RANDON S.A. Implementos e Participações

CNPJ 89.086.144/0001-16
Publicly-Held Company

PROPOSAL OF THE EXECUTIVE BOARD

Allocation of Net Income – 2010

We submit to the members of the Board of Directors, for their consideration and forwarding to the General Meeting and members of the Audit Board, for their opinion, the proposed allocation of net income for the year 2010.

In accordance with the provisions of Article 192, of Law No. 6404/1976, and financial statements for the period, the management bodies of the company will submit to the Annual General Meeting a proposal for the allocation to be made to the net income of the period.

Accordingly, we demonstrated below, through a comparative table, the proposed allocation of net income for the year ended December 31, 2010, as well as the allocation made in the three previous years:

Description	2010 Proposal 2010 (R$)	Allocation		
		2009 (R$)	2008 (R$)	2007 (R$)
Net income for the period	249.493.005,60	138.126.386,80	231.594.998,51	172.625.129,69
(-) Adjustments - Law 11.638/07	(6.632.553,46)		3.306.457,19	
(+) Adjustments - IFRS	5.141.435,22			
Income after adjustments	248.001.887,36		234.901.455,70	
Legal Reserve	12.400.094,37	6.906.319,34	11.747.319,40	8.633.503,09
(+) Realization of Reserves	44.932,20	44.932,20	44.932,20	44.932,20
Investment Reserve and working capital (statutory)	157.074.307,57	87.071.853,09	150.479.708,83	108.706.083,34
Interest on capital payable attributed to dividends	52.522.679,73	32.090.978,90	38.397.594,13	40.796.717,71
Dividends	26.049.737,89	12.102.167,67	34.321.765,54	14.533.757,75

Legal Reserve

Allocation of net income to the legal reserve is determined by Article 193, of Law 6404/1976, and is aimed at ensuring the integrity of capital. Said legal reserve may only be used to offset losses or increase capital.

According to aforesaid Law and the provisions of subparagraph "a" of § 1st, of Article 36 of the Company`s Bylaws, out of the net income for the period, 5% (five percent) will be used, before any other allocation, to make up the legal reserve, which shall not exceed 20% (twenty percent) of the capital.

The legal reserve can only be built up in the year in which the balance of the reserve, plus the amount of capital reserves (referred to in § 1st of Article 182, of Law 6404/1976), exceeds 30% (thirty percent) of capital social.

Statutory Reserve (Investment Reserve and Working Capital)

Article 194, of Law 6404/1976, regulates the establishment of statutory reserves. According to that legal provision, the company's by-laws may establish reserves provided that, for each one: (i) indicates its aim in a precise and complete manner; (ii) establishes criteria to determine the annual portion of net income to be allocated to its constitution, and (iii) establishes the reserve maximum limit.

In line with the law and with the provisions of § 2, Article 36 of the Company`s Bylaws, the balance of the adjusted net income, after deducting mandatory dividends, will be allocated to the Investment and Working Capital Reserve, whose goal is to ensure investments in fixed assets and increase of working capital, including amortization of the Company`s debts and financing of subsidiaries and affiliates.

Dividends and interest on capital payable

As provided in article 202 of Law 6404/76, and subparagraph "b" of § 1 of Article 36 of the Company`s Bylaws, shareholders are entitled to a compulsory dividend, each year, in the amount corresponding to 30% (thirty percent) of the adjusted income, as minimum mandatory dividend.

As deliberated by the Company`s Board of Directors, the Company may: (i) declare dividends to the account of income recorded in the semi-annual balance sheet, as well as, as a result of shorter-period balance sheets, according to (in the latter case) the limit of Article 204, § 1 of Law 6404/1976, or declare interim dividends to the account of retained earnings, (ii) credit and pay interest on capital payable under the current legislation, and allocate them to the compulsory minimum dividends.

Interest on capital payable is calculated based on the shareholders` equity accounts, limited to the variation, pro rata day, of the Long Term Interest Rate (TJLP). The actual payment or credit shall be conditional upon the existence of earnings computed before the deduction of interest, or income reserves, in an amount equal to or greater than the value of twice the interest to be paid or credited.

The Bylaws do not provide regular payments of interest on capital payable to shareholders; however, in recent years, the Company has decided to distribute it, as calculated pursuant to current legislation and attributed (by the net amount of Withholding Income Tax) to dividends in the same fiscal period.

The interest on capital payable and dividends declared by the Company are not restated.

The proposed allocation of net income for 2010 is to distribute to shareholders a share of 30% (thirty percent) of the adjusted income, as provided in the Company`s Bylaws.

The dividends will be declared on the date of the Annual General Meeting and payment will be made in full and by crediting the amount according to the account and bank address provided to Banco Itaú S.A, which is the depositary institution of the shares. The shares will be traded ex-dividend from the day following that of its declaration, and the payment date will be communicated through a Notice to Shareholders, published in the newspapers usually used by the Company and available on the World Wide Web.

In the following tables we demonstrate the remuneration to shareholders for fiscal 2010, to be ratified at the next Annual General Meeting, as well statements referring to the three (3) previous years, for comparison purposes:

2010 Fiscal Year	**Total (R$)**	**R$ per Common and Preferred Share**
Net Income	249.493.005,60	
(-) Adjustments - Law 11.638/07	(6.632.553,46)	
(+) Adjustments - IFRS	5.141.435,22	
Income after adjustments	248.001.887,36	
Legal Reserve	12.400.094,37	
(+) Realization of reserves	44.932,20	
Adjusted net income (calculation basis for dividends)	235.646.725,19	

Dividends – 30% of adjusted income	70.694.015,65	0,29330059
Interest on capital paid on July 23, 2010 and January 27, 2011		
Gross value	52.522.679,73	0,21791000
Withholding Income Tax – Net Amount	44.644.277,76	0,18522349
Dividends to be declared at the next Ordinary General Meeting AGO	26.049.737,89	0,10807710

Fiscal Year 2009	**Total (R$)**	**R$ per Common and Preferred Share**
Net Income	138.126.386,80	
Legal Reserve	6.906.319,34	
(+) Realization of reserves	44.932,20	
Adjusted net income (calculation basis for dividends)	131.264.999,66	
Dividends – 30% of adjusted income	39.379.499,90	0,24507089
Interest on capital paid on July 10, 2009 and January 28, 2010		
Gross value	32.090.978,90	0,20000000
Withholding Income Tax – Net Amount	27.277.332,07	0,16975533
Dividends paid on April 23, 2010.	12.102.167,67	0,07531556

Fiscal Year 2008	**Total (R$)**	**R$ per Common and Preferred Share**
Net Income	231.594.998,51	
(+) Adjustments – Law 11.638/07 and realization of reserves	3.351.389,39	
Legal Reserve	11.747.319,40	
Adjusted net income (calculation basis for dividends)	223.199.068,51	
Dividends – 30% of adjusted income	66.959.720,55	0,417914130
Interest on capital paid on July 3, 2008 and January 27, 2009		
Gross value	38.397.594,13	0,239650000
Withholding Income Tax – Net Amount	32.637.955,01	0,203702490
Dividends paid on April 24, 2009.	34.321.765,54	0,214211627

Fiscal Year 2007	**Total (R$)**	**R$ per Common and Preferred Share**
Net Income	172.625.129,69	
(+) Realization of reserves	44.932,20	
Legal Reserve	8.633.503,09	
Adjusted net income (calculation basis for dividends)	164.036.558,80	
Dividends – 30% of adjusted income	49.210.967,80	0,30713925
Interest on capital paid on July 25m 2007 and January 29, 2008		
Gross Value	40.796.717,71	0,25427000
Withholding Income Tax – Net Amount	34.677.210,05	0,21643005
Dividends paid on April 30, 2008.	14.533.757,75	0,09070920

Caxias do Sul, March 9, 2011.

David Abramo Randon   Alexandre Randon

Astor Milton Schmitt   Erino Tonon

RANDON

Annual General Meeting dated April 18, 2011
Management

Comments on the Financial Situation of the Company pursuant to Section 10 of the Reference Form

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In compliance with Instruction CVM 480, of December 7, 2009, we report the Administrators` Comments pursuant to item 10 of said Instruction.

1) Management ´ Comments

a) General Equity and Financial Conditions:

2008

The automotive chain benefited from the fast-paced economy in the country in 2008. Many records were broken. Not even the escalation of the financial crisis took the shine of the numbers accumulated in the year under review. This scenario has also directed the results of Randon Companies.

The main highlights of the period were:

- The **Total Gross Revenue,** before consolidation**,** was **R$ 4.6 billion,** an increase of **26.6%** as compared to 2007;
- **The Consolidated Net Revenue** reached **R$ 3.1 billion**, a rise of **20.9%** as compared to 2007;
- The **EBITDA** was **R$ 520.8 million**, an increase of **34.0%** when compared to 2007;
- **R$ 231.1 million** of **consolidated net profit** in 2008**,** up **33.3%** from 2007, and **Net Margin** of **7.6%.**

The company is focused on solutions that address cargo transport and related components, interacting with the various economic sectors. Wherever there is a need for cargo transport, Randon is there with its products, whether roadway, railway, or components and parts that comprise a large part of the trucks, buses and semi-trailers manufactured in Brazil and abroad. This broad range of products connects us with a wide customer base, reducing risks of concentration in specific sectors of the economy. And when all sectors perform positively, we do likewise. This is confirmed by the results we achieved in this fiscal period.

The year was also marked by inflation in the consumables chain. Changes in prices of commodities, iron and steel, energy-generating products, oil and derivatives hit us all at a global level. The Company worked intensively to preserve competitiveness and income, whether with cost-constraint actions, scale efficiency gains or efforts in the commercial and financial area.

The escalation of the financial crisis in the last quarter of the year significantly impacted demand and investments in all sectors. In Randon Companies, some orders were cancelled in the area of road equipment and adjustments had to be made in the OEMs` purchase schedules. These events resulted from credit crunch, as it has been extensively covered by the national and international press. The Companies will keep on following up possible adjustments in production and consumption patterns.

In 2008, R$ 280.7 million was invested in production capacity expansion, assets renewal/ modernization, and integration of the supply chain, environment, and people development. Despite this downside and challenging scenario, a minimum investment level will be maintained in 2009, expecting a recovery of growth and an improved outlook in business level.

Some comments and detailed performance indicators follow below.

In 2008, R$ 280.7 million was invested in production capacity expansion, assets renewal/ modernization, and integration of the supply chain, environment, and people development. Despite this downside and challenging scenario, a minimum level of investment will be maintained in 2009, believing in the recovery of growth and in an improved outlook in business level.

2009

A detailed look at the year 2009 reveals quite different moments and situations: extremes caused by the global financial crisis in the last quarter of 2008, and the euphoria caused by business pickup in the three last months of the year. The period defines precisely the moment that required greater caution until the rebound in economic activity: exactly one year.

The crisis caused a sharp decrease in demand, cancellations of production orders and a halt in foreign markets. These events were enhanced by lack of credit and lack of confidence. As a result, the early months of 2009 were rather difficult for the Company, unprecedented in recent years. And although the whole year has been mostly challenging, the Company`s proactive stance in the face of uncertainty led to a satisfactory performance in closing the cycle.

The main highlights of the period were:

- **Total Gross Revenue,** before consolidation**,** was **R$ 3.7 billion,** a decrease of 18.6**%** as compared to 2008;
- **Consolidated Net Revenue** reached **R$ 2.5 billion**, a decrease of 19.3**%** as compared to 2008;
- **EBITDA** was **R$ 300.8 million**, a decrease of **42.2%** when compared to 2008;
- **R$ 138.9 million** of **consolidated net profit** in 2009**,** down 39.9**%** from 2009, and **Net Margin** of 5.6**% over the consolidated net revenue.**

During the moment of greatest stress, the Company adopted, inter alia, in agreement with its employees and labor union, a system of flexible working hours, providing cost savings, production capacity adjustment, and maintenance of jobs. On the marketing aspect, the commercial areas were instructed to analyze the market and its possibilities in a dynamic, creative and innovative approach aimed at maintaining and expanding market share irrespective of the segment.
The demand rose only when the Government launched the package of counter-cyclical measures (tax waiver, extended-term financing, and reduction in costs of funding) announced in the first half of the year. In particular, the adjustments and benefits related to financing of commercial vehicles were the drivers of the recovery in demand in the fourth quarter, with significant progress in sales of trucks and trailers/semi-trailers from September on.
The fact that the Company operates within several economic sectors allowed it to enjoy the few good moments during the year in each sector and translate this into new demands. It is worth noting some significant orders we received in the area of trailers/semi-trailers, specialty vehicles and rail cars.
In the sphere of investments, the company prioritized allocations for the completion of investments initiated prior to 2009. In the year under analysis, R$ 123 million was invested. Despite the aforementioned challenges, this level of investment reinforces the belief in the resumption of growth and business.

2010

Most of Randon business is concentrated in the domestic market. Over 85% of company`s revenue came from the Brazilian territory. The current moment in Brazil's economy has brought positive results in various sectors and, as we have already stated in the Company's quarterly reports, this diversified business interaction with all economic sectors delivers consistent results, balanced and sustainable in the long run.
The main highlights of the period were:

- The **Total Gross Revenue,** before consolidation**,** was **R$ 5.6 billion,** an increase of 51.0**%** as compared to 2009;
- **The Consolidated Net Revenue** reached **R$ 3.7 billion**, a rise of 50.6**%** as compared to 2009;
- **EBITDA** was **R$ 541.4 million,** an increase of 82.0**%** when compared to 2009;
- **R$ 249.5 million** of **consolidated net profit** in 2010, with **Net Margin** of **6.7%** over the consolidated net revenue.

The performance of the domestic automotive sector, which produced 191,321 trucks (+54.7% compared to 2009), 45,879 bus chassis (+32.8% compared to 2009) and 63,752 towed vehicles (+46% over 2009) has positively impacted sales in the various segments of the Company. (Sources: Anfavea / Anfir-Fenabrave / Holding Randon).

