

16. Provision for disputes (Continued)

b) Contingent assets

Information on contingent assets (gains) at December 31, 2009, based on the opinion of the Company's legal advisors is set out below:

Contingent Assets	Company			Consolidated		
	Probable	Possible	Remote	Probable	Possible	Remote
a) civil	3,189	4,196	736	3,189	4,196	736
b) social security	150	-	105	150	-	105
c) tax	1,977	6,658	229	1,977	8,717	1,265
Total	5,316	10,854	1,070	5,316	12,913	2,106

- (a) **Civil** – represent tax credit recovery proceedings (collection) that already have provision for accounting losses, however the proceedings are still underway in court. Should the Company be successful its provision will be reversed.
- (b) **Tax** – basically represent federal proceedings pending judgment by Higher and Supreme Court. The Company did not record contingent gains stemming from tax proceedings that rely on accounting information, such as for example, the recovery of tax credits as it only enters these in accounts if successful in the case on merit of these proceedings.
- (c) **Social security** – refer to proceedings in which the Company and its subsidiaries seek to reduce the rates of work accident insurance, due to accident risk parameters issued by the government as well as proceedings that seek dispensation for the Company over the increase in the rate of social contribution for INSS from 15% to 20%.

The Company has not recorded contingent gains since it only records them upon handing down of a final unappealable ruling or effective funds inflow.

c) Changes in provisions for disputes

	Balances at 12/31/2008			Balances at 12/31/2009
		Additions	Exclusions	
Civil	1,283	51	(460)	874
Labor	2,341	1,266	(231)	3,376
Tax	2,503	4,630	(2,263)	4,870
Social security	6,588	149	(3,109)	3,628
TOTAL	12,715	6,096	(6,063)	12,748

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
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17. Private pension and post-employment benefit plan

The Company and its subsidiaries are sponsors of RANDONPREV – Private Pension Plan, the primary purpose of which is to supplement the assured benefits social security provides to its employees. The supplementary plan is a fully-funded defined contribution retirement plan offered to employees.

Based on the independent actuary's report, the position of the plan's actuarial liabilities at year end is as follows:

	2009		2008	
	Company	Consolidated	Company	Consolidated
Actuarial liabilities				
Present value of actuarial liabilities	-	(2,509)	(10,231)	(14,094)
Fair value of plan's assets	-	4,764	11,509	15,854
Unrecognized actuarial (losses)	-	(2,280)	(1,403)	(2,146)
Net liabilities per balance sheet	-	(25)	(125)	(386)
Actuarial gains (losses) are broken down as follows:				
Past service cost	-	(231)	(276)	(485)
Interest on actuarial liabilities	-	(318)	(827)	(1,149)
Expected return on plan assets	-	466	1,388	1,935
Net actuarial gains recognized for the year	-	18	142	215
Total	-	(65)	427	516

Change in net liabilities recognized in the balance sheet can be set out as follows:

	2009		2008	
	Company	Consolidated	Company	Consolidated
Net liabilities at beginning of year	(125)	(386)	(904)	(1,504)
Reversal of provision	125	213	-	-
Net expense charged to income statement				
/shareholders' equity	-	-	-	-
Contributions paid	-	(65)	427	516
Net liabilities at beginning of year	-	213	352	602
Net liabilities at end of year	-	(25)	(125)	(386)

At December 31, 2009 the Company and its subsidiaries did not recognize actuarial assets worth R\$ 147 in the parent company and R\$ 432 (R\$ 200 in 2008) in the consolidated, according to the actuarial valuation. Pursuant the Brazilian SEC (CVM) Resolution N° 371, which approved IBRACON Accounting Standards and Procedures (NPC) N° 26, sets forth in item 49.g, that an actuarial asset shall be recorded by the sponsor only when clearly evidenced that such asset can actually reduce the sponsor's contributions or even be reimbursable in the future.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

17. Private pension and post-employment benefit plan (Continued)

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

	<u>%</u>
Discount rate at December 31, 2009	10.76 p.a.
Expected return rate on plan assets at December 31	11.22 p.a.
Future salary increases	7.12 p.a.
Future benefit increases	4 p.a.

The fair value of the plan assets was calculated based on observable market parameters at year end or, when applicable, on a forecast of future benefits derived from use of the assets, discounted to present value.

Actuarial liabilities at year end were determined based on the independent actuary's calculations using the projected unit credit method.

18. Income and social contribution taxes

In conformity with Law No. 11941/09 (formerly Provisional Executive Order No. 449/08), the Company and its subsidiaries elected to adopt the Transition Tax Regime (RTT) to determine income and social contribution taxes for the year ended December 31, 2009.

a) Deferred taxes

Deferred income and social contribution taxes are recorded to reflect future tax effects attributable to temporary differences between the tax base of assets and liabilities and the corresponding carrying amount.

Tax credit recovery estimates calculated on income and social contribution tax losses of prior years were based on projections of taxable profits taking into consideration several financial and business assumptions at year end, approved by the Board of Directors. Consequently, estimates may not materialize in the future due to the uncertainties inherent to these forecasts. Management considers that realization of deferred taxes resulting from temporary differences in the years mentioned below is subject to the final result of projected accounting estimates.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
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18. Income and social contribution taxes (Continued)

a) Deferred taxes (Continued)

Deferred income and social contribution taxes originate as follows:

	Company		Consolidated	
	2009	2008	2009	2008
Current assets				
Tax loss carry forwards	-	-	2,013	1,422
Provision for commission and freight	2,971	2,041	3,813	2,658
Allowance for doubtful accounts	4,221	2,452	4,963	3,475
Provision for guarantees	2,578	4,315	3,487	5,654
Provision for goods to be delivered	2,904	-	5,184	-
Provision for obsolete inventories	792	331	1,303	1,805
Derivative operations	-	1,937	-	9,268
Provision for profit sharing	2,561	4,204	7,946	8,666
Adjustments for Law No. 11638/07 and No. 11941/09	278	-	966	993
Sundry provisions and other	1,009	1,205	3,153	8,515
	17,314	16,485	32,828	42,456
Non-current assets				
Tax loss carry forwards	-	-	3,866	-
Social contribution tax losses	-	-	1,392	-
Provision for disputes	2,074	2,632	4,210	4,359
Provision for pension plan	-	42	8	100
Sundry provisions and other	-	-	2,789	1,097
	2,074	2,674	12,265	5,556
Current liabilities				
Adjustments for Laws No. 11638/07 and No. 11941/09	-	183	-	683
Other operations	-	-	243	2,354
Revaluation reserve	34	115	34	115
	34	298	277	3,152
Non-current liabilities				
Accelerated incentive depreciation	843	-	2,780	13
Adjustments for Laws No. 11638/07 and 11941/09	828	-	828	-
Revaluation reserve	773	726	773	726
	2,444	726	4,381	739
Total deferred taxes, net	16,910	18,135	40,435	44,121