In absolute numbers, production, sales volume and income, 2010 was a record year for Randon. Never before in its history had Randon achieved numbers of such magnitude. It is also known that this growth was partly driven by incentive measures provided by federal government such as tax waiver, extension of deadlines, and cost reduction in financing operations. Part of these benefits will be still in effect next year.

The high demand for products and services has required additional attention from the Company: adjustments in production capacity, small problems in the supply area, and hiring and training of qualified manpower. On the other hand, the high utilization of production capacity, many times above 90%, resulted in efficiency and productivity gains shown in the increase of margins when compared to the previous year.

Investments have also achieved historical figures, ending 2010 at R$ 190.5 million. This amount was used to increase production capacity in different product lines, replace depreciated assets, enhance modernization, and develop new products and tooling. Also noteworthy was the start of implementation of the new ERP (Enterprise Resource Planning), which is expected to be completed next year.

b) Capital structure and possibility of share or quota redemption, stating:

i) Redemption Assumption

Not applicable.

ii) Formula for calculating redemption value

Not applicable.

b) Payment capacity in relation to financial commitments

Randon is fully able to pay all its short-term and long-term financial commitments. The company`s overall financial position has been steady over the years, as evidenced by their liquidity ratios and solvency. This economic health derives from the conservative management strategy of assets that maximizes operating asset turnover and scales investments not to exceed established debt levels. Net debt in 2010 was R$ 70.9 million, which is equivalent to a 0.13 multiple of EBITDA.

Rights and obligations related to consortium group members

These refer to funds pending receipt by Randon Administradora de Consórcio Ltda., arising from judicial collection as a consequence of closing of consortium groups, transferred to the consortium administrator, as defined by BACEN Circular No. 3084, dated January 31, 2002. After conclusion of the judicial collection proceeding, these funds will be proportionally apportioned among consortium group beneficiaries.

d) Sources of financing for working capital and investments in non-current assets.

The Company has operations in advances on exchange contracts (ACCs), pre-payment and pre-shipment lines tied to export operations.

Additionally, the Company uses, in addition to its own resources, credit facilities with financial institutions to finance non-current assets, such as BNDES and FINEP.

e)Sources of financing for working capital and investments in non-current assets that the Company intends to use to meet liquidity shortcomings.

ACCs, pre-payment, pre-shipment, FINEP and BNDES.

f)Levels of Indebtedness and characteristics of debt. describing:

i. Relevant loan and financing agreements;
ii. Other long-term relationships with financial institutions

Financing (R$ million)

	Indexer	Interest	2008	2008
Moeda nacional:				
FINAME	URTJLP / TJLP	2.5% a 5.6% a.a.	28	1,575
FINEP	TJLP	2.5% a 3% a.a.	12,170	66,710
Bank loans	TJLP	0.5% a 2.5% a.a.	-	103
Leasing Agreements	CDI	0.1% a 0.2% a.m.	3,853	4,087
Tax incentive- Fundopem	IPCA	3.0% a 4.0% a.a.	-	7,713
BNDES	URTJLP / TJLP	2.2% a 5.4 % a.a.	153,854	321,871
Foreign currency:				
Advances on exchange contracts related to pre-export payment, in the amount of US$ 8.500 thousand in the parent company and US$ 31.402 thousand in the consolidated figures.	Exchange variation + Libor	2.65% a 6.15% a.a.	38,683	74,273

Financing (R$ million)

	Indexer	Interest	2008	2008
Financing of US$ 27.742 thousand in the parent company and US$ 50.212 thousand in the consolidated figures	Exchange variation + Libor	0.75% a 6.17% a.a.	78,039	132,166
Loan for working capital in the amount of US$ 12.264 thousand	Exchange variation	11.5% a 12.5% a.a.	-	7,723
BNDES	UMBND / Variação Cambial	2.5% a 4.5 % a.a.	13,857	38,526
			300,484	654,747
Installment to amortize in the short term, classified as current liabilities			107,826	225,231
Noncurrent liabilities			192,658	429,516

	Index	Interest	Maturity	BRGAAP			IFRS		
				2010	2009	01/01/2009	2010	2009	01/01/2009
Current									
Local currency:									
FINAME	TJLP	5.0% a.a.	15/05/2011	**-**	-	28	**12**	483	955
FINEP	TJLP	1.0% a 5.25% a.a.	15/12/2018	**7,869**	3,484	3,419	**22,615**	15,731	11,472
Bank loans	TJLP	0.5% a 2.5% a.a.	-	**-**	-	-	**-**	-	103
Commercial leasing	CDI	0.1% a 1.6% a.m.	14/08/2011	**165**	1,533	2,327	**169**	1,600	2,544
Tax incentive - Fundopem (*)	IPCA	3.0% a 4.0% a.a.	28/02/2021	**181**	-	-	**181**	-	-
BNDES	URTJLP / TJLP	2.2% a 4.5% a.a.	16/01/2018	**16,465**	19,081	20,190	**51,030**	49,618	43,978
BNDES	Taxa Fixa	4.5% a 5.5% a.a.	17/06/2013	**192,049**	964	50,049	**249,361**	22,259	77,116
Foreign currency:									
Advances on foreign exchange contracts for export financing of US$ 19,568 thousand	Variação cambial + Libor	0.8% a 1.8% a.a.	10/03/2012	**6,563**	6,865	18,854	**32,605**	46,742	54,444
Financing of US$ 11,261 thousand	Variação cambial + Libor	2.0% a 6.17% a.a.	15/10/2017	**2,316**	240	9,973	**18,763**	7,987	21,968
Loan for working capital of US$ 3,855 thousand	Badlar	9.7% a.a.	31/08/2014	**-**	-	-	**6,423**	9,555	5,371
BNDES	UMBNDES / Variação Cambial	1.9% a 2.5 % a.a.	15/01/2018	**1,455**	2,006	2,986	**5,664**	12,724	7,280
				227,063	34,173	107,826	**386,823**	166,699	225,231
Non-current									
Local currency:									
FINAME	TJLP	5.0% a.a.	-	**-**	-	-	**-**	12	620
FINEP	TJLP	1.0% a 5.25% a.a.	15/12/2018	**41,732**	35,362	8,751	**75,576**	74,797	55,237
Commercial leasing	CDI	0.1% a 1.6% a.m.	-	**-**	173	1,525	**-**	177	1,543
Tax incentive – Fundopem (*)	IPCA	3.0% a 4.0% a.a.	28/02/2021	**535**	753	-	**26,986**	11,652	7,713
BNDES	URTJLP / TJLP	2.2% a 4.5% a.a.	16/01/2018	**95,073**	64,657	83,615	**206,540**	194,735	180,905
BNDES	Taxa Fixa	4.5% a 5.5% a.a.	17/06/2013	**361,360**	174,780	-	**548,411**	293,641	19,872
Foreign currency:									
Adivances on foreign exchange contracts for export financing of US$ 625 thousand	Variação cambial + Libor	0.8% a 1.8% a.a.	10/03/2012	**1,041**	7,935	19,830	**1,041**	7,935	19,829
Financing of US$ 35,906 thousand	Variação cambial + Libor	2.0% a 6.17% a.a.	15/10/2017	**38,485**	48,064	68,066	**59,827**	79,443	110,198
Loan for working capital of US$ 6,134 thousand	Badlar	9.7% a.a.	31/08/2014	**-**	-	-	**10,220**	11,799	2,352
BNDES	UMBNDES / Variação Cambial	1.9% a 2.5 % a.a.	15/01/2018	**10,398**	5,793	10,871	**27,898**	29,075	31,247
				548,624	337,517	192,658	**956,499**	703,266	429,516
Total loans incurring interest				**775,687**	371,690	300,484	**1,343,322**	869,965	654,747

Loans and financing are secured by sureties for subsidiaries in the amount of R$ 234,970 (R$ 240,114 at 12/31/2009 and R$ 191,179 at 01/01/2009), mortgage in the amount of R$ 20,829 (R$ 49,432 at 12/31/09 and R$ 59,111 at 01/01/2009); goods provided as guarantee and statutory lien in the amount of R$ 54,867(R$ 65,779 at 12/31/2009 and R$ 137,661 at 01/01/2009); promissory notes and guarantee letter in the amount of R$ 66,595 (R$ 17,332 at 12/31/2009 and R$ 57,575 at 01/01/2009).

The loan agreements with the International Finance Corporation – IFC, and agreements with the Brazilian Development Bank (BNDES) contain restrictive covenants that include, among others, partial or total prepayment of the outstanding amount when given financial indices (current liquidity, long term debt and debt coverage ratios) are not met. At December 31, 2010, the established ratios were being met by the Company.

Fundopem/RS

In December 2006 the Company 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).

The tax incentive involves the postponement of ICMS debt installments generated on a monthly basis with a grace period of 33 to 54 months and a payment period of 54 to 96 months, restated by the Amplified Consumer Price Index (IPCA) from the Brazilian Institute of Geography and Statistics (IBGE) bearing interest at 3% p.a to 4%p.a.. The postponed payment on the debt installment is calculated as from the increase in billing, increase in the generation of ICMS tax debits and generation of jobs as set out under the adjustment term. At December 31, 2009 the Company had an unutilized approved operating limit under the terms of the Fundopem – RS amounting to R$ 86,747 (R$ 60,623 at December 31, 2009).

To supplement the amount paid to the Company and its subsidiaries must observe all the requirements to obtain this type of incentive namely:

a) Monthly increases in gross billing;
b) Monthly increases in ICMS;
c) Increases in the number of direct employees.

The Company classifies this operation as financing for working capital, with subsidized interest and term.

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 ended in 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).

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$ 11,762 up to December 31, 2010 (R$ 13,013 up to December 31, 2009) 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.

Additional Sources of Liquidity

The Company has used its own cash generation and export-backed instruments for its resource needs. Although unused in recent years, the company has good rates of assessment with financial institutions, which allows it to have quick access to credit lines.

iii. Level of Debt Subordination

Not applicable.

iv. Eventual restrictions imposed on the Company, especially those regarding limits on indebtedness and the contracting of new debt, distribution of dividends, sale of assets, issue of new securities and disposal of shareholding control:

Not applicable.

g) Limits for the use of previously contracted financing

Not applicable.

h) Significant changes in each item of the financial statements

Not applicable.

10.2. Management` Comment

The comment below includes the following items:

a. Results of the Company`s operations:

i. Description of any important sources of revenue

ii. Factors that had a material effect on the operating results

b. Variations in revenue attributable to changes in prices, exchange rates, inflation, volumes and the launch of new products and services

c. Impact of inflation, variation in the price of the main inputs and products, exchange and interest rate on the Company`s operating and financial results*:*

Below are the financial statements for fiscal years ended December 31, 2008, December 31, 2009, December 31, 2010. The summarized table below helps understand the data.

	IFRS			BRGAAP
	2010	**2009**	**2009**	**2008**
Total Gross Revenue without eliminations	5,594,055	3,703,828	3,703,828	4,551,299
Consolidated Gross Revenue	3,718,972	2,469,544	2,469,544	3,059,478
Consolidated Gross Profit	906,604	561,693	578,187	833,690
Consolidated Net Profit	249,493	135,158	138,950	231,111
Operating Shareholders` Equity (EBIT) - Consolidated	459,284	227,003	243,632	453,276
Consolidated EBITDA.	541,388	297,408	300,841	520,757
Consolidated Net Financial Debts	70,930	184,836	184,836	333,205
Consolidated Net Financial Income	13,767	39,775	36,012	(35,399)
Financial Income	166,484	184,118	184,118	
Financial Expenses	(152,717)	(144,343)	(148,106)	
Consolidated Administrative and Commercial Expenses	(409,856)	(327,901)	(327,901)	(356,084)
Consolidated Profit per Share	1.04	0.84	0.86	1.45

Values in R$ thousands

Consolidated net income reached R$ 138.9 million . This represented a drop in net margin (net income x net revenue) of 7.6% in the previous year compared to 5.6% in 2009.

The consolidated net profit was R$ 231.1 million in the fiscal year 2008, 33.3% up from that in 2007. This represents an increase in the net margin (net profit x net revenue) from 6.9% in the prior year to 7.6% in 2008.

Net Income

Consolidated net income reached R$ 249.5 million for the year, or 84.6% higher than 2009. This accounted for an increase in net margin (net income x net revenue) of 5.5% last year to 6.7% in 2010.

In short, the main items that have influenced the results of the last three fiscal years were:

2008

Cost of Sold Products

The cost of sold products accounted for 72.8% of the consolidated net revenue, or R$ 2.2 billion in Fiscal 2008 against R$ 1.9 billion in the same period in 2007, which represented 73.5% of the net revenue.

Gross Profit

Gross profit was R$ 833.7 million in the cumulative result of fiscal 2008, representing 27.2% of the consolidated net revenue, up 24.2% from the same period in 2007, when the gross profit totaled R$ 671.1 million, or 26.5% of the consolidated net revenue.

Operating Expenses (Administrative/ Sales/ Others)

Operating expenses in fiscal 2008 accounted for 12.4% of the consolidated net revenue, against 13.2% in the previous year, resulting in R$ 380.4 million (R$ 334.6 million in 2007). Expenses such as commissions, freight and profit sharing have increased during the period as a result of incremental sales and results. In percentage terms, there was a reduction of 0.8 points as a result of budgetary programs and controls aimed at reducing costs and expenses.

Cash Gross Generation (EBITDA)

EBITDA (cash gross generation) totaled 520.8 million, 17.0% over the net revenue in the period, against R$ 388.6 million, 15.4% of the net revenue. The profit margins recorded growth, despite cost increases in iron/ steel and labor.

Financial Result

Consolidated net financial result (sales less expenses) decreased from R$ 0.6 million positive in fiscal 2007 to R$ 35.4 million negative in fiscal 2008.

Consolidated net bank debt, which in 2007 was R$ 128.1 million, rose to R$ 333.2 million in late 2008, equivalent to one multiple of 0.64 of EBITDA. Scheduled investments made in the period and the appreciation of the dollar against the real (concentrated on the second half of the year on loans and derivatives) were the factors responsible for this increase.

Non-Operating Result

Non-operating result in fiscal 2008 reached positive R$ 2.0 million against a result of R$ 5.2 million positive in fiscal 2007. A significant portion of the 2007 amount refers to the sale of an asset of our controlled company Fras-le, made in the first quarter of 2007. No significant events took place in 2008.