Based on the technical analysis of projected taxable profits computed in accordance with CVM Rule No. 371, the Company expects to recover tax credits in the following years:

Year:	Company	Consolidated
	2009	2009
2010	17,280	32,551
2011	(370)	7,884
	16,910	40,435

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18. Income and social contribution taxes (Continued)

b) Reconciliation of tax expenses

Reconciliation of tax expense calculated applying the combined tax rates and income and social contribution tax expense recorded in the statement of income is set out below:

	Company		Consolidated	
	2009	2008	2009	2008
Book income before income and social contribution taxes	153,901	273,646	279,644	419,846
Combined tax rate	34%	34%	34%	34%
Income and social contribution taxes at combined tax rate	52,326	93,040	95,079	142,748
Permanent additions Nondeductible expenses	536	602	1,808	2,052
Permanent exclusions:				
Equity pickup	(31,882)	(41,338)	-	-
Interest on equity capital	(5,333)	(7,731)	(15,618)	(17,615)
Deductions	(3,820)	(5,983)	(19,149)	(21,710)
Other items:				
Effect of rate differences				
Abroad	-	-	-	252
Other	(53)	49	978	3,042
Income and social contribution taxes recorded in the statements of income for the year	11,774	38,639	63,098	108,769
Effective rate	7.7%	14.1%	22.6%	25.9%

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Notes to financial statements (Continued)
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19. Lease agreements

a) Financial lease agreements

The Company and its subsidiaries have assets acquired through financial lease agreements. The agreements contain purchase option clauses as well as monthly installment readjustment and maturity date as detailed below:

Company	Remaining period in months	Charges	Balance of contracted amounts		Purchase option/ net book value	
			2009	2008	2009	2008
Assets						
IT equipment	6 months	CDI + 0.13% p.m.	22	61	1	1
Machinery and equipment	3 to 20 months	CDI + 0% to 0.21% p.m.	1,561	3,440	59	68
Vehicles	1 to 8 months	CDI + 0% to 0.13% p.m.	99	352	8	8
			1,682	3,853	68	77
Consolidated						
Assets						
IT equipment	6 months	CDI + 0.13% p.m.	22	61	1	1
Machinery and equipment	3 to 20 months	CDI + 0% to 0.21% p.m. or 1.5% p.a.	1,601	3,441	60	71
Vehicles	1 to 8 months	CDI + 0% to 0.16% p.m. or 4.91% p.a.	140	585	14	15
			1,763	4,087	75	87

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

The net book value obtained through financial lease agreements at December 31, 2009 are stated as follows:

	Company	Consolidated
	2009	2009
Installations	407	407
Machinery	2,371	2,448
Vehicles	1,340	1,442
IT equipment	24	27
Total	4,142	4,324

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Notes to financial statements (Continued)
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19. Financial lease--Continued

a) Financial lease agreements (Continued)

During the year ended December 31, 2009, the Company recognized as expenses in the statements of income referring to financial lease agreements amounting to R\$ 326 (R\$ 845 in consolidated) relating to financial expenses and R\$ 483 (R\$ 575 in consolidated) relating to depreciation expenses.

The breakdown of future minimum payments is as follows:

	<u>Present value of minimum payments 2009</u> Company	<u>Present value of minimum payments 2009</u> Consolidated
Up to one year	1,553	1,617
From one to five years	129	146

b) Operating lease agreements

The future minimum payments of non-cancellable operating lease agreements are broken down as follows:

	<u>Present value of minimum payments 2009</u>
Up to one year	1,268
From one to five years	1,572

The Company (Company and consolidated) has assets with operating lease agreements. The contracts have terms between 3 to 5 years, beginning in 2008, with purchase option clauses at market value at the end of contracts and monthly installment readjustment thorough application of the CDI plus interest varying between 0% to 0.17% p.m.

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Notes to financial statements (Continued)
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20. Shareholder's equity (Company)

a) Capital

Authorized capital in accordance with the Company's Charter, is 270,000,000 shares, consisting of 90,000,000 common of 180,000,000 preferred shares. At December 31, 2009 and 2008, fully subscribed and paid-in capital is divided into 162,523,635 registered shares, of which 54,592,196 are common shares and 107,931,439 preferred shares, without par value.

In the Ordinary and Extraordinary Shareholders Meeting held on April 8, 2009, a capital increase in the Company of R\$ 6,000 was approved increasing the Company's capital from R\$ 400,000 to R\$ 406,000 through utilization of the investment income and working capital reserve without the issue of new shares.

b) Reserves

Legal reserve

The legal reserve is set up at the rate of 5% of net income computed each financial year under the terms of article 193 of Law No. 6404/76 up to a limit of 20% of capital.

Revaluation reserve

The reserve was set up as a result of the revaluation of the Company's fixed assets, in order to pay in capital to subsidiaries, Master Sistemas Automotivos Ltda., on September 29, 2006, and Castertech Tecnologia e Fundação Ltda., on September 1, 2006, based on appraisal reports prepared by a specialist company.

The deferred income and social contribution taxes corresponding to the revaluation reserve for buildings are classified under current and non-current assets.

The revaluation reserve is being realized in proportion to the restated depreciation of buildings recorded by the subsidiary against accumulated earnings, net of taxes. The same effect of the realization of the revaluation reserve is reflected in the statements of income for the year through depreciation of the revalued assets.