2009

Cost of Sold Products

The cost of sold products accounted for 76.59% of the consolidated net revenue or R$ 1.9 billion in fiscal year 2009 compared to R$ 2.2 billion for the same period of 2008, representing 72.8% of the net revenue.

Gross Profit

Gross profit was R$ 578.2 million in the cumulative result of fiscal 2009, representing 23.4% of the consolidated net revenue, down 30.6% from the same period in 2008, when the gross profit totaled R$ 833.7 million, or 27.2% of the consolidated net revenue.

Operating Expenses (Administrative/ Sales/ Others)

Operating expenses in fiscal 2009 accounted for 13.5% of the consolidated net revenue, against 12.4% in the previous year, resulting in R$ 334.6 million (R$ 380.4 million in 2008). This increase, in percentage terms, is directly related to a more proportional reduction in revenue in the period.

Gross Cash Generation (EBITDA)

EBITDA (cash gross generation) totaled 300.8 million, 12.2% over the net revenue for the period, against R$ 520.8 million in 2008, 17.0% of net revenue. Profit margins decreased due to lower economies of scale. This is unrelated to the reduced fixed income costs and low bargaining power resulting from the current economic scenario, which are aimed at increasing our market share.

2010

Cost of Products Sold

Cost of products sold accounted for 75.6% of consolidated net revenue, or R$ 2.8 billion in 2010 fiscal period against R$ 1.9 billion in the same period in 2009 (77.3% of net revenue).

Gross Income

Gross profit reached R$ 906.7 million in 2010, accounting for 24.4% of consolidated net revenue, an increase of 61.4% compared to the same period in 2009, when gross income totaled R$ 561.7 million, or 22.7% of consolidated net revenue.

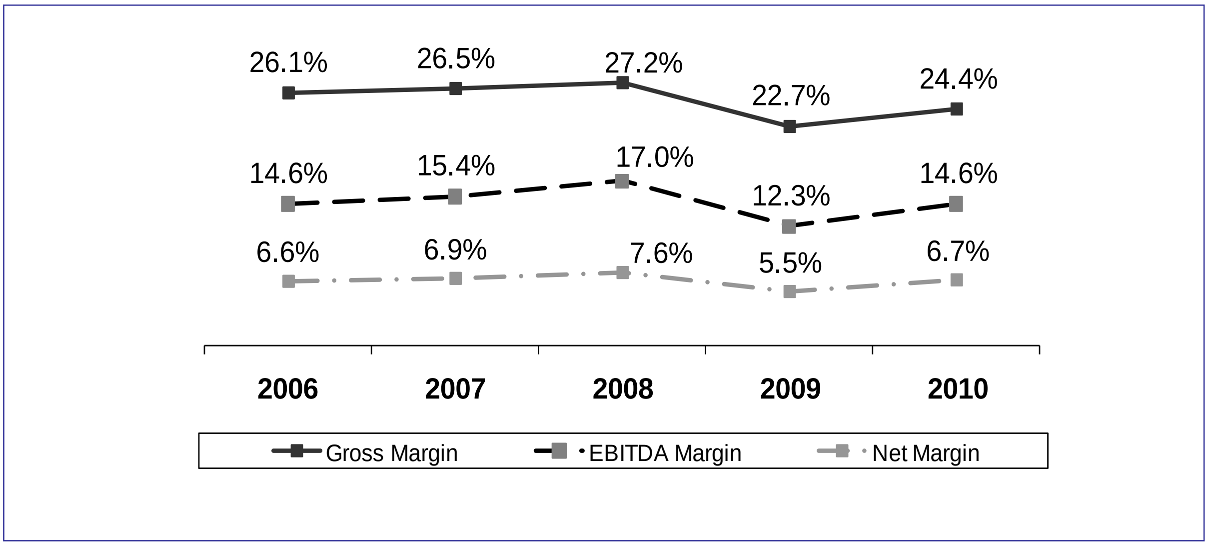
Operating Expenses (Administrative/ Commercial/Others)

Operating expenses in 2010 accounted for 12.0% over the consolidated net revenue (R$ 447.3 million) against 13.6% in 2009 (R$ 334.7 million). This drop, in percentage points, is mainly due to increased revenue during the period.

Gross Cash Generation (EBITDA)

EBITDA (gross cash generation) totaled R$ 541.4 million, or 14.6% of net revenues for the period, while in 2009 this value was R$ 297.4 million, or 12.0% of net revenues. A reduced working capital and improved profit margins generated by economies of scale, resulting from revenue performance during the period, are the main factors of this good performance.

Margins



Note: To calculate EBITDA as of 2009, we have taken into account the OCPC02 Guidance - Information on the 2008 Financial Statements from the Accounting Pronouncements Committee, based on the Corporations Law 11.638/07, regarding non-operating result, which is now considered along with operating earnings / expenses.

Net Income

Consolidated net income (revenues less expenses) increased from R$ 39.8 positive million in 2009 to R$ 13.8 million (also positive) in 2010.

The consolidated net bank debt, which was R$ 184.8 million in 2009, went down to R$ 70.9 million in late December 2010, which is equivalent to a multiple of 0.13 of EBITDA. Reduced investments and reversal results in financial derivatives, from negative to positive, and the exchange rate, were the main drivers of this change.

10.3. Material effects on the Company`s financial statements and results caused by or expected to be caused by the following events:

a. Introduction or sale of an operating segment.

Not applicable.

b. Creation, acquisition or sale of equity interest

As decided at the Extraordinary General Meeting held on June 30, 2009, the merger of the controlled company Randon Veículos Ltda. was approved, based on studies that indicated a reduction in administrative and operating activities, with corresponding financial and fiscal savings.
The merged amounts are summarized as follows (in R$ million):

Current assets	60.020
Non-current assets	
Long-term assets	315
Fixed assets	2.051
Current liabilities	(17.015)
Long-term liabilities	(809)
Merged net assets	44.562

The merged net assets include the result recorded from January 1st to June 30th, 2009, as follows:

Net Sales	40.613
Cost of services	(30.138)
Operating expenses	(5.352)
Other operating revenues (expenses), net	(450)
Income tax and social contribution	(1.038)
Net income for the period	3.635

Creation of a Controlled Company

On September 28, 2009, a new controlled company was registered with the Trade Registry Office of the State of Rio Grande do Sul, Randon Investimentos Ltda., of which the Company holds 99.9960% of its capital stock, and whose payment was made by transferring financial resources in local currency, amounting to R$ 25 million on October 30, 2009. Such controlled company`s purpose is solely to participate in other companies, which are characterized for being financial institutions or other institutions that have received authorization to operate from Banco Central do Brasil. This is a step towards the creation of Banco Randon S/A., which received permit, from Banco Central, to proceed with the corporate actions related to its establishment, on August 6, 2009.

c. Unusual Events or Operations

None.

10.4. Management should comment on:

a. Significant changes in accounting practices

b. Significant effects of alterations in accounting practices*:*

Basis of preparation and presentation of financial statements

For the purposes of the preparation of the individual and consolidated financial statements January 1, 2009, was considered as the transition date. The transition date is defined as the date of initial measurement and presentation of the Company's financial statements.

The Company's individual and consolidated financial statements for the year ended December 31, 2010, were authorized in the Executive Board meeting held on January 24, 2011.

The reconciliation of net equity and the statements of income as well as a description of the effects of the transition of Brazilian accounting practices previously adopted in Brazil to CPC/IFRS are demonstrated as follows:

First-time adoption of CPCs and IFRS

Up to December 31, 2009, the Company's financial statements (company and consolidated) were presented in accordance with accounting practices adopted in Brazil, supplementary CVM standards, CPC accounting pronouncements issued up to December 31, 2008 and the provisions of Brazil's Corporation Law (BRGAAP).
The Company prepared its financial statements in accordance with standards provided in CPCs and IFRS for the periods beginning January 1, 2010, onwards as described in its accounting policies. For the current financial statements, the opening balance considered was January 1, 2009, transition date for the CPCs and IFRS. This note explains the main adjustments made by the Company to restate the opening BRGAAP balance sheet at January 1, 2009, and also for the reported balance sheet previously presented, prepared in accordance with BRGAAP for the year ended December 31, 2009.

The consolidated financial statements for the year ended December 31, 2010, are the first to be presented in accordance with CPCs and IFRS, and were prepared in accordance with CPC 37 and 43 and IFRS1

The individual financial statements for the year ended December 31, 2010, are the first to be reported in accordance with CPCs and were presented in accordance with CPC 37 and 43.
The Company adopted all CPC pronouncements, guidelines and interpretations issued up to December 31, 2010, as a result the consolidated financial statements are in accordance with international accounting standards issued by the IASB and approved by the CPC.

The Company took into consideration the provisions of CVM Rule No. 656/11, as regards presentation of certain information in the Quarterly Financial Information (ITR) of

2010, previously presented and that already included the required adjustments for purposes of comparison with the 2009 amounts (see Note 32).

In the preparation of these financial statements the Company applied some optional exemptions applied retrospectively.

Exemptions applied retrospectively

Estimates

Estimates utilized in the preparation of financial statements at January 1, 2009, are consistent with those estimates registered in accordance with accounting practices previously adopted in Brazil.

Exemptions adopted

a) *Deemed cost:*

The Company applied fair value to determine certain property, plant and equipment items (land, buildings and certain items of machinery and equipment) at fair value at the base date January 1, 2009. The valuation study of these assets was performed by a specialist company that determined fair value at R$ 349,369 Company and R$ 1,118,571 Consolidated, an increase of R$ 103,262 Companyand R$ 276,265 Consolidated, recorded under property, plant and equipment, matched against net equity under the comprehensive income account, net of tax effects.

Exemptions adopted (Continued)

a) *Deemed cost* (Continued):

The effects of the adoption of fair value for some property, plant and equipments at January 1, 2009, were as follows:

	Company			**Consolidated**		
	01/01/2009 Published	**Deemed cost adjustment**	**01/01/2009 Restated**	**01/01/2009 Published**	**Deemed cost adjustment**	**01/01/2009 Restated**
Land and buldings	97,942	91,652	**189,594**	219,271	178,195	**397,466**
Machinery and equipment	148,165	11,610	**159,775**	623,035	98,070	**721,105**
	246,107	103,262	**349,369**	842,306	276,265	**1,118,571**

a)*Benefits to employees:*

Based on the Company's evaluations, there was application of the exemption related to recording of employees' post-employment benefits, with recording of actuarial gains and losses as well as costs of past services not recognized until the transition date, in other comprehensive income account in equity. These actuarial gains and losses at the transition date were calculated in accordance with the criteria established by Technical Pronouncement CPC 33 Benefits to Employees. Actuarial gains and losses determined in subsequent period to the transition date were recognized through other comprehensive income account. Based on the actuarial evaluation prepared by independent actuaries, there are no assets and liabilities to be recognized as of the transition date..

Reconciliation of accounting practices applied in the preparation of previously reported financial statements

In accordance with CPC 37 R (IFRS 1) the Company reports the reconciliation of Company and consolidated assets, liabilities, statements of income, net equity and comprehensive income for the years previously reported in the annual financial information relating to the periods 1.1.2009 (transition date) and 12.31.2009, prepared in accordance with accounting practices adopted in Brazil (BRGAAP) effective up to December 31, 2009, and international standards, considering the CPCs in force in 2010.

Company balance sheet

	Note	12/31/2009 previously reported	Transition adjustments to IFRS/CPC	12/31/2009 adjusted	01/01/2009 previously reported	Transition adjustments to IFRS/CPC	01/01/2009 adjusted
Assets							
Current assets							
Cash and cash equivalents		169,006	-	169,006	129,092	-	129,092
Short-term investments		68,513	-	68,513	-	-	-
Trade accounts receivable		232,389	-	232,389	242,479	-	242,479
Inventories		136,781	-	136,781	106,562	-	106,562
Taxes recoverable		59,032	-	59,032	31,595	-	31,595
Prepaid expenses		2,078	-	2,078	1,294	-	1,294
Deferred taxes	(a)	17,314	(17,314)	-	16,485	(16,485)	-
Other accounts		21,618	-	21,618	30,272	-	30,272
		706,731	(17,314)	689,417	557,779	(16,485)	541,294
Non-current assets							
Long-term receivables							
Related parties		15	-	15	3,961	-	3,961
Consortium quotas		12,529	-	12,529	12,424	-	12,424
Deferred taxes	(a, e)	2,074	18,769	20,843	2,674	17,454	20,128
Taxes recoverable		12,652	-	12,652	23,371	-	23,371
Judicial deposits	(i)	801	800	1,601	347	1,010	1,357
Biologic assets	(m)	-	5,625	5,625	-	5,761	5,761
Other accounts	(d)	-	1,698	1,698	88	-	88
		28,071	26,892	54,963	42,865	24,225	67,090
Investments	(j,k)	469,899	51,229	521,128	432,269	52,284	484,553
Property, plant and equipment	(b, f, m)	298,181	99,529	397,710	284,861	99,694	384,555
Intangible assets		13,085	-	13,085	4,727	-	4,727
Deferred charges	(l)	923	(923)	-	1,171	(1,171)	-
		782,088	149,835	931,923	723,028	150,807	873,835
Total assets		1,516,890	159,413	1,676,303	1,323,672	158,547	1,482,219