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Notes to financial statements (Continued)
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20. Shareholders' equity (Company) (Continued)

b) Reserves (Continued)

Revaluation reserve (Continued)

At December 31, 2009 the Company's revaluation reserve is composed as follows:

Revaluation reserve for land	7,029
Revaluation reserve for buildings	1,703
(-) Realization of revaluation reserve for buildings	(228)
(-) Deferred income and social contribution taxes	(502)
Total revaluation reserve	<u>8,002</u>

The realization of the revaluation reserve is included in the dividends calculation base for the year ended December 31, 2009.

Investment and working capital reserve

The reserve is intended to safeguard investment in property, plant and equipment and working capital growth, including through the amortization of the Company's debts and the financing of subsidiaries and associated companies. It is set up with the adjusted net income balance after deduction of the compulsory dividend with a maximum limit that cannot exceed, when added to the legal reserve, the value of the capital.

Due to the allocation of net income calculated in 2009 under the terms of the Law and the Company's Charter, the income reserve balance exceeded capital. Accordingly, in accordance with article 199 of Law No. 6404/76 the application of the excess on the capital increase will be proposed to the shareholders in the General Annual Meeting.

Income reserve (statutory)

The general income reserve, with a balance remaining after the allocation mentioned above, safeguards working capital and cannot exceed 80% of capital.

Due to the allocation of net income calculated in 2009, under the terms of the law and the Company's Charter, the income reserve balance exceeded the amount of capital established in the Company's charter. Accordingly, application of the capital increase excess presented in the year ended December 31, 2009, will be proposed to the shareholders in the General Annual Meeting.

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Notes to financial statements (Continued)
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20. Shareholders' equity (Company) (Continued)

b) Reserves (Continued)

Treasury shares

On July 26, 2006 and on April 26, 2007, the Board of Directors considering the provision in line "p" of article 21 of the Company Charter met the requirements of paragraphs 1 and 2 of article 30 of Law No. 6404/76, as well as CVM Instruction No. 10/80 and its amendments and authorized acquisition by the Company of 1,000,000 and 1,300,000 preferred own issue shares, respectively, to be maintained in treasury for later sale or cancellation with no reduction in own capital.

The transaction was intended to take advantage of this investment opportunity for the Company, considering the quotation price of preferred shares on the stock exchange. The acquisitions were made with cash provided by the income reserve presented in the last balance approved in the General Shareholders' Meeting held on April 13, 2007. A quantity of 2,300,000 preferred shares were acquired during the period from August 11, 2006 to July 3, 2007, at the price quoted on the stock market, at an average weighted cost of R\$ 12.01 per share, with a maximum cost of R\$ 17.68 and a minimum cost of R\$ 6.38.

On August 31, 2009, the Company's Board of Directors authorized the transfer of 462,519 preferred shares kept in treasury to the IFC, at the price quoted on the stock exchange of R\$ 12.15 per share, leaving 1,837,481 preferred shares in treasury.

The market value of the treasury shares based on the last stock market price quotation at December 31, 2009 is R\$ 28,628.

c) Dividends

In accordance with the Company's Charter, common and preferred shares are entitled to a minimum dividend of 30% of adjusted income. Preferred shares hold all rights attributed to common shares under all conditions, but have priority in the reimbursement of capital, without premium, proportionate to their participation in the Company's capital in the event of possible closure of the Company and the right to be included in the public offering of divestiture of control under the terms of article 254-A of Law No. 6404/76, with new wording added by Law No. 10303/01.

The dividends were calculated as follows:

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Notes to financial statements (Continued)
December 31, 2009 and 2008
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20. Shareholders' equity (Company) (Continued)

c) Dividends (Continued)

Net income for the year	138,126
(+) Realization of revaluation reserve	45
(-) Legal reserve	(6,906)
Dividends calculation base	<u>131,265</u>
Minimum obligatory dividends 30%	39,379
(-) Interest on equity capital already paid and credited	(32,091)
Withholding tax	<u>4,814</u>
Net value credited	<u>12,102</u>

The value of interest on equity capital includes the proposed distribution of dividends to be submitted to the General Shareholders Meeting, in accordance with item V of CVM Rule No. 207/96.

d) Interest on equity capital Law No. 9249/95

In accordance with the guideline provided for in Law No. 9249/95, the Company calculated and paid interest on equity capital based on the Long Term Interest Rate (TJLP) in force during the year, amounting to R\$ 32,091 (R\$ 38,398 in 2008) which were recorded under financial expenses in accordance with tax legislation. For the purposes of financial statements this interest was eliminated from financial expenses for the year and is being presented in the retained earnings account.

Income and social contribution taxes for the year were reduced by R\$ 10,911 (R\$ 13,055 in 2008) due to the deduction from these taxes of interest on equity capital credited to shareholders.

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Notes to financial statements (Continued)
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21. Financial income

	Company		Consolidated	
	2009	2008	2009	2008
Financial income:				
Foreign exchange variation	47,168	54,076	83,589	111,567
Interest on earnings from short-term investments	12,423	14,111	37,732	38,345
Earnings from swap operations	-	897	-	897
Gains from derivative transactions	3,200	9,550	21,829	16,264
Earnings with loan agreements	158	128	38	8
Adjustment to present value	12,057	13,352	27,399	36,890
Other financial income	5,465	5,882	13,531	14,062
	80,471	97,996	184,118	218,033
Financial expenses:				
Foreign exchange variation	(33,087)	(72,504)	(66,760)	(135,750)
Interest on borrowings	(18,503)	(20,160)	(43,480)	(37,723)
Expenses with swap operations	-	(1,194)	-	(1,194)
Losses with derivative transactions	(563)	(15,499)	(3,856)	(44,777)
Expenses with loan agreements	(4,899)	(4,583)	(4,948)	(4,066)
Adjustment to present value	(2,642)	(4,393)	(7,373)	(13,300)
Other financial expenses	(12,015)	(7,190)	(21,689)	(16,622)
	(71,709)	(125,523)	(148,106)	(253,432)
Financial income (expenses)	8,762	(27,527)	36,012	(35,399)

22. Financial instruments

The Company and its subsidiaries carry out operations with financial instruments. Management of these instruments is performed through operating strategies and internal controls intended to ensure liquidity, profitability and security.