	Note	12/31/2009 previously reported	Transition adjustments to IFRS/CPC	12/31/2009 adjusted	01/01/2009 previously reported	Transition adjustments to IFRS/CPC	01/01/2009 adjusted
Liabilities							
Current liabilities							
Trade accounts receivable		70,452	-	70,452	16,499	-	16,499
Loans and financing		34,173	-	34,173	107,826	-	107,826
Derivative financial instruments|		-	-	-	5,811	-	5,811
Advances from customers		29,201	-	29,201	34,998	-	34,998
Trade accounts receivable - for goods to be delivered		12,679	-	12,679	16,789	-	16,789
Taxes and contributions		7,174	-	7,174	10,582	-	10,582
Salaries and vacation accrual		15,245	-	15,245	9,108	-	9,108
Dividends		12,158	-	12,158	34,359	-	34,359
Interest on equity capital		14,578	-	14,578	17,600	-	17,600
Employees and management profit sharing		11,535		11,535	15,723	-	15,723
Deferred taxes	(a)	34	(34)	-	298	(298)	-
Commissions		8,038	-	8,038	6,589	-	6,589
Related parties		3,818	-	3,818	3,353	-	3,353
Other accounts	(c)	11,384	2,676	14,060	17,868	-	17,868
		230,469	2,642	233,111	297,403	(298)	297,105
Non-current assets							
Loans and financing		337,517	-	337,517	192,658	-	192,658
Taxes and contributions		2,492	-	2,492	751	-	751
Related parties		51,834	-	51,834	33,405	-	33,405
Deferred taxes	(a, e)	2,444	37,904	40,348	726	38,542	39,268
Provision for disputes	(i)	5,301	800	6,101	6,730	1,010	7,740
Other accounts	(c)	2,084	1,123	3,207	3,084	1,124	4,208
		401,672	39,827	441,499	237,354	40,676	278,030
Net equity							
Capital		406,000	-	406,000	400,000	-	400,000
Capital reserve		55	-	55	-	-	-
Income reserves	(c, d, e, f)	471,562	(7,989)	463,573	378,029	(10,296)	367,733
Revaluation reserve		8,002	(8,002)	-	8,047	(8,047)	-
Accumulated translation adjustments		(870)	870	-	2,839	(2,839)	-
Comprehensive income	(b, d, e, j)	-	132,065	132,065	-	139,351	139,351
Total net equity		884,749	116,944	1,001,693	788,915	118,169	907,084
Total liabilities and net equity		1,516,890	159,413	1,676,303	1,323,672	158,547	1,482,219

	Note	12/31/2009 previously reported	Transition adjustments to IFRS/CPC	12/31/2009 adjusted	01/01/2009 previously reported	Transition adjustments to IFRS/CPC	01/01/2009 adjusted
Assets							
Current assets							
Cash and cash equivalents		616,659	-	616,659	316,372	-	316,372
Short-term investments		68,513	-	68,513	32,222	-	32,222
Derivative financial instruments		-	-	-	320	-	320
Trade accounts receivable		418,509	-	418,509	420,675	-	420,675
Inventories		327,028	-	327,028	376,237	-	376,237
Taxes recoverable		112,767	-	112,767	80,622	-	80,622
Prepaid expenses		3,086	-	3,086	2,699	-	2,699
Deferred taxes	(a)	32,828	(32,828)	-	42,456	(42,456)	-
Receivables from consortium		39,280	-	39,280	30,574	-	30,574
Other accounts		12,030	-	12,030	13,758	-	13,758
		1,630,700	(32,828)	1,597,872	1,315,935	(42,456)	1,273,479
Non-current assets							
Long-term receivables							
Consortium quotas		24,656	-	24,656	25,812	-	25,812
Deferred taxes	(a, e)	12,265	37,245	49,510	5,556	46,061	51,617
Taxes recoverable		26,532	-	26,532	50,730	-	50,730
Judicial deposits	(i)	8,013	1,648	9,661	7,389	3,022	10,411
Biologic assets	(m)	-	5,625	5,625	-	5,761	5,761
Other non-current assets	(d)	16,781	4,292	21,073	17,873	141	18,014
		88,247	48,810	137,057	107,360	54,985	162,345
Investments		44,557	-	44,557	39,053	-	39,053
Property, plant and equipment	(b, m, f)	770,252	261,380	1,031,632	726,574	272,696	999,270
Intangible assets		31,297	-	31,297	12,773	-	12,773
Deferred charges	(l)	12,177	(12,177)	-	14,069	(14,069)	-
		858,283	249,203	1,107,486	792,469	258,627	1,051,096
		2,577,230	265,185	2,842,415	2,215,764	271,156	2,486,920

	Note	12/31/2009 previously reported	Transition adjustments to IFRS/CPC	12/31/2009 adjusted	01/01/2009 previously reported	Transition adjustments to IFRS/CPC	01/01/2009 adjusted
Liabilities							
Current liabilities							
Trade accounts		146,134	-	146,134	71,082	-	71,082
Loans and financing		166,699	-	166,699	225,231	-	225,231
Derivative financial instruments		43	-	43	27,372	-	27,372
Advances from customers		34,377	-	34,377	43,857	-	43,857
Trade accounts receivable - for goods to be delivered		19,167	-	19,167	20,704	-	20,704
Taxes and contributions		23,144	-	23,144	25,961	-	25,961
Salaries and vacation accrual		44,319	-	44,319	34,884	-	34,884
Dividends		15,765	-	15,765	46,531	-	46,531
Interest on equity capital		22,359	-	22,359	26,640	-	26,640
Employees and management profit sharing		29,151	-	29,151	34,531	-	34,531
Deferred taxes	(a)	277	(277)	-	3,152	(3,152)	-
Income and social contribution taxes		1,844	-	1,844	1,826	-	1,826
Liabilities for consortium funds		39,280	-	39,280	30,574	-	30,574
Commissions		12,275	-	12,275	10,408	-	10,408
Related parties		5,498	-	5,498	10,920	-	10,920
Other accounts	(c)	26,357	4,184	30,541	33,710	373	34,083
		586,689	3,907	590,596	647,383	(2,779)	644,604
Non-current assets							
Loans and financing		703,266	-	703,266	429,516	-	429,516
Taxes and contributions		7,124	-	7,124	11,285	-	11,285
Related parties		56,599	-	56,599	34,254	-	34,254
Deferred taxes	(a, e)	4,381	93,597	97,978	738	100,218	100,956
Provision for disputes	(i)	11,100	1,648	12,748	9,693	3,022	12,715
Other accounts		1,751	-	1,751	3,795	-	3,795
		784,221	95,245	879,466	489,281	103,240	592,521
Minority interest	(h)	322,181	(322,181)	-	291,619	(291,619)	-
Shareholders							
Capital		406,000	-	406,000	400,000	-	400,000
Capital reserve		55	-	55	-	-	-
Income reserve	(c,d,e,f)	470,952	(7,379)	463,573	376,595	(8,862)	367,733
Revaluation reserve		8,002	(8,002)	-	8,047	(8,047)	-
Accumulated translation adjustment		(870)	870	-	2,839	(2,839)	-
Comprehensive income	(b,d,e,j,l)	-	132,065	132,065	-	139,351	139,351
Total equity held by controlling shareholders		884,139	117,554	1,001,693	787,481	119,603	907,084
Minority interest		-	370,660	370,660	-	342,711	342,711
Total net equity		884,139	488,214	1,372,353	787,481	462,314	1,249,795
Total liabilities and net equity		2,577,230	265,185	2,842,415	2,215,764	271,156	2,486,920

Statements of income – Year ended December 31, 2009

		Company			Consolidated		
	Note	BRGAAP previously reported	Transition adjustments	CPC/IFRS adjusted	BRGAAP previously reported	Transition adjustments	CPC/IFRS adjusted
Net operating revenue	(k)	994,351	2,374	996,725	2,469,544	-	2,469,544
Cost of goods sold and services rendered	(c,d,g,k,l)	(813,173)	(6,573)	(819,746)	(1,891,357)	(16,494)	(1,907,851)
Gross profit		181,178	(4,199)	176,979	578,187	(16,494)	561,693
Operating income (expenses)							
Selling		(79,484)	-	(79,484)	(205,562)	-	(205,562)
Administrative and general		(41,585)	-	(41,585)	(113,188)	-	(113,188)
Management fees		(4,284)	-	(4,284)	(9,151)	-	(9,151)
Equity pickup	(j)	93,770	(2,691)	91,079	-	-	-
Financial expenses	(f)	(71,709)	2,498	(69,211)	(148,106)	3,763	(144,343)
Financial income		80,471	-	80,471	184,118	-	184,118
Other net revenue (expenses)	(m)	(4,456)	(135)	(4,591)	(6,654)	(135)	(6,789)
		(27,277)	(328)	(27,605)	(298,543)	3,628	(294,915)
Income before income, social contribution taxes and dividends							
Income before income, social contribution taxes and dividends		153,901	(4,527)	149,374	279,644	(12,866)	266,778
Income and social contribution taxes	(e)	(11,774)	1,559	(10,215)	(63,098)	5,796	(57,302)
Management profit sharing		(4,001)	-	(4,001)	(7,970)	-	(7,970)
Net income before minority interest		138,126	(2,968)	135,158	208,576	(7,070)	201,506
Minority interest		-	-	-	(69,626)	3,278	(66,348)
Net income for the year		138,126	(2,968)	135,158	138,950	(3,792)	135,158

Company net income and net equity

		Company		
		Net income	Net equity	
	Note	12/31/2009	12/31/2009	1/1/2009
Balances previously reported		138,126	884,749	788,915
Attributed value	(b)	-	103,262	103,262
Biologic assets deemed value	(m)	-	2,193	2,193
Comprehensive income of subsidiaries	(j)	(2,690)	51,033	53,334
Write-off of deferred charges	(l)	248	(923)	(1,171)
Unrealized profit (downstream) on inventories	(k)	1,247	198	(1,049)
Unrealized profit on property, plant and equipment	(k)	-	(1,123)	(1,123)
Depreciation	(g)	(2,664)	(2,664)	-
Biologic assets disposal	(m)	(136)	(136)	-
Provision for severance	(c)	(2,676)	(2,676)	-
Actuarial valuation	(d)	(354)	1,698	-
Financial expenses	(f)	2,498	2,498	-
Deferred taxes	(e)	1,559	(36,416)	(37,277)
Restated balances		135,158	1,001,693	907,084

	Note	Consolidated		
		Net income	Net equity	
		12/31/2009	12/31/2009	1/1/2009
Balances previously reported		138,950	884,139	787,481
Attributed value	(b)	-	276,265	276,265
Biologic assets deemed value	(m)	-	2,192	2,192
Write-off of deferred charges	(l)	-	(13,929)	(13,929)
Depreciation	(g)	(15,079)	(15,079)	-
Biologic assets disposal	(m)	(136)	(136)	-
Write-off of amortization of deferred charges	(l)	1,815	1,815	-
Provision for severance	(c)	(3,811)	(4,184)	(373)
Actuarial valuation	(d)	580	4,227	-
Financial expenses	(f)	3,763	3,763	-
Minority interest	(h)	3,278	322,181	291,619
Deferred taxes	(e)	5,798	(88,901)	(93,460)
Restated balances		135,158	1,372,353	1,249,795

Company cash flows - December 31, 2009

	Company			Consolidated		
	BRGAAP Previously published	Transition adjustments	**CPC/IFRS** Adjusted	**BRGAAP** Previously published	Transition adjustments	**CPC/IFRS** Adjusted
Cash flows from operating activities	49,878	3,383	53,261	248,428	(176)	248,252
Cash flow from investing activities	(47,821)	(3,383)	(51,204)	(123,297)	176	(123,121)
Cash flow from financing activities	37,857	-	37,857	300,287	-	300,287

(a) Refers to the reclassification of deferred income and social contributions taxes that previously under BRGAAP were presented in current and noncurrent assets in accordance with the expectation of their realization and on adoption of CPCs and IFRS were all reclassified as non-current;

(b) The Company elected to adopt the measurement of certain property, plant and equipment items at "deemed cost", at January 1, 2009, see Note 4.a for more information;

(c) Refers to provision for the severance of employees as in accordance with its policies the Company's private pension consists of payment of 1,5 times the nominal salary on the date of retirement.;

(d) The adoption of Accounting Pronouncement CPC33 – Benefits to Employees, resulted in the recording of actuarial gains on the employees' benefits plan under non-current assets amounting to R$ 1,698 matched against net equity amounting to R$ 2,052 and expense in the income statement for the year amounting to R$ 354- Company and in the amount of R$ 4,227 in non-current assets, against revenue in equity in the amount of R$ 3,647 and revenue in income statement for the year amounting to R$ 580 - Consolidated;

(e) Refers to deferred income and social contribution taxes on adjustments necessary for the transition to CPCs and IFRS;

(f) Refers to the reclassification of loans pertaining to the construction of qualifying assets, previously recorded as a financial expense in the statements of income. Through the adoption of accounting pronouncement CPC20 – Financing Costs, the Company recorded R$ 2,498 Company, and R$ 3,763 Consolidate, in fixed assets relating to financing costs of qualifying assets matched against net income;

(g) Refers to calculation of depreciation for 2009 in the amount of R$ 2,664 Company and R$ 15,079 Consolidated, on property, plant and equipment amount increment due to the adoption of deemed cost recorded at January 1, 2009;

(h) Refers to minority interest in which previously, according to accounting practices adopted in Brazil, under Brazilian Accounting Standard (NBC) T 08 the minority interest of subsidiaries should be carried in a separate group of accounts in the consolidated financial statements, immediately above the net equity group of accounts. Through the adoption of CPC 36 (IAS 27), minority interest should be presented under net equity in the consolidated financial statements separate from equity holdings of controlling shareholders. Income should be attributed to controlling shareholders and minority interest even if that minority interest is negative;

(i) *Refers to the reclassification of judicial deposits to non-current assets given that in accordance with CPC 37 and IFRS 1, an entity should not state assets, liabilities, revenues and net income at less than that required or permitted by tax legislation. The understanding of the pronouncement is that in the case of judicial deposits an entity should present assets and liabilities separately given that judicial deposits do not meet the net presentation criteria;*

(j) *Refers to the effects from CPC adjustments on subsidiaries.*

(k)

(l) *(k)Elimination of unearned income from downstream operations inventories in accordance with CPC 18 investment in Affiliate of Subsidiary.*

(m)

(n) *(l)Until December 31, 2009, in accordance with BRGAAP in force at the time, the Company capitalized pre-operating expenses as deferred charge. Pre-operating expenses that could not be attributed to cost of property, plant and equipment or formation of intangible assets were recorded as expense. As such, the balance of the Company of R$ 1,171 at January 1, 2009 and R$ 923 at December 31, 2009, as well as amortization of R$ 248, and the consolidated balance of R$ 14,069 at January 1, 2009 and R$ 12,177at December 31, 2009, and amortization of R$ 1,815, recognized in the income statement for 2009, were adjusted in the income statements for the periods;*

(o)

(p) *(m) Refers to reclassification of the reforestation balance (classifiable as biologic asset),which under BRGAAP was presented in permanent assets (property, plant and equipment), and upon adoption of CPC Pronouncements and IFRS started to be recorded in non-current assets. The Company's biologic assets were measured at fair value at January 1, 2009, based on an expert appraisal report.*

Changes in accounting practices

5.1 New International Financial Reporting Standards (IFRS) and interpretations from the IFRIC (IFRS Interpretations Committee from the International Accounting Standards Board)

Some new accounting pronouncements from the IASB and interpretations from the IFRIC were published and/ or revised and their adoption may be optional or mandatory for the year beginning January 1, 2011. The Company's management does not expect that the adoption of these new pronouncements and interpretations will have a material impact on its financial statements in the initial application period. The Company's evaluation of the impacts of the new procedures and interpretations are as follows:

- *IAS 24 Disclosure Requirements for State Controlled Entities and Definition of a Related Party (Revised)* – The revised version of IAS 24 simplifies disclosure requirements for state-controlled entities and clarifies the definition of a related party. The revised standard covers aspects that under the prior disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, mainly in environments with wide state control, offering partial exemption to state controlled entities and a revised definition of a related party. This change was issued in November 2009, and became effective as from January 1, 2011. This change will not have impact on the Company's financial statements.

- *IFRS 9 Financial Instruments – Classification and Measurement - IFRS 9* – Financial Instruments concludes the first part of a project to substitute "IAS 39 Financial Instruments: Recognition and Measurement". IFRS 9 uses a simple approach to determine if a financial asset is measured at amortized cost or fair value. The new approach is based on the manner in which an entity manages its financial instruments (its business model) and the characteristic contractual cash flow of the financial asset. The standard also requires the adoption of a single method to determine losses in the recoverable value of assets. This standard comes into force for the years beginning January 1, 2013. The Company does not expect this change to have an impact on its financial statements.

- *IFRIC 14 Prepayments of a Minimum Funding Requirement* – This alteration seeks to correct an involuntary consequence of IFRIC 14. The alteration applies in the limited circumstances in which an entity is subject to minimum financing requirements and makes an early payment of contributions to cover those requirements. The amendment permits such as entity to treat the benefit of such an early payment as an asset. This alteration will enter into force as from January 1, 2011. This alteration will not have an impact on the Company's financial statements.

There are no other standards or interpretations issued that have yet to be adopted that, in the opinion of management will have a significant impact on net income on equity disclosed by the Company.

The following standards both new and revised enter into force in 2010 and/or 2009. Their adoption will not have a significant impact on these financial statements but may have an impact on the accounting of future transactions or contracts:

- IAS 16 (Amendment) – Property, Plant, and Equipment;
- IAS 19 (Amendment) – Benefits to Employees;
- IAS 23 (Amendment) – Financing Costs;
- IAS 32 (Amendment) – Financial Instruments: Presentation;
- IAS 38 (Amendment) – Intangible Assets;
- IAS 39 (Amendment) – Financial Instruments: Recognition and Measurement;
- IFRS 1 (Amendment) – First-time Adoption of International Accounting Standards;
- IFRS 2 Share-based Payments;
- IFRS 3 Business Combinations (Revised);
- IFRS 5 – Non-current Assets Held For Sale and Discontinued Operations;
- IFRS 7 – Financial Instruments: Disclosure;
- IFRIC 12 – Service Concession Arrangements;
- IFRIC 13 – Customer Loyalty Programmes;
- IFRIC 17 – Distribution of Non-cash Assets to Owners;
- IFRIC 18 – Transfer of Assets from Customers;
- IFRIC 19 – Extinguishing Financial Liabilities with Capital Instruments.

c. Qualified opinion and emphasis in the auditor`s report

None.

10.5. Executive officers should indicate and comment on critical accounting policies adopted by the Company, including management`s accounting estimates concerning uncertain and relevant matters to describe the company`s financial situation and results that require subjective or complex judgments, such as: provisions, contingencies, revenue recognition, tax credits, long-lived assets, the useful life of non-current assets, pension plans, foreign currency translation adjustments, environmental recovery costs, criteria for impairment tests on assets and financial instruments.

2.1 Determination of profit and loss

Revenue is recognized to the extent that it is probable that economic benefits will be generated for the Company and when these can be measured with reasonable certainty. Revenue is measured based on the fair value of the payment received, excluding discounts, rebates, taxes and charges on sales. The Company evaluates revenue transactions in accordance with specific criteria to determine if it is acting as agent or principal, and concluded that it is acting as principal in all its revenue agreements. The following specific criteria should also be met before there is any recognition of revenue:

Sales of goods

Revenue from sales of goods is recognized when the significant risks and benefits of ownership have been transferred to the buyer, which generally occurs on delivery.

Revenue from services

Revenue from maintenance and advisory services is recognized based on services rendered.

Interest income

All financial instruments assessed at amortized cost and financial assets that bear interest, are classified as available for sale, financial income or expenses are recorded using the effective interest rate. This deducts the exact cash amount of estimated future payments or receivables over the estimated lives of the financial instruments or over a shorter period, when applicable, to the net book value of the financial asset or liability. Interest income is included under the heading financial income in the statements of income.

Dividends

Revenue from dividends is recognized when the right to receive it has been established.

The consolidated financial statements are presented in Reais (R$), which is the Company's functional currency. Each of the Company's subsidiaries determines its own functional currency. For entities whose functional currency is not the Real the financial statements are translated to the Real on the date of the financial statements.

Transactions and balances

Transactions in foreign currency are initially recorded at the rate of exchange with the functional currency on the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate on the balance sheet date. Any differences are recorded in the statements of income.

Companies of the Group

The assets and liabilities of subsidiaries abroad are translated to Reais at the exchange rate on the balance sheet date, and the corresponding statements of income are translated at the average monthly rates for the year. The foreign exchange variation is recorded separately in net equity.

For consolidation purposes the financial statements of these subsidiaries are included in the consolidated financial statements and the adjustments stemming from the foreign exchange variation of assets and liabilities denominated in foreign currency are recorded in the equity valuation adjustment group of accounts under consolidated statements of changes in equity.

Cash and cash equivalents

These include cash, positive checking account balances, and short-term investments redeemable within 90 days of the transaction date posing low risk of any change in market value. Short-term investments included in cash and cash equivalents, are classified under the category "financial assets at fair value through profit and loss". The opening balance of these short-term investments by classification is presented in Note 6.

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 2.24. 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 when applicable, including direct taxes that fall under the Company's responsibility, less withholding taxes, which are considered tax credits. Trade accounts receivable from abroad are restated as stated in Note 2.4i.

If the receipt period is a year or less, receivables are classified under current assets. If not these are classified as non-current assets.

The allowance for doubtful accounts was set up for any amount considered sufficient by management to cover adventitious losses on receivables and was based on the analysis of individual balances receivable from customers presenting risk of default.

Inventories

Inventories are valued at cost or net realizable value, whichever is lower. The costs incurred in transporting each product to its current location and its current condition are recorded as follows:

Raw materials – cost of acquisition according to average cost.

Finished goods and goods in process – direct cost of materials, labor and a proportionate portion of indirect general production expenses based on normal operating capacity, excluding borrowing costs.

The net realizable value corresponds to the sales price in the normal course of business, less estimated finishing costs and necessary selling costs.

The provisions for slow-moving or obsolete inventories are set up when considered necessary by management.

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 are valued by the equity method, in accordance with CPC18 (IAS28), for subsidiary financial statement purposes.

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

After application of the equity method for purposes of the financial statements of the Company, it determines if it is necessary to recognize any additional impairment of the Company's investment in each of its subsidiaries. The Company determines, at each balance sheet date, whether there is objective evidence that investments in subsidiaries suffered impairment. If so, the Company calculates the impairment amount as the difference between the recoverable value of the subsidiary and its book value and recognizes this amount in the Company's income statement.

Property, plant and equipment

Depreciation is calculated by the straight line method at rates which take into consideration the estimated useful lives of the assets, as described below:

	Useful lives
Buildings	40 to 60 years
Premises	20 years
Machinery and equipment	6 to 19 years
Tooling	3 to 10 years
Vehicles	7 to 15 years
Furniture and fittings	10 to 20 years
IT equipment	4 to 8 years
Energy sub-station use right	10 years

A property, plant and equipment item is written-off when sold or when no future economic benefit is expected through its use or sale. Any gain or loss stemming from the disposal of the asset (calculated as the difference between the net sales amounts and the book value of the asset) are included in the statements of income for the year in which the asset was written-off.
In the year ended December 31, 2010 and 2009, the Company did not identify existence of indication that the book value of certain property, plant and equipment items could be above their recoverable value, consequently no provision for impairment of property, plant and equipment is necessary.

The residual value, the useful lives of assets and depreciation methods are revised at year end, and adjusted prospectively when applicable.

Due to changes in Brazilian accounting practices in order to fully adhere to the process of convergence to international accounting practices and first-time adoption of Accounting Pronouncements CPC 27 (IAS 16) and CPC 28 (IAS 40), the Company opted to perform the adjustment of opening balances similar to those permitted by international accounting standards through utilization of the deemed cost concept, as provided in Accounting Pronouncements CPC 37 (IFRS 1) and 43 (See Note 4)

Financing costs

Financing costs directly relating to the construction of an asset that necessarily requires a significant amount of time to reach completion are capitalized as part of the cost of the corresponding asset. All other financing costs are recorded at expenses in the period in which they were incurred. Financing costs include interest and other costs incurred by an entity relating to the loan. The Company capitalizes borrowing costs to all eligible assets.

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. 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.

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.

Intangible assets

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

Amortizaton is calculated by the straight line method along asset useful life at rates that take into consideration the estimated useful lives of assets, as under.

	Useful lives
Software and license	5 years
Energy sub-station use right	10 years

At December 31, 2010 and 2009, the Company did not have intangible assets with indefinite useful life or intangible assets generated in-house.

Impairment of non-financial assets

Management annually revises the net book value of assets in order to assess events or changes in economic, technological or operating circumstances indicating impairment. If any evidence of impairment is found and the net book value exceeds the recoverable value a provision for impairment is set up adjusting the net book value to the recoverable value.

The recoverable value of an asset or any given cash generating unit is defined as the higher figure between value in use and the net sales value.
To estimate the value in use of any asset the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the average weighted cost of capital in the industry in which the cash generating unit operates. The net sales value is determined whenever possible based on the agreed sales contract in any transaction on a commutative basis, between known and interested parties, adjusted by expenses attributable to sale of the asset, or when there is no sales agreement, based on the market price in an active market or the most recent transaction price of similar assets.

Adjustment to present value of assets and liabilities

Monetary assets and liabilities are adjusted to their present value when the effect in relation to the overall financial statements is considered significant. The adjustment to present value calculation is made based on interest rates that reflect the period and the risk of each transaction. For forward transactions the Company and its subsidiaries use the variation in the Interbank Deposit Certificate (CDI), given that this is the reference rate used for this type of transaction. The matching entry for the adjustment to present value of accounts receivable is gross revenue in the statements of income and the difference between the present value of a transaction and the face value on billing is considered financial income and allocated based on the average amortized cost and the effective long term maturity of the transaction.

The adjustment to present value of acquisitions is recorded in supplier and cost accounts, the realization of which is matched against the financial expenses account at the end of the term for each supplier.

At December 31, 2010 and 2009, we did not identify other transactions that may be considered significant in relation to the overall financial statements.

Provisions

<u>General</u>

Provisions are recognized when the Company has a present obligation (legal or not formalized) due to a past event, it is probable that economic resources will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made.

<u>Provision for tax, civil and labor contingencies</u>

The Company is party to various judicial and administrative proceedings. Provisions are set up for all disputes relating to judicial proceedings for which the likelihood of an outflow of resources to settle the disputes / obligation is probable and can be estimated with reasonable certainty. The probability of loss includes the evaluation of available evidence, the hierarchy of laws, available jurisprudence, more recent court decisions, and their significance in the judicial realm as well as the assessment of the Company's legal counsel. The provisions are reviewed and adjusted to take changes in circumstances into consideration such as the applicable period of laches, conclusions of tax audits or additional exposure identified based on new issues or court decisions.

Taxation

Taxes on sales

Revenues, expenses and assets are recorded net of sales taxes, except:

- When taxes on sales incurred in the purchase of assets or services are not recoverable from tax authorities, in this hypothesis taxes on sales are recognized as part of the cost of acquisition or expense item, when applicable;

- When accounts payable and receivable were recorded including taxes on sales, and

- When the net amount of sales taxes, recoverable or payable is included as a component amount of payable/ receivable accounts in the balance sheets

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

	Rate	
	Company	**Consolidated**
State VAT (ICMS)	7% to 17%	7% to 25%
Federal VAT (IPI)	0 % to 20%	0 % to 20%
Contribution for Social Security Financing (COFINS)	0% to 10.8%	0% to 10.8%
Contribution for Social Integration Program (PIS)	0% to 2.3%	0% to 2.3%
Service Tax (ISSQN)	2% to 4%	2% to 5%

These charges are recorded as sales deductions. Non-cumulative PIS/COFINS credits are recorded reducing cost of goods sold.

Current income and social contribution taxes

Tax assets and liabilities in the previous and prior years are measured at the expected recoverable or payable value to the tax authorities and are carried in current or non-current assets in accordance with the forecast of their realization and/ or settlement. The tax rates and the tax laws used to calculate the amount are those in force, or substantially in force, on the balance sheet date in the countries where the Company operates and generates taxable income.

Income and social contribution taxes relating to items directly recognized in net equity are carried in the statements of equity. Management regularly assesses the tax position of matters for which tax regulation requires interpretation and establishes provisions when appropriate.