The contracting of financial instruments for hedging purposes is achieved through frequent analysis of the exposure to the risk that management intends to cover.

For foreign exchange risk the Company holds the Exchange Rate Protection Policy drawn up by the Finance and Planning Committee and expedited by the Company's executive board and the controlling company. The objective of the policy is to standardize procedures between the Company and its subsidiaries define responsibilities and foreign exchange hedge transaction limits, reducing the foreign exchange effects on the flow of foreign exchange projected in cash flow. The Company and its subsidiaries do not make investments of a speculative nature in derivatives or any other risk asset. The gains and losses obtained in these transactions are conducive with the policies and strategies defined by the Company's management.

It is set up based on foreign exchange cash flows projected on a monthly basis, always for the subsequent twelve month period, based on projections of the Strategic Plan or based on the updated expectations of each company. The instruments used are conservative and previously approved by that same committee. For transactions contracted during the year the instruments were mainly represented by Non Deliverable Forward (NDF) contracts. The average rate to be applied must be equal or more than that projected in the companies' annual business (budget) plan. All transactions are controlled by the Finance Director of the controlling company and related to the executive committee.

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22. Financial instruments (Continued)

All financial instrument transactions are recognized in the Company's financial statements as stated in the table below:

	Note	Company				Company			
		2009				2008			
		Fair value through profit and loss	Available for sale	Amortized cost	Total	Fair value through profit and loss	Available for sale	Amortized cost	Total
Assets									
Short-term investments	6	-	68,513	-	68,513	-	-	-	-
Customers	7	-	-	232,389	232,389	-	-	242,479	242,479
Loans receivable	10	-	-	15	15	-	-	3,961	3,961
Consortium quota		-	-	12,529	12,529	-	-	12,424	12,424
Liabilities									
Loans and financing in local currency	13	-	-	(300,787)	(300,787)	-	-	(169,905)	(169,905)
Loans and financing in foreign currency	13	-	-	(70,903)	(70,903)	-	-	(130,579)	(130,579)
Loans payable	10	-	-	(55,652)	(55,652)	-	-	(36,758)	(36,758)
Derivative financial instruments		-	-	-	-	(5,811)	-	-	(5,811)
Total		-	68,513	(182,409)	(113,896)	(5,811)	-	(78,378)	(84,189)

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Notes to financial statements (Continued)
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22. Financial instruments (Continued)

	Note	Consolidated				Consolidated			
		2009				2008			
		Fair value through profit and loss	Available for sale	Amortized cost	Total	Fair value through profit and loss	Available for sale	Amortized cost	Total
Assets									
Short-term investments	6	-	68,513	-	68,513	-	32,222	-	32,222
Trade accounts receivable	7	-	-	418,509	418,509	-	-	420,675	420,675
Consortium for resale		-	-	24,656	24,656	-	-	25,812	25,812
Derivative financial instruments		-	-	-	-	320	-	-	320
Liabilities									
Loans and financing in local currency	13	-	-	(664,705)	(664,705)	-	-	(402,059)	(402,059)
Loans and financing in foreign currency	13	-	-	(205,260)	(205,260)	-	-	(252,688)	(252,688)
Loans payable		-	-	(62,097)	(62,097)	-	-	(45,174)	(45,174)
Derivative financial instruments		(43)	-	-	(43)	(27,372)	-	-	(27,372)
Total		(43)	68,513	(488,897)	(420,427)	(27,052)	32,222	(253,434)	(248,264)

Financial risk management

The Company and its subsidiaries are exposed to risk stemming from the use of their financial instruments as stated below:

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Notes to financial statements (Continued)
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22. Financial instruments (Continued)

Credit risk

Credit risk stems from the possibility that the Company and its subsidiaries suffer losses owing to default of their counterparties or depository financial institutions supplying funding or investments. To mitigate these risks the Company and its subsidiaries adopt as a practice the analysis of counterparty financial positions and equity as well as the definition of credit limits and ongoing monitoring of outstanding accounts. Regarding financial institutions the Company and its subsidiaries only carry out transactions with those assessed as low risk by credit rating agencies. For trade accounts receivable from sales the Company and its subsidiaries also hold an allowance for doubtful accounts as mentioned in Note 7.

Price risk of goods sold or produced or of acquired inputs

Price risk stems from the possibility of fluctuation in the prices of goods sold or produced by the Company or in other inputs used in the production process. These price fluctuations may provoke substantial changes in revenues and in the Company's costs and those of its subsidiaries. To mitigate these risks the Company and its subsidiaries continually monitor local and international markets seeking to anticipate any movement in prices.

Interest rate risk

Interest rate risk stems from the possibility that the Company and its subsidiaries make gains or suffer losses due to the interest rates applied on their 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 fixed and floating rates and in certain circumstances hedge transactions are carried out to lock in the financial cost of transactions.

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Notes to financial statements (Continued)
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22. Financial instruments (Continued)

Exchange rate risk

Exchange rate risk stems from the possibility that fluctuations in foreign exchange rates used by the Company in the acquisition of inputs, the sale of products and the contracting of financial instruments, mainly in the US Dollar that ended 2009 down by 25.5% (up 32.0% in 2008). In addition to amounts payable and receivable in foreign currency the Company has investments in subsidiaries abroad and makes purchases and sales in other currencies. The Company and its subsidiaries continually assess the utilization of hedges to mitigate these risks.

The foreign exchange exposure of transactions in foreign currencies for the Company and its subsidiaries is stated below:

	US\$ mil	
	2009	2008
A. Loans/ financing in the US Dollar		
Company	40,721	55,875
Consolidated	117,884	108,125
B. Net assets in US Dollars		
Company	45,973	48,323
Consolidated	76,519	86,190
C. Fair value of derivative financial instruments		
Company	-	2,487
Consolidated	25	11,576
D. Surplus (deficit) calculated (A-B+C)		
Company	5,252	(10,039)
Consolidated	(41,390)	(33,511)

Capital structure risk (or financial risk)

This risk stems from the option between use of own capital (capital contribution and retained earnings) and third-party capital that the Company and its subsidiaries use to finance their operations. To mitigate the liquidity risk and optimize the average weighted cost of capital the Company and its subsidiaries continually monitor indebtedness levels in accordance with market standards and in compliance with indices (covenants) provided for in loans and financing agreements.