Deferred taxes

Deferred taxes are generated by temporary differences between the tax bases of assets and liabilities and their book values on the balance sheet date. Deferred tax liabilities are recognized for all temporary tax differences, except:

- when a deferred tax liability arises from initial recognition of goodwill, or an asset or liability in a transaction that is not a business combination and which does not affect the book value, net income or tax losses on the date of the transaction; and

- on temporary differences relating to investments in subsidiaries, where the reversal period for temporary differences cannot be controlled and it is probable that temporary differences will not be reversed in the near future.

Deferred tax assets are recognized for all deductible temporary differences, tax credits and unutilized tax losses, to the extent that it is probable that taxable income will be generated so that the deductible temporary differences may be realized and that unutilized tax credits and debits may be utilized, except:

- when the tax credit relating to a temporary deductible difference is generated in the initial recognition of assets and liabilities in a transaction that is not a business combination and does not affect the book value, net income or tax losses on the date of the transaction; or

- on deductible temporary differences with investments in subsidiaries tax credits are recognized only to the extent that it is probable that temporary differences will be reversed in the near future and taxable profit will be generated so that these temporary differences can be utilized.

The book value of tax credits is reviewed on each balance sheet date and written off to the extent that it is no longer probable that taxable profit will be generated to allow all or part of the deferred tax assets to be utilized. Written-off deferred tax assets are reviewed on each balance sheet date and are recognized to the extent that it is probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to be applied in the year in which the asset will be realized or the liability settled based on income taxes (and tax law) in force on the balance sheet date.

Deferred taxes relating to items recognized directly in net equity are also recognized in net equity but not in the statements of income. Deferred tax items are recognized in accordance with the transaction that generated the deferred tax asset in the statements of comprehensive income or directly in net equity. Deferred tax assets and liabilities are stated net of any legal or contractual right to offset them against tax liabilities and deferred taxes are related to the same taxpaying entity under the same tax authority.

Deferred tax assets arising from income and social contribution tax losses and temporary differences were recorded, 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.

Employee private pension and post-employment benefit plan

The Company sponsors a supplementary defined contribution type private pension plan the main objective of which is to supplement the benefits guaranteed and awarded through social security to its employees. The plan affords the following benefits: standard retirement, early retirement, retirement through invalidity, *pension payment due to death, proportional benefit and minimum guaranteed benefits. The benefit plan is actuarially evaluated at year end by independent actuaries to verify if the rates of the contributions are sufficient for the formation of reserves necessary to meet actual and future commitments. Actuarial gains and losses are recognized immediately in net equity in the comprehensive income group of accounts in accordance with Accounting Pronouncement CPC 33 – Benefits to Employees.*

The private pension plan sponsoring costs are recognized as expenses when the contributions are made.

Other benefits to employees

Other benefits awarded to the Company's employees and management include, in addition to fixed remuneration (salaries and charges to Social Security (INSS), vacations, 13th salary), variable remuneration such as profit sharing and the defined contribution pension plan (Note 23). These benefits are recorded in net income for the year when the Company has a liability recorded under the accrual method, to the extent these are incurred.

Earnings per share

The Company calculates earnings per lot of one thousand shares – utilizing the weighted total average of outstanding common and preferred shares during the period corresponding to the statements of income in accordance with Accounting Pronouncement CPC 41 (ISA 33).

Treasury shares

The Company's treasury shares are restated and recognized at cost and deducted from net equity. No gain or loss is recognized in the statements of income in the acquisition, sale, issue or cancellation of the Company's own equity instruments. Any difference between the book value and payment is recognized in other capital reserves.

Government grants

Government grants are recognized when there is reasonable certainty that the benefit will be received and the all the corresponding conditions will be met. When the benefit relates to an expenses item, it is recognized as revenue over the period of the benefit, on a systematic basis in relation to the costs which the benefit is intended to offset. When the benefit refers to an asset it is recognized as unearned income and recorded in the statements of income at amounts equal to the expected useful life of the corresponding asset.

Statements of cash flows

The statements of cash flows were prepared by the indirect method and are being presented in accordance with CVM Rule No. 547, dated August 13, 2008, that approved Accounting Pronouncement CPC 03 (IAS 7) – Statements of Cash Flows issued by the CPC.

Financial instruments – Initial recognition and subsequent measurement

Initial recognition and subsequent measurement

Financial instruments are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition or issuance except for financial assets or liabilities classified under the category of fair value through profit and loss when such costs are directly recorded in the statements of income.

The main financial assets recognized by the Company are: cash and cash equivalents, trade accounts receivable, and derivative financial instruments. These assets were classified under the category of financial assets at fair value through profit and loss, loans and accounts receivable.

The main financial liabilities are: trade and other accounts payable, loans and financing and derivative financial instruments.

Subsequent measurement

Subsequent measurement of financial instruments takes place at each balance sheet date in accordance with the classification of the financial instruments under the following categories of financial assets and liabilities: financial assets and financial liabilities measured at fair value through profit and loss, investments held to maturity, loans and accounts receivable, loans and financing, financial assets and financial instruments that are available for sale.
The Company's financial assets and liabilities were classified according to the following categories:

Financial assets and liabilities stated at fair value through profit and loss

Financial assets and liabilities stated at fair value through profit and loss include financial instruments held for trading and financial assets and liabilities stated at initial recognition at fair value through profit and loss. Instruments acquired for sale in the short-term are classified as held for trading.

This category includes derivative financial instruments contracted by the Company that do not satisfy hedge accounting criteria defined in CPC 38. Derivatives, including embedded derivatives that are not intrinsically related to the main contract and must be held separately are also classified as held for trading, unless they are classified as effective hedge instruments. Financial assets at fair value through profit and loss are recorded in the balance sheet at fair value with corresponding gains or losses recognized in the statements of income. Interest, monetary restatement, foreign exchange variation and adjustments to fair value are recognized in the statements of income when incurred.

Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has expressed the intention and financial capacity to hold them to maturity. After initial evaluation, investments held to maturity are stated at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated taking into consideration any discount or premium on acquisition and charges or costs incurred. Amortization of effective interest is included in financial income account, in the income statement. Impairment losses are recognized as financial expenses in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial instruments, with fixed quantifiable payments that are not traded on an active market. After initial recognition these financial assets are stated at amortized cost using the effective interest method (effective interest rate), less impairment. The amortized cost takes any discount or bonus of the acquisition into consideration as well as the taxes and costs incurred. The amortization of the effective interest method is carried under financial income in the statements of income. Losses for impairment are recognized as financial expenses in the statements of income.

Loans and financing

After initial recognition loans and financing incurring interest are later measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the statements of income at the moment that the liabilities are written-off, as well as during the amortization process by the effective interest method.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Company and its subsidiaries use derivative financial instruments, such as forward exchange contracts and interest rate swaps to provide hedge against the risk of change in exchange rate and in interest rate, respectively.

Derivative financial instruments designated in hedge operations are initially recognized at fair value on the date that the derivative instrument is contracted and are later restated to fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive and as financial liabilities when the fair value of the instrument is negative.

Any gains and losses stemming from changes in the fair value of derivatives over the year are recorded in the statements of income with the exception of the effective hedged portion of cash flows which is recognized in net equity in the statements of other comprehensive income.

As from 2010, its subsidiary Fras-le S.A. began to utilize the registration of derivatives such as hedge accounting, classified under cash flow hedge, in order to hedge against any cash flow fluctuation attributable to any given risk associated with a recognized asset, liability or transaction that is highly likely to affect the statements of income.

On initial recognition the Company formally classifies and documents the hedge contract that it wishes to include under hedge accounting as well as management's risk management objective and strategy for that hedge transaction. The documentation includes identification of the hedge instrument, the item or transaction to be hedged, the nature of the risks hedged, a prospective statement of hedge effectiveness and the means by which the Company will evaluate the effectiveness of the hedge instrument in order to offset exposure to any change in the value of the hedged item or cash flows in relation to the risk of the hedged item.

Regarding cash flow hedge it is assumed that these hedge transactions are highly effective in offsetting any changes in fair value or cash flows, and are constantly assessed to verify if these are highly effective over the duration of all base periods for which they were intended.
The criteria used in to record them are as follows:

- The effective part of the gain or loss of the hedge instrument is recognized directly in net equity and other comprehensive income, while the ineffective part of the hedge is immediately recognized in financial income.

- When the Company's documented risk management strategy for any given hedge relationship excludes from the hedge effectiveness evaluation any particular component of gain or loss or related cash flows from the hedge instrument that gain or loss component is immediately recognized in financial income.

- The amounts recorded in other comprehensive income are immediately transferred to the statements of income when the hedged transaction affects net income, for example, when hedged financial income or expenses are recognized or when a sale is likely to occur. When a hedged item pertains to the cost of a non-financial asset or liability the amounts recorded in net equity are transferred at their initial book value to non-financial assets and liabilities.

- If a projected transaction or contracted sale is no longer expected to occur, the amounts previously recognized in net equity are transferred to the statements of income.

- If the hedge instrument expires, is sold, is terminated or exercised without substitution or rollover, or if its classification as a hedge is revoked, the gains and losses previously recorded in comprehensive income remain deferred in net equity in the other comprehensive income reserve up to the moment that the projected transaction or contracted sale affect net income.

Segment information

Operating segment information is presented consistently in internal reports supplied to the main operational decision makers, i.e. the Executive board, which is also responsible for taking the Company's strategic decisions.

10.6. Internal controls adopted to ensure the preparation of reliable financial statements:

a. Degree of efficiency of these controls, indicating eventual inadequacies and measures adopted to correct them:

Based on the best practices, Randon maintains an Internal Audit Board which seeks to constantly evaluate the efficiency and effectiveness of its internal controls and keep them updated in order to mitigate potential losses arising from their exposure to risk, and to strengthen processes and procedures focused on Corporate Governance.
The above-mentioned structure, comprised of dedicated people, as well as investments in technology and staff training ensure compliance with the prevailing laws and regulations and with the Company`s internal policies.
The process flows and systems of the Organization are frequently reevaluated and tested in order to measure the effectiveness of existing controls, with full involvement of the areas. This results in reports to the Board of Directors and Audit Committee, in accordance with the main control frameworks.
In the tests conducted by the Company in this regard, deficiencies that may compromise the security of internal controls have not been detected.
It is worth mentioning the benefits, at corporate level, reaped from the constant dissemination of information emphasizing the importance of control measures, investment in technological resources, improvement in the quality of operating and administrative processes/ associated controls, and enhancement of the requirements focused on the best practices of Corporate Governance .

b. Deficiencies and recommendations on internal controls included in the independent auditors` report:

Based on our knowledge and on the work carried out by the independent auditors to assess the structure of internal controls of the Company, aimed at ensuring the adequacy of the financial statements of Randon, we do not know any aspects which may significantly jeopardize the adequacy of our financial statements with accounting practices adopted in Brazil.

10.7. Aspects concerning eventual public offering of shares:

a. How funds resulting from the offering were utilized

Not applicable.

b. Any relevant discrepancy between the effective use of the funds and the funding proposals disclosed in the respective offering memorandum:

Not applicable.

d. In case of any discrepancy, explain the reasons for such an event:

Not applicable.

10.8. Relevant items not disclosed in the Company`s Financial Statements:

a) Assets and liabilities directly or indirectly held by the Company that are not included in its balance sheet (off-balance sheet items) such as:

i. Operating leases, taken and extended:

Not applicable

ii. Receivable portfolio write-offs that create any risks or responsibilities for the Company, plus all relevant liabilities, where applicable:

Not applicable

iii. Future goods and services purchase and sales agreements:

Not applicable

iv. Incomplete building contracts:

Not applicable

v. **Future loan proceeds contracts**:

Not applicable.

b) Other items not included in the financial statements:

Not applicable.

10.9. With regard to each item not included in the financial statements indicated in item 10.8, comment on the following:

a. How such items change or may change, in the future, the revenues, expenses, operating result, financial expenses or other items in the Company`s financial statements:

Not applicable.

b. the nature and purpose of the operation:

Not applicable.

c. The nature and amount of the obligations assumed and rights created in favor of the Company as a result of the operation:

Not applicable.

10.10. Main elements of the Company`s Business Plan, especially:

a. investments, including:

i. Quantitative and qualitative description of the investments in progress and estimated investments:

In 2009, our investments reached R$ 123,3 million. The year was marked by the completion of several projects included in our 5-Year Investment Plan (2005-2009).

In 1Q09, Randon began to operate its new E-coat paint system. The process received investments of R$ 70 million and provides Randon products with a competitive advantage, unprecedented in this market segment. With this painting process in place and within the celebrations of the 60th Anniversary of Randon Companies, the new Grain Line – 60-Year Series has been launched with a 5-year Warranty for chassis painting. This new painting system is certainly an important competitive edge in the current market.

The year 2009 was also marked by the completion of two major developments: the Proving Ground of Randon Companies and the industrial park of Castertech *Tecnologia e Fundição*, the newest controlled company of Randon conglomerate, which came into operation in 4Q09.

Listed below are the total investments made in 2009:

ACCRUED INVESTMENTS - 2009

FIXED ASSETS (In thousands of Reais)	Randon	Fras-le	Master	Jost	Suspensys	Veículos	Consórcio	Argentina	Randon SP	Randon Middle East	Castertech	Total
Machines	9,540	12,760	2,424	1,833	8,163			208	456		6,203	41,587
Buildings	9,223	10,038	3,303	41	5,026				8		4,487	32,126
Land	8										965	973
Tooling	5,393	2,721	687	1,512	2,527			37	163		618	13,658
Building Improvements	2,539	28							77		1,243	3,887
Vehicles	1,532	174	44		20			61	376		251	2,458
Furniture & Fixtures	359	274	283	5	109	3	25	6	34	3	337	1,438
Lab Equipment	179			52							293	524
Computer hardware and software	10,732	831	111	89	139	82	139	28	127		291	12,569
Others	759			279				(1,993)	2,655		12,357	14,057
TOTAL:	40,264	26,826	6,852	3,811	15,984	85	164	(1,653)	3,896	3	27,045	123,277
INVESTMENTS (*) - (Thousands of Reais)	18						1					19
GRAND TOTAL (Thousands of Reais)	40,282	26,826	6,852	3,811	15,984	85	165	(1,653)	3,896	3	27,045	123,296

(*) Other companies' shares or quotas, incentives, etc.

Consolidated Investments

In 2010, investments reached R$ 190.5 million. Also in 2010, Randon Companies began implementing the new ERP, whose contract with SAP was signed in December/2009. Integration of business processes is key to facilitating synergy between group companies. Investments will support growth of revenue and the internationalization project of Randon and its subsidiaries. Other investments are spread among the construction of facilities: completion of the HR building complex, beginning of construction works of the new Shipping Area of Randon (Road Equipment Division), and expansion in the industrial capacity of Randon Companies as a whole.

Below are total investments made in 2010:

ACCRUED INVESTMENTS - 2010

FIXED ASSETS (In thousands of Reais)	Randon	Fras-le	Master	Jost	Suspensys	Consórcio	Argentina	Randon SP	Randon Middle East	Randon Automotive	Castertech	Randon Investim.	Total
Machines	19,222	22,834	4,486	2,256	9,719	0	390	884			1,753	0	61,544
Buildings	5,577	1,164	1,998	22	1,255	0	33	0			1,235	0	11,284
Land	25,463	0	0	0	0	0	0	0			5	0	25,468
Tooling	6,078	6,952	594	1,135	5,479	0	66	105			85	0	20,494
Building Improvements	5,989	0	0	29	0	0	0	383			862	0	7,263
Vehicles	1,560	475	95	0	107	0	0	6			111	180	2,534
Furniture & Fixtures	1,515	942	1,741	53	198	64	17	223	2	13	214	190	5,172
Lab Equipment	386	0	0	52	505		0	0			519	0	1,462
Computer hardware and software	21,149	408	236	466	6,175	670	45	293			80	265	29,787
Others	2,854	7,831	4,155	236	991	0	15	6,891			2,527	18	25,518
TOTAL:	89,793	40,606	13,305	4,249	24,429	734	566	8,785	2	13	7,391	653	190,526
INVESTMENTS (*) - (Thousands of Reais)													0
GRAND TOTAL (Thousands of Reais)	89,793	40,606	13,305	4,249	24,429	734	566	8,785	2	13	7,391	653	190,526

(*) Other companies' shares or quotas, incentives, etc.

ii. Sources of investment funding

The sources of investment funding were the Company`s own Cash Generation, BNDES, IFC and FINEP, as previously demonstrated.

iii. Material divestments in progress and estimated divestments:

Not applicable.

b. Acquisitions already announced of plants, equipment, patents or other assets that may materially affect the Company`s production capacity:

Not applicable.

c. New products and services, indicating:

i. Description of research in progress that has already been disclosed:

Not applicable.

ii. Total amounts spent by the Company on research to develop new products or services:

Not applicable.

iii. Projects under development already disclosed:

Not applicable.

iv. Total amounts spent by the Company on the development of new products or services:

Not applicable.

10.11. Other factors significantly impacting operating performance that were not identified or commented on in other items of this section:

None.

nformation provided on items 12.6 to 12.10 in the Reference Form

Below is detailed information listed on items 12.6 to 12.10 of the Reference Form, relating to candidates nominated by the controlling shareholder to be part of the Board of Directors and Audit Committee at the AGM to be held on April 18, 2011

12.6. Breakdown and professional experience of administrators and members of the Audit Committee in the form of a table:

Board of Directors:

a. Name:	**Raul Anselmo Randon**	**Alexandre Randon**	**Hugo Eurico Irigoyen Ferreira**
b. Age	81	48	72
c. Profession	Entrepreneur	Mechanical Engineer	Mechanical Engineer
d. Private Taxpayers` Registry (CPF)	004.273.900-44	468.801.000-15	001.983.310-53
e. Management body position	Chairman of the Board of Directors	Vice-chairman of the Board of Directors	Member of the Board of Directors
f. Date of election	Apr 8, 2009	April 8, 2009	April 8, 2009
g. Date of Investiture	April 23, 2009	April 23, 2009	April 23, 2009
h. Term of office	2 years	2 years	2 years
i. Other positions held in the Company	-0-	Vice-President Director	-0-
j. Elected by controlling shareholder or not	Yes	Yes	yes

Audit Committee:

Sitting members			
a. Name:	**Maria Tereza Casagrande**	**Carlos Osvaldo Pereira Hoff**	**João Carlos Sfreddo**
b. Age	61	63	64
c. Profession	Accountant	Accountant	Accountant
d. Private Taxpayers` Registry (CPF)	181.460.660-20	055.286.900-72	008.936.920-34
e. Position held	-0-	Sitting Member	-0-
f. Date of election	-0-	April 8, 2010	-0-
g. Date of investiture	-0-	May 6, 2010	-0-
h. Term of office	-0-	1 year	-0-
i. Other positions held in the Company	-0-	-0-	-0-
j. Elected by controlling shareholder or not	yes	Yes	Yes

Alternate Members			
a. Name:	**Paulo Poletto**	**Orly Casara**	**Werner Bornholdt**
b. Age	65	66	61
c. Profession	Economist	Accountant	Economist
d. Private Taxpayers` Registry (CPF)	025.730.678-15	008.125.600-00	320.629.828-87
e. Position held	Substitute member	Substitute member	-0-
f. Date of election	April 4, 2010	April 8, 2010	-0-
g. Date of investiture	-0-	-0-	-0-
h. Term of office	1 year	1 year	-0-
i. Other positions held in the Company	-0-	-0-	-0-
j. Elected by controlling shareholder or not	Yes	Yes	Yes

12.7. Provide information mentioned on item 12.6 in relation to the members of statutory committees, as well as auditing, risk, financial and remuneration committees, even if those committees or frameworks are not statutory:
Not applicable

12.8. For each one of the administrators and members of the audit committee provide:

a. Résumé, containing the following information:

i. Main professional experience over the past five years, including: Company's name, Designation and functions of the office, the company's main activity in which such experiences occurred, highlighting the companies or organizations that comprise (i) the economic group of the issuer, or (ii) partners with direct or indirect interest equal or higher than 5% of the same class or kind of issuer`s securities; ii. Statement of all positions of management who hold or have held in publicly-held companies.

b. Description of any of the following events that have occurred during the last 05 years:

i. Any criminal conviction;

ii. Any conviction in an administrative proceeding of the CVM and penalties;

iii. Any conviction that has become final, legal or administrative, which has suspended or disqualified him/her to perform a professional or commercial activity.

Board of Directors

Raul Anselmo Randon

a. Randon S.A.- Implementos e Participações (Public-Held Company) - President Director until April 2009 and Chairman of the Board of Directors to date – Main activity: industry of automotive and towed vehicles, and rail wagons; Fras-le S.A (Public-Held Company) – President Director until April 2010 and Chairman of the Board of Directors to this date - Main Activity: industry of friction materials - subsidiary of Randon S.A.- Implementos e Particpações; Rasip Agro Pastoral S.A (Public-Held Company) – President Director and Chairman of the Board of Directors – Main activity: growing and marketing of apples, production of cheese and other dairy products - a company under common control of Dramd Participações e Administração Ltda; and Dramd Participações e Administração Ltda. - Managing partner - Main Activity: holding company which holds equity interests of Randon S.A.- Implementos and Participações and Rasip Agro Pastoril Ltda.

b. No criminal, legal or administrative convictions that has suspended or disqualified him to perform any professional or commercial activity. In relation to administrative proceedings before CVM, in the section of Judgment of Administrative Proceedings CVM No. 22/04, held on June 20, 2007, he was ordered to pay fines for allegedly violating the provisions of Article 155, § 1 of Law 6404/76, and the caput of Article 13, of CVM Instruction 358/02. But because we believe that there was a misconception in the decision issued by CVM, an appeal with suspensive effect of the decision was filed with "Conselho de Recursos do Sistema Financeiro Nacional" (National Financial System Appeals Council) (CRSFN)), which is pending trial**.**

Alexandre Randon

a. Randon S.A. Implementos e Participações (Publicly-Held Company) – Vice-President Director and Vice-President of the Board of Directors – Main activity: industry of automotive and towed vehicles, and rail wagons; Rasip Agro Pastoril S.A. (Publicly-Held Company) – Member of the Board of Directors – Main activity: growing and marketing of apples, production of cheese and other dairy products - a company under common control of Dramd Participações e Administração Ltda;

b. No criminal, legal or administrative convictions that has suspended or disqualified him to perform any professional or commercial activity. In relation to administrative proceedings before CVM, in the section of Judgment of Administrative Proceedings CVM No. 22/04, held on June 20, 2007, he was ordered to pay fines for allegedly violating the provisions of Article 155, § 1 of Law 6404/76, and the caput of Article 13, of CVM Instruction 358/02. But because we believe that there was a misconception in the decision issued by CVM, an appeal with suspensive effect of the decision was filed with "Conselho de Recursos do Sistema Financeiro Nacional" (National Financial System Appeals Council) (CRSFN)), which is pending trial**.**

Hugo Eurico Irigoyen Ferreira

a. Caribor Tecnologia da Borracha Ltda. – Board of Directors Member – Main activity: Production technology company in rubber parts and solutions in molded elastomers.

Rudolph Usinagem de Precisão Ltda. – Board of Directors Member – Main activity: industry of fuel feeding and injection systems (gear boxes, brakes, steering systems, diesel engines and truck axles for the automotive industry); SAE Brasil Seção PR/SC – Director. Main activity: non-profit association that brings together individuals (engineers, technicians and executives) joined to promote the advance and dissemination of knowledge in mobility technology through the training, development and interaction of professionals from the business, governmental and academic areas, with social and environmental responsibilities; Federação das Indústrias de Santa Catarina (FIESC) – Member of the Automotive Council; TAC Tecnologia Automotiva Catarinense – member of the Consultative Board; Consulmerc - Consultoria de Negócios do Mercosul – partner – consulting company in the area of business; and Randon S.A. Implementos e Participações (Publicly Held Company) – member o the Board of Directors – Main activity: industry of automotive and towed vehicles, and rail wagons;

b. No criminal conviction; no conviction in an administrative proceeding of CVM; no legal or administrative conviction that has suspended or disqualified him to perform professional or commercial activities.

Audit Board – Sitting members

Maria Tereza Casagrande

a. Randon S.A. Implementos e Participações (Publicly-held company) – Corporate Administrative Manager, responsible for the corporate areas of Human Resources, Controllership and Legal Matters until December 31, 2010 – Main activity: industry of automotive and towed vehicles, and rail wagons; Instituto Elisabetha Randon Pró Educação e Cultura – Administrative Director – Main activity: non-profit association (OSCIP) which assists children from 7 to 14 yeas of age in the opposite shift of the regular school hours; CENEX – Centro de Excelência Empresarial – Director – Main activity: non-profit association aimed at developing executives from member companies; SIMECS Sindicato das Indústrias Metalúrgicas, Mecânicas e de Material Elétrico de Caxias do Sul – Coordinator of the Labor Relations Commission. She has not served as an Administrator at a Public-held company in the last five years.

b. No criminal conviction; no conviction in an administrative proceeding of CVM (Exchange Securities Commission); no legal or administrative conviction that has suspended or disqualified her to perform professional or commercial activities.

Carlos Osvaldo Pereira Hoff

a. Exacto Auditoria S.S. – Audit Partner-Director – independent auditing firm duly registered with CVM (Exchange Securities Commission),member of the economic group Exacto Serviços Tributários SS Ltda; and, Randon S.A. Implementos e Participações (Publicly-held company) – sitting member of the Audit Committee - Main Activity: industry of automotive and towed vehicles, and rail wagons.

b. No criminal conviction; no conviction in an administrative proceeding of CVM (Exchange Securities Commission); no legal or administrative conviction that has suspended or disqualified him to perform professional or commercial activities.

João Carlos Sfreddo

a. Sfreddo Serviços Contábeis S.S. – Partner; Ernst & Young Auditores S.S. – partner in charge of the Porto Alegre, Curitiba and Blumenau offices until December 2009 when He resigned his position in the company. He has not served as an Administrator at a Public-held company in the last five years.

b. No criminal conviction; no conviction in an administrative proceeding of CVM (Exchange Securities Commission); no legal or administrative conviction that has suspended or disqualified him to perform professional or commercial activities.

Audit Board – alternate members

Werner Bornholdt

a. Werner Bornholdt Consultores de Empresas SS – President Director - provision of consultancy services in the economic area; Medabil Sistemas Construtivos S.A. – President of the Board of Directors; Soprano Eletrometalurgica e Hidráulica Ltda. – member of the Board of Directors; Freios Controil Ltda. – Board member; Memphis S/A – Board member; Expresso Mercúrio S.A. – Board member; and Randon S.A. Implementos e Participações (Publicly-held company) – sitting member of the Audit Comitte until April 2009 - Main activity: industry of automotive and towed vehicles, and rail wagons;

b. No criminal conviction; no conviction in an administrative proceeding of CVM (Exchange Securities Commission); no legal or administrative conviction that has suspended or disqualified him to perform professional or commercial activities.

Orly Casara

a. Universidade de Caxias do Sul (Foundation for Higher Education) - teacher of the undergraduate course in Accounting and supervisor of monographs in the area of financial statement analysis. Randon S.A. Implementos e Participações (Publicly-held company) – alternate member of the Audit Committee – Main activity: industry of automotive and towed vehicles, and rail wagons.

b. No criminal conviction; no conviction in an administrative proceeding of CVM (Exchange Securities Commission); no legal or administrative conviction that has suspended or disqualified him to perform professional or commercial activities.

Paulo Poletto

a. Festa Nacional da Uva Turismo e Empreendimentos S.A. – Administrative and Financial Director – Main activity: renting for events and trade shows; - Comissão da Festa da Uva e Feiras Agroindustriais (non-profit entity) – Administrative and Financial Director – Main activity: agency services and holding of events related to trade fairs and entrepreneurship; PP Assessoria Empresarial Ltda. – Partner-Manager – Main activity: business consultancy firm in the areas of general management, strategic planning and costs; and, Randon S.A. Implementos e Participações (Publicly Held Company) – alternate member of Audit Comittee – Main activity: industry of automotive and towed vehicles, and rail wagons. He was the Administrative, Financial and Investor Relations of Agrale S.A. (while it was a Publicly-Held Company).

b. No criminal conviction; no conviction in an administrative proceeding of CVM (Exchange Securities Commission); no legal or administrative conviction that has suspended or disqualified him to perform professional or commercial activities.