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Notes to financial statements (Continued)
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22. Financial instruments (Continued)

Derivate financial instruments

The Company and its subsidiaries have a policy to carry out transactions with derivative financial instruments in order to mitigate or to eliminate risks inherent in its transactions as described in the item above.

The management of the Company and its subsidiaries continuously monitor contracted derivative financial instruments through their internal controls.

Currently the derivative financial instruments contracted by the Company are due to its exposure to foreign exchange risk and are all registered with the Clearing House for the Custody and Financial Settlement of Securities (CETIP).

The Company contracts derivative operations to protect approximately 7% of its estimated exposure in foreign currency stemming from the creditor balance denominated in a foreign currency. The Company and its subsidiaries use forward contracts to hedge its exchange rate risk (foreign exchange risk) the majority of which mature within one year of the balance sheet date.

The following derivative instruments are used or were used by the Company during 2009:

NDF - Non Deliverable Forward

For these operations the Company and its subsidiaries have duties and obligations based on the quotation previously contracted at the moment of its maturity. The net income from these transactions is recorded on an accrual 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 in accordance with the contract.

In these operations the Company guaranteed a minimum value for the settlement of its future exports corresponding to the US Dollar exchange rate that varies in accordance with maturity and will only represent an obligation if the US Dollar rate is above the second exchange rate position which has a rate higher than the first, which also varies by maturity date. The intermediary US Dollar exchange rate between these positions does not generate obligations or rights for either party.

There were no transactions of this nature outstanding at 12/31/2009.

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Notes to financial statements (Continued)
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22. Financial instruments (Continued)

Derivative financial instruments (Continued)

Foreign exchange swap

This operation involves the exchange of indices on a notional amount, whereby the Company in the asset position receives the foreign exchange variation between the start of the contract and the maturity date, paying on the liability position the CDI variation less the prefixed discount for each maturity. This type of operation is contracted to hedge against foreign exchange variations in some loans in foreign currency. The asset and liability rates are summarized below.

There were no operations of this nature outstanding at 12/31/2009.

Fair value of derivative financial instruments

Fair value was estimated at the financial statement date based on "significant market information". Changes in assumptions and alterations in financial market transactions may significantly affect the estimates presented. The methods and assumptions adopted by the Company to estimate the disclosure of the fair value of its derivatives at December 31, 2009 and 2008 are stated below:

Fair value is generally based on market price quotations or the market price quotations of financial assets and liabilities with similar characteristics. If these are prices are unavailable, fair value is based on market dealer quotations, discounted, pricing models discounted cash flow or other similar techniques for which the determination of fair value may require judgment or significant estimate by management. For derivative financial instruments market price quotations are used to determine the fair value of these instruments. The fair value of swaps is determined utilizing discounted cash flow modeling techniques that use yield curves reflecting adequate risk factors. Information to build yield curves is obtained mainly from Brazil's Futures and Commodities Exchange (BM&F) and on the secondary markets both in Brazil and abroad. These yield curves are used to determine the fair value of currency, interest rate swaps, as well as swap operations for other risk factors. The fair value of contract terms and futures is also determined based on market price quotations for derivatives traded on the stock exchange or methodologies similar to those as described for swaps.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
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22. Financial instruments (Continued)

Non Deliverable Forward (NDF) operations: fair value is generally based on market price quotations or the market price quotations of financial assets and liabilities with similar characteristics. If these are prices are unavailable, fair value is based on market dealer quotations, discounted, pricing models discounted cash flow or other similar techniques for which the determination of fair value may require judgment or significant estimate by management. The fair value of contracts and futures is also determined based on market price quotations for derivatives traded on the stock exchange or methodologies similar to those described for swaps. These contracts do not provide intermediary payments before the maturity date. The Company does not intend to settle these liabilities before they mature.

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Notes to financial statements (Continued)
December 31, 2009 and 2008
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22. Financial instruments (Continued)

Fair value of derivative financial instruments (Continued)

At December 31, 2009 and December 31, 2008, the outstanding nominal value exposed to fluctuation in the US Dollar as well as respective fair values are stated as follows:

Company:

Description / Counterparty	Reference value Notional – in thousands of US\$		Reference value Notional – in thousands of R\$		Fair value – in thousands of R\$ - (credit) / debit		Cost – in thousands of R\$ - (credit) / debit		Accumulated effect in 2009 – in thousands of R\$ (credit) / debit		Accumulated effect in 2008 – in thousands of R\$ (credit) / debit	
	2009	2008	2009	2008	2009	2008	2009	2008	Amount received	Amount paid	Amount received	Amount paid
Zero Cost Collar	-	-	-	-	-	-	-	-	-	-	7,258	(5,038)
Banco Santander	-	-	-	-	-	-	-	-	-	-	4,886	(1,671)
Banco Itaú BBA	-	-	-	-	-	-	-	-	-	-	2,372	-
Unibanco	-	-	-	-	-	-	-	-	-	-	-	(480)
Banco do Brasil	-	-	-	-	-	-	-	-	-	-	-	(2,887)
NDF	-	9,300	-	14,988	-	(5,811)	-	(5,811)	87	(3,278)	1,285	-
Banco Santander	-	9,300	-	14,988	-	(5,811)	-	(5,811)	87	(3,278)	239	-
Unibanco	-	-	-	-	-	-	-	-	-	-	421	-
Banco do Brasil	-	-	-	-	-	-	-	-	-	-	578	-
HSBC	-	-	-	-	-	-	-	-	-	-	47	-
SWAP	-	-	-	-	-	-	-	-	-	-	-	(10,132)
Banco Itaú BBA	-	-	-	-	-	-	-	-	-	-	-	(10,132)
Total	-	9,300	-	14,988	-	(5,811)	-	(5,811)	87	(3,278)	8,543	(15,170)

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Notes to financial statements (Continued)
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22. Financial instruments (Continued)

Fair value of derivative financial instruments (Continued)

Consolidated:

Description / Counterparty	Reference value Notional – in thousands US\$		Reference value Notional – in thousands of R\$		Fair value – in thousands of R\$ - (credit) / debit		Cost – in thousands of R\$ - (credit) / debit		Accumulated effect in 2009 – in thousands of R\$ (credit) / debit		Accumulated effect in 2008 – in thousands of R\$ (credit) / debit	
	2009	2008	2009	2008	2009	2008	2009	2008	Amount received	Amount paid	Amount received	Amount paid
Zero Cost Collar	-	-	-	-	-	-	-	-	-	-	16,038	(8,447)
Banco Santander	-	-	-	-	-	-	-	-	-	-	8,067	(5,080)
Banco Itaú BBA	-	-	-	-	-	-	-	-	-	-	2,372	-
Unibanco	-	-	-	-	-	-	-	-	-	-	5,599	(480)
Banco do Brasil	-	-	-	-	-	-	-	-	-	-	-	(2,887)
NDF	6,000	49,148	10,400	86,335	(43)	(28,777)	(43)	(6,660)	2,700	(7,748)	1,468	(1,531)
Banco Santander	-	40,700	-	65,954	-	(22,192)	-	(1,800)	2,700	(5,191)	348	(1,084)
Unibanco	-	-	-	-	-	-	-	-	-	-	421	-
Banco do Brasil	6,000	8,448	10,400	20,381	(43)	(6,585)	(43)	(4,860)	-	(2,557)	652	(447)
HSBC	-	-	-	-	-	-	-	-	-	-	47	-
Swap	-	-	-	-	-	-	-	-	-	-	-	(10,132)
Banco Itaú BBA	-	-	-	-	-	-	-	-	-	-	-	(10,132)
Total	6,000	49,148	10,400	86,335	(43)	(28,777)	(43)	(6,660)	2,700	(7,748)	17,506	(20,110)

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

22. Financial instruments (Continued)

Fair value of derivative financial instruments (Continued)

The maturities of these transactions are stated below in thousands of US Dollars in consolidated figures:

Description	2009			2008	
	Up to 30 days	From 31 to 180 days	From 181 to 365 days	Net total	Net total
NDF	500	2,500	3,000	6,000	49,148

In addition, in 2008 the Company had NDF operations to hedge foreign exchange variation on input imports in Euros with Banco do Brasil S.A. as summarized below:

Description / Counterparty	Reference value Notional – in thousands of US\$		Reference value Notional – in thousands of R\$		Fair value – in thousands of R\$ - (credit) / debit		Accumulated effect in 2009 – in thousands of R\$ (credit) / debit		Accumulated effect in 2008 – in thousands of reais R\$ (credit) / debit	
	2009	2008	2009	2009	2009	2008	Amount received	Amount paid	Amount received	Amount paid
NDF										
Banco do Brasil	-	2,380	-	5,810	-	1,725	-	-	384	-

The maturities of these operations are stated below in thousands of Euros:

Description	Up to 30 days	From 31 to 180 days	2009		2008
			From 181 to 365 days	Total	Total
NDF	-	-	-	-	2,380

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

22. Financial instruments (Continued)

Fair value of derivative financial instruments (Continued)

Liabilities entered at December 31, 2009, for NDF operations are classified as operations with derivatives in the other current liabilities subgroup.

The Company and its subsidiaries do not have margins given in guarantee for outstanding derivative financial instruments at December 31, 2009.

The Company and its subsidiaries made gains and losses with derivative financial instruments in 2009 and 2008 as stated below:

	Company		Consolidated	
	2009	2008	2009	2008
Hedge operations				
Financial income:				
Income from swap operations	-	897	-	897
Gains from NDF and Collar operations	3,200	9,550	21,829	16,264
Financial expenses:				
Expenses with swap operations	-	(1,194)	-	(1,194)
Losses from NDF and Collar operations	(563)	(15,499)	(3,856)	(44,777)
	(2,637)	(6,246)	(17,973)	(28,810)

The estimated fair value of derivative financial instruments contracted by the Company and its subsidiaries was determined using available market information and specific valuation methodologies applicable to each situation. Nevertheless, considerable judgment was required in interpreting market data in order to reach an estimate of fair value in each transaction. As a result, the estimates presented below do not necessarily indicate those that may be realized in the settlement of these transactions.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

22. Financial instruments (Continued)

Sensitivity analysis of foreign currency variation

The Company and its subsidiaries have derivative financial instruments intended to mitigate these risks to its operations.

Three scenarios are considered in the following table with the probable scenario being the example adopted by the Company. These scenarios were defined based on management's expectation of foreign exchange fluctuations on the maturity dates of the respective contracts that are subject to these risks.

Further to this scenario the CVM through Rule No. 475 determined that two more scenarios be presented with falls of 25% and 50% in the variable of the risk considered. These scenarios are presented in accordance with CVM regulation.

Operation	Risk	Company		
		Probable scenario	Scenario A	Scenario B
Other derivatives instruments (Non-derivative)	Fluctuation in US Dollar exchange rate	9,145	11,431	13,717

Operation	Risk	Consolidated		
		Probable scenario	Scenario A	Scenario B
Non Deliverable Forward – NDF (derivatives)	Rise in US\$	(22)	(2,714)	(5,248)
Other derivatives instruments (Non-derivative)	Fluctuation in US Dollar exchange rate	(72,025)	(90,031)	(108,037)

23. Government grants and assistance

Subsidized loan Fundopem/RS

In December 2006, the Company and subsidiaries signed an adjustment term together with the Rio Grande do Sul State Government to adhere to the Fundopem/RS (Rio Grande do Sul State Company Operation Fund).

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

23. Government grants and assistance (Continued)

The tax incentive involves the postponement of ICMS debt installments generated on a monthly basis with a grace period of between 33 to 54 months and a repayment period between 54 to 96 months as from each debt restated by the Amplified Consumer Price Index (IPCA) from the Brazilian Institute of Geography and Statistics (IBGE) bearing interest at between 3% and 4% p.a. The debt installment with postponed payment is calculated based on increase in billing, increase in the generation of ICMS tax debits and generation of jobs as set out under the adjustment term Fundopem – RS still unutilized amounting to R\$ 60,623 (R\$ 77,285 at December 31, 2008).

To increase the finance amount the Company complies with all the requirements to obtain this type of incentive namely:

- a) Incremental monthly gross billing;
- b) Incremental monthly ICMS;
- c) Increase in number of direct employees.

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

Fundopem/RS - Nosso Emprego

In August 1998 the subsidiary, Suspensys Sistemas Automotivos Ltda. obtained a tax incentive from the State Government of Rio Grande do Sul, linked to the generation of Jobs called Fundopem Nosso Emprego, which has validity up to November 2010.

The Company calculated the value of the benefit based on the rules specified in Protocol 18/98, of Law No. 11028/97 and other relevant legislation including Revenue Procedure No. 40/97. The calculation structure is based on State Revenue Director (DRP) Revenue Procedure No. 45/98, title 1, chapter V, item 6. The spreadsheet used for this calculation is sent on a monthly basis for analysis by the State System to Attract and Develop Productive Activities (SEADAP).

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

23. Government grants and assistance (Continued)

In accordance with the guidelines of Law No. 11638/07 and CPC 07, the subsidiary, Suspensys Sistemas Automotivos Ltda., obtained an incentive amounting to R\$ 13,013 up to December 31, 2009 (R\$ 11,578 up to December 31, 2008) recognized in the consolidated financial statements.

In its individual financial statements, the subsidiary, Suspensys Sistemas Automotivos Ltda. recorded this amount to an income account with a transfer to the specific account incentive investment reserve in shareholders' equity. The subsidiary does not intend to distribute this amount as profits since it has been allocated solely for use as future capital increase.

24. Insurance coverage

The Company's policy consists of taking out insurance coverage for assets subject to risk at amounts considered sufficient to cover possible claims, considering the nature of its activities.

The main types of insurance coverage are:

		Consolidated	
		Total indemnity limits	
Risk covered		2009	2008
Buildings, inventories, machinery and other fixed assets	Fire, windstorm, electrical damage, theft and miscellaneous risks	243,173	222,384
Vehicle insurance	Body	15,986	14,441
Aircraft	Body and civil liability (RETA)	19,501	26,174
Export credit	Commercial and political	26,008	67,840
Civil liability	Civil liability	36,544	26,667
Personal accident	Personal accident	33,152	33,259
		374,364	390,765

Our work scope does not include issuing an opinion on the sufficiency of insurance coverage, which was deemed sufficient by the Company's management to cover any claims.

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

25. Vendor operations

At December 31, 2008, the Company and its subsidiaries had outstanding vendor operations with its customers amounting to R\$ 6,309 (R\$ 8,714 in 2008), in which the Company participates as an intervening guarantor.

26. Employees' profit sharing

Employee profit sharing was calculated pursuant to the Profit Sharing Program and ratified by the trade unions representing its employees in accordance with the provisions of Law No. 10101 dated December 19, 2000. Employee profit sharing for 2009 amounted to R\$ 7,912 (R\$ 17,624 in 2008) in the Company and R\$ 26,135 (R\$ 37,959 in 2008) in consolidated.

27. New accounting pronouncements

Brazil's FASB (CPC) in accordance with the joint agenda disclosed by Brazil's SEC (CVM) and the CPC has issued various accounting pronouncements in order to align Brazilian accounting practices with international accounting standards. These accounting pronouncements have been systematically approved by the Brazil's National Association of State Boards of Accountancy (CFC) and the CVM, with applicability for the years beginning as from January 1, 2010, applied retrospectively for comparative purposes.

The technical pronouncements, guidelines and interpretations issued by the CPC up to the present date that will have effects on the preparation or on the disclosure of financial statements for the year ending December 31, 2010, will be measured and recorded by the Company based on the following pronouncements:

- **CPC 16** – Inventories, approved by CVM Rule No. 575, dated June 5, 2009;
- **CPC 18** – Investment in Associated Companies and Subsidiaries, approved by CVM Rule No. 605, dated November 26, 2009;
- **CPC 20** – Borrowing Costs, approved by CVM Rule No. 577, dated June 5, 2009;
- **CPC 22** – Segment Reporting: approved by CVM Rule No. 582, dated July 31, 2009;

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

27. New accounting pronouncements (Continued)

- **CPC 23** – Accounting Policies, Changes in Accounting Estimates and Errors, approved by CVM Rule No. 592, dated September 15, 2009;
- **CPC 24** – Subsequent Events, approved by CVM Rule No. 593, dated September 15 2009;
- **CPC 25** - Provisions, Contingent Liabilities and Contingent Assets, approved by CVM Rule No. 594, dated September 15, 2009;
- **CPC 26** – Presentation of Financial Statements, approved by CVM Rule No. 595, dated September 15, 2009;
- **CPC 27** - Property, Plant and Equipment, approved by CVM Rule No. 583, dated July 31, 2009;
- **CPC 29** - Biological Assets and Agricultural Products, approved by CVM Rule No. 596, dated September 15, 2009;
- **CPC - 30** - Revenue, approved by CVM Rule No. 597, dated September 15, 2009;
- **CPC 32** - Income Tax, approved by CVM Rule No. 599, dated September 15, 2009;
- **CPC 33** - Employee Benefits, approved by CVM Rule No. 600, dated October 7, 2009;
- **CPC 36** – Consolidated Financial Statements, approved by CVM Rule No. 608, dated November 26, 2009;
- **CPC 37** – First-time Adoption of International Financial Reporting Standards, approved by CVM Rule No. 609, dated December 22, 2009;
- **CPC 38** – Financial Instruments: Recognition and Measurement, approved by CVM Rule No. 604, November 19, 2009;
- **CPC 39** – Financial Instruments: Presentation, approved by CVM Rule No. 604, dated November 19, 2009;
- **CPC 40** – Financial Instruments: Disclosure, approved by CVM Rule No. 604, dated November 19, 2009;
- **CPC 43** – First-time Adoption of Technical Pronouncements CPC 15 through 40, approved by CVM Rule No. 610, dated December 22, 2009;

Randon S.A. Implementos e Participações

Notes to financial statements (Continued)
December 31, 2009 and 2008
(In thousands of reais)

27. New accounting pronouncements (Continued)

- **OCPC 03** – Financial Instruments: Recognition, Measurement and Disclosure;
- **ICPC 09** – Individual, Consolidated and Separate Financial Statements and Adoption of the Equity Method, approved by CVM Rule No. 618, dated December 22, 2009;
- **ICPC 10** – Interpretation on first-time application of property, plant and equipment and investment property for investment for CPCs 27, 28, 37 and 43, approved by CVM Rule No. 619 dated December 22, 2009;

The CPC intends to issue further accounting pronouncements in 2010; therefore the analysis on the impacts on the Company's financial statements and those of its subsidiaries shall be supplemented through the issue of new accounting pronouncements or reevaluated to the extent that these new pronouncements or interpretations bring about any alterations that may change the analysis previously undertaken.

Randon S.A. Implementos e Participações

Supplementary information

Attachment I

Information by business segment – Consolidated
December 31, 2009 and 2008
(In thousands of reais)

Information by segment is 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 were calculated in the consolidation of information in the following Randon companies:

Vehicle and equipment: refer to the consolidated results for 2009 and 2008 for Randon S.A. Implementos e Participações, Randon Argentina S.A., Randon Middle East, Randon Automotive Ltda. The main products included in this segment are the following: trailers, semi-trailers, railroad cars, off-road trucks, backhoe loaders and other road equipment and specialty vehicles.

Autopart segment: refer to consolidated income for 2009 and 2008 of Fras-le S.A., Suspensys Sistemas Automotivos Ltda., Master Sistemas Automotivos Ltda., Jost Brasil Sistemas Automotivos Ltda. and Castertech Fundação e Tecnologia Ltda. The main products in this segment the following: friction materials, axle beams, suspension components, air brake, coupling systems and truck articulations.

Services segment: refers to income from Randon Administradora de Consórcios Ltda., derives from administration operations of consortia groups for the acquisition of durable goods.

Randon S.A. Implementos e Participações

Supplementary information

Attachment I

Information by business segment – Consolidated
December 31, 2009 and 2008
(In thousands of reais)

a) Information by business segment

	<u>Vehicle and equipment</u>		<u>Autoparts</u>		<u>Services</u>		<u>Total consolidated</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Gross revenues from sales	1,488,754	1,882,588	1,591,249	1,951,698	50,868	50,091	3,130,871	3,884,377
Sales deductions	(291,449)	(391,841)	(364,940)	(428,021)	(4,938)	(5,037)	(661,327)	(824,899)
Net sales	1,197,305	1,490,747	1,226,309	1,523,677	45,930	45,054	2,469,544	3,059,478
Cost of goods sold and services rendered	(963,076)	(1,067,811)	(928,281)	(1,157,977)	-	-	(1,891,357)	(2,225,788)
Gross profit	234,229	422,936	298,028	365,700	45,930	45,054	578,187	833,690
Operating expenses	(154,581)	(197,072)	(146,593)	(149,972)	(33,381)	(31,401)	(334,555)	(378,445)
Financial income (expenses), net	7,121	(32,420)	28,564	(3,803)	327	824	36,012	(35,399)
Operating income	86,769	193,444	179,999	211,925	12,876	14,477	279,644	419,846
Net income for the year	61,724	137,723	68,342	83,516	8,884	9,872	138,950	231,111
Property, plant and equipment	338,043	326,376	431,519	399,256	690	942	770,252	726,574

Randon S.A. Implementos e Participações

Supplementary information

Attachment I

Information by business segment – Consolidated
December 31, 2009 and 2008
(In thousands of reais)

b) Net sales by geographic segments

Region:	<u>Vehicle and equipment</u>		<u>Autoparts</u>		<u>Services</u>		<u>Total consolidated</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Domestic market	1,049,268	1,188,750	1,027,771	1,255,967	45,930	45,054	2,122,969	2,489,771
MERCOSUL and Chile	66,892	173,608	34,316	66,105	-	-	101,208	239,713
NAFTA	28	1,455	118,211	123,100	-	-	118,239	124,555
Europe	53	1,763	12,625	37,951	-	-	12,678	39,714
Africa	67,722	106,512	5,421	9,874	-	-	73,143	116,386
South and Central America	12,222	13,033	8,230	9,415	-	-	20,452	22,448
Middle East	333	54	7,061	7,739	-	-	7,394	7,793
Asia	-	-	2,935	2,916	-	-	2,935	2,916
Oceania	-	-	1,447	2,416	-	-	1,447	2,416
Other	787	5,572	8,292	8,194	-	-	9,079	13,766
Total	1,197,3705	1,490,747	1,226,309	1,523,677	45,930	45,054	2,469,644	3,059,478

RANDON S.A. Implementos e Participações

Listed Company
CNPJ 89.086.144/0001-16
NIRE 43300032680

Audit Board`s Opinion

The Audit Board of Randon S.A.- Implementos e Participações, in conformity with the law, have examined the 2009 Management Documents related to the fiscal year ended as of December 31, 2009, which consists of: 2009 Performance Report, Management Report, Financial Statements and its Notes, Independent Auditors` Opinion, Proposal of the Executive Board for Allocation of Net Income – 2009, including proposal to distribute dividends; they have listened to the management and to the representative of Ernst & Young Auditores Independentes S.S. about these documents; their opinion is that the Report faithfully describes the business and main administrative facts of the period, and that the Financial Statements properly express the equity of the Company and the Mutations taken place during the Period; the Executive Board Proposal complies with the law and with the Company`s By-laws, and the allocation of dividends corresponds to statutory provisions, including the payments already made of interest on capital payable attributed to dividends and the additional installment to be stated during the Ordinary General Meeting. The Audit Board recommend the approval of these Management documents at the Ordinary General Meeting. Caxias do Sul, February 26, 2010.

Carlos Osvaldo Pereira Hoff

Luiz Gonzaga Pinto Júnior

Benilda Waschow