12.9. Inform the existence of marriage, stable union or familiar relationship up to the second degree among the:

a. administrators of the Company;
  b. (i) administrators of the Company and (ii)administrators of the Company`s subsidiaries, either direct or indirect;
  c. (i) administrators of the Company or of its subsidiaries, direct or indirect and (ii) Company`s controlling companies, either direct or indirect;
  d. (i) administrators of the Company and (ii) administrators of the Company`s direct or indirect subsidiaries.

Of the persons appointed by the controlling shareholder to the positions of members of the Board of Directors and Audit Committee at the AGM of 18 April 2011, only the persons listed below have family ties mentioned in item 12.9 above.

Raul Anselmo Randon – Chairman of the Board of Directors

Related People:

- Alexandre Randon`s Father: Vice-Chairman of the Board of Directors of the Company
- David Abramo Randon`s Father: President Director of the Company
- Daniel Raul Randon`s Father: President Director of the subsidiary Fras-le S.A.

Alexandre Randon – Vice-Chairman of the Board of Directors

Related People:

- ⇨ Raul Anselmo Randon`s son: Chairman of the Board of Directors of the Company
- ⇨ David Abramo Randon`s brother: President Director of the Company
- ⇨ Daniel Raul Randon`s brother: President Director of the subsidiary Fras-le S.A.

12.10. Relationships of subordination, service provision or control in the last three fiscal years between the management of the Company or its subsidiaries, parent company and others with:

Inform about subordinate relationships, service provision or control maintained in the past 03 fiscal years among the Company`s Administrators and:

a. **direct or indirect subsidiary of the Company**
b. **direct or indirect controlling shareholder in the Company**
c. s**upplier, customer, debtor or creditor of the Company, its subsidiary or controlling shareholders, or controlling shareholders of any of these persons, if relevant.**

The candidates for administrators and auditors of the Company do not have any subordinate relationship, service provision or control maintained in the past 3 fiscal years, (i) with a direct or indirect subsidiary of the Company; (ii) a direct or indirect controlling shareholder in the Company; with suppliers,

customers, debtors or creditors of the Company, its subsidiary or controlling shareholders, or controlling shareholders of any of these persons.

Information provided in item 13 of the Reference Form

13. Compensation of the Administrators

13.1. Policies and practices for the compensation of members of the Board of Directors, Executive Board (statutory or non-statutory), Audit Committee, Statutory Committees, Audit, Risk, Financial and Compensation Committees, addressing the following aspects:

a. Objectives of the Remuneration Policy or Practice
Remuneration practices of members of the Board of Directors, Statutory and Non-Statutory Executive Officers and Audit Board members are aligned with the interests of the Company and are intended to recognize professionals for the performance of their duties, in order to encourage them to contribute and pursue business expansion and, consequently, shareholders return, taking into account the responsibilities of each member and the time devoted to their duties.

b. The annual fees of the Board of Directors, Statutory Executive Officers and Audit Committee are paid in thirteen installments, two of which are paid in December. Likewise is the payment of the Non-Statutory Executive Officers, who have an employment relationship with the Company.

c. Compensation breakdown, including:

i. *a description of the compensation elements and the purpose of each;*

Remuneration consists of fixed fees, variable remuneration (represented by profit sharing), private pension and medical care.

The fixed fees are intended to pay the administrators and auditing members for their functions in accordance with market practices; profit sharing aims to challenge management to increasingly seek results that exceed those established in the Strategic Planning; private pension seeks to ensure additional income in the post-career period; and health care aims to make access to health easier to employees and their dependents, as the case may be.

Non-statutory executive officers receive profit sharing calculated on results achieved by the Company as compared to the profit target established in the annual strategic planning.

The members of the Audit Committee are paid a fixed salary equivalent to 10% of that, on average, is assigned to each Statutory Director, not including the bonuses that are paid to Directors. Members are also entitled to receive reimbursement of their travel and lodging expenses incurred while performing their duties.

Remuneration distribution must be in accordance with the amount approved at the Annual General Meeting (AGM).

ii. **Proportion of each component in relation to overall compensation;**
There is no a fixed ratio, which may vary according to the performance of the Company and resolutions of the General Assembly and Board of Directors. The profit sharing of administrators complies with the limits established by Law 6404/76.

The table below shows the proportion of each component in relation to the overall compensation of directors, broken down among the Statutory Board, Board of Directors and Audit Committee.

Year	Description of Item	Statutory Directors	Board of Directors	Audit Committee
2009	Fees	45,59%	53,95%	100%
	Profit sharing	52,51%	44,07%	N/A
	Private pension plan	1,56%	1,72%	N/A
	Medical care	0,34%	0,26%	N/A
2010	Fees	43,90%	61,48%	100%
	Profit sharing	54,31%	36,31%	N/A
	Private pension plan	1,41%	1,82%	N/A
	Medical care	0,38%	0,39%	N/A

iii. **Methodology for calculating and adjusting each compensation element;**

There is no a single method of calculation and adjustment, since several factors are taken into account. The fees are adjusted according to market practice, based on specific market analysis, as well as on inflation parameters; profit sharing follows legal limits according to profit achieved in each fiscal year; private pension is adjusted in the same proportion as the adjustment of fixed fees; and medical care complies with the limits established by "Agência Nacional de Saúde Suplementar" (ANS) (National Health Agency).

iv. **Description of compensation elements**

Composition of the remuneration of the Company`s administrators is defined based on company`s economic and financial results, individual performance, and market practices.

d. **Main performance indicators for determining each compensation element:**

The fees follow market practices indicators based on specific market analysis and on inflation parameters; profit sharing seeks to optimize the Company`s results by exceeding those established in the strategic planning.

e. Alignment of compensation policies and practices with the Company's interest in the short, medium and long term:

The remuneration of the Administrators of the Company is defined based on the Company`s economic and financial results, individual performance, and alignment with the short, medium and long strategies of the Company.

e. **Existence of compensation supported by direct or indirect subsidiaries or controlling companies:**

Not applicable

f. Existence of any compensation or benefit bound to a specific corporate event such as disposal of the Company's control:
Not applicable

13.2.- **In relation to the compensation of the Board of Directors and Audit Committee, recognized in the result of the three last fiscal years and that estimated for the current fiscal year, create a table with the following content:**

f. Body

Board of Directors, Executive Board and Audit Board

g. Number of members

Year	Statutory Executive Board	Board of Directors	Audit Board
2009	4	5	3*
2010	4	5	3
2011	4	5	3
* In 2009, until the month of May, the Audit Board comprised five (5) sitting members. After May 2010, it comprised three (3) sitting members. * In 2011, there are three sitting members in the Audit Committee, who will serve until the date of the AGM. Following the AGM, five (five) sitting members may be elected.			

h. Remuneration broken down into:

i. fixed annual remuneration, broken down into:

ii. • salary or pro-labore

iii. • direct and indirect bonuses

iv. • remuneration for participation in committees - Not Applicable

v. • others - not applicable

Year	Description	Statutory Executive Board	Board of Directors	Audit Board
2009	Fees	2.003.519,00	2.073.511,00	207.086,00
	Medical care	14.702,00	9.801,00	N/A
2010	Fees	2.419.820,00	2.181.107,00	181.506,00
	Medical care	21.000,00	14.000,00	N/A
Forecast* 2011	Fees	2.882.000,00	2.618.000,00	340.000,00
	Medical care	22.200,00	14.800,00	N/A
The positions of Chairman and Vice-Chairman of the Board of Directors are occupied by the same person and his fees are paid partly by the office of Director and partly as a Board member, being partially shown in the two bodies. * The amount of fees established for 2011 takes into account the amount to be submitted at the AGM, since the Board has not yet set individual values. This must be done following the completion of the AGM. Upon presentation of the Reference Form, the amounts will be updated.				

vi. Variable remuneration, broke down into:

- bonus – not applicable
- profit sharing
- remuneration for participation in meetings – not applicable
- commissions – not applicable
- others – not applicable

Year	Description	Statutory Board	Board of Directors	Audit Board
2009	Number of members	3	2	N/A
	Profit sharing	2.307.500,00	1.693.900,00	N/A
2010	Number of members	4	1	N/A
	Profit sharing	2.993.640,00	1.288.066,00	N/A
Forecast 2011	Number of members	4	1	N/A
	Profit sharing	3.530.960,00	1.519.040,00	N/A
Profit sharing for 2011 is an estimate, since it will be calculated based on profit for the year to be ended on December 31, 2011.				

vii. Pos-employment benefits:

YEAR	Description	Statutory Board	Board of Directors	Audit Board
2009	Number of members	1	1	N/A
	Private pension plan - Randonprev	68.487,00	66.298,00	N/A
2010	Number of members	1	1	N/A
	Private pension plan - Randonprev	77.312,00	64.453,00	N/A
Forecast for 2011	Number of members	1	1	N/A
	Private pension plan – Randonprev	105.200,00	68.048,00	N/A

viii. Benefits due to interruption of position

Not applicable

ix. Share-based remuneration
Not applicable

i. Amount, by Board, of the Board of Directors, Statutory Executive Board and Audit Board Remuneration:

Year	Statutory Executive Board	Board of Directors	Audit Board
2009	4.394.208,00	3.843.510,00	207.086,00
2010	5.511.772,00	3.547.626,00	181.506,00
Forecast for 2011	6.540.360,00	4.219.888,00	340.000,00

j. Total remuneration of the Board of Directors, Statutory Executive Board and Audit Board

Year	Total amount in R$
2009	8.444.795,00
2010	9.240.904,00
Forecast for 2011	11.100.248,00

13.2. Variable remuneration in the last three fiscal years and remuneration expected for the current year for the Board of Directors, Statutory Executive Board and Audit Board:

a. Board (Body)
b. Number of members
c. Bonus:
   i. Minimum amount expected for the remuneration plan
   ii. Maximum amount expected for the remuneration plan
   iii. Amount expected for the remuneration plan in case the established goals are achieved
   iv. Actual amount booked in the last three fiscal years

   Not applicable
d. Profit sharing:
   i. Minimum amount expected for the remuneration plan
   ii. Maximum amount expected for the remuneration plan
   iii. Amount expected for the remuneration plan in case the established goals are achieved
   iv. Actual amount recorded in the last three fiscal years

(in R$)	Profit Sharing	Statutory Executive Board	Board of Directors	Audit Board	Total
2009	Number of members	3	2	N/A	5
	Minimum amount expected for the remuneration plan	Amount was not expected	Amount was not expected	N/A	Amount was not expected
	Maximum amount expected for the remuneration plan	Amount was not expected	Amount was not expected	N/A	10% of net profit
	Amount expected for the remuneration plan If goals are achieved	Amount was not expected	Amount was not expected	N/A	10% of net profit
	Actual amount recorded in the fiscal period result.	2.307.500,00	1.693.900,00	N/A	4.001.400,00
2010	Number of members	4	1	N/A	5
	Minimum amount expected for the remuneration plan	Amount was not expected	Amount was not expected	N/A	
	Maximum amount expected for the remuneration plan	Amount was not expected	Amount was not expected	N/A	10% of net profit
	Amount expected for the remuneration plan If goals are achieved	Amount was not expected	Amount was not expected	N/A	10% of net profit
	Actual amount recorded in the fiscal period result.	2.993.640,00	1.288.066,00	N/A	4.281.706,00
Previsão 2011	Number of members	4	1	N/A	5
	Minimum amount expected for the remuneration plan	Amount was not expected	Not estimated	N/A	
	Maximum amount expected for the remuneration plan	Amount was not expected	Not estimated	N/A	10% of net profit
	Amount expected for the remuneration plan If goals are achieved	Amount was not expected	Not estimated	N/A	10% of net profit
	Amount estimated for the period	3.530.960,00	1.519.040,00	N/A	5.050.000,00

13.3. Share-Based Remuneration Plan for the Board of Directors and Statutory Executive Board in the last fiscal year and expected for the current fiscal year:

a. General terms and conditions
b. Main objectives of the plan
c. Manner in which the plan contributes to the achievement of the goals
d. Manner in which the plan is included in the Company`s remuneration policy
e. Manner in which the plan is aligned with the interests of the administrators and of the Company in the short, medium and long term;
f. Maximum number of shares covered
g. Maximum number of options to be granted
h. Conditions for acquisition of shares
i. Criteria for determining the price of acquisition or exercise
j. Criteria for determining the term of exercise
k. Types of settlement
l. Restrictions on the transfer of shares
m. Criteria and events that shall result in the suspension, modification or termination of the plan;
n. effects of an executive leaving the Company on their rights provided for in the share-based compensation plan

Not applicable

13.4. State the number of shares or quotas held by the members of the Board of Directors, Statutory Executive Board or Audit Board, either directly or indirectly, in Brazil or abroad, as well as other securities convertible into shares or quotas issued by the Company, its direct or indirect controllers, subsidiaries or jointly-owned subsidiaries at the close of the last fiscal year:

Company (Randon S.A. Implementos e Participações) – December 31, 2010			
Body	**Common Shares**	**Preferred Shares**	**Total**
Board of Directors	538	1.992	2.530
Statutory Executive Board	40.055	3.423.952	3.464.007
Audit Board	0	0	0
Subsidiary (Fras-le S.A.) – Dec 31, 2010			
Body	**Common Shares**	**Preferred Sharess**	**Total**
Board of Directors	4.062	99.093	103.155
Statutory Executive Board	2	1.047.790	1.047.792
Audit Board	0	0	0

13.5. Please fill in the following details for share-based remuneration during the last 3 fiscal years and that estimated for the current fiscal year paid to the Board of Directors and Statutory Executive Board:

a. Body
b. Number of members
c. Corresponding to each stock option granted:
   i. Date granted
   ii. Number of shares granted
   iii. Term for options to become exercisable
   iv. Maximum time period for shares to become exercisable
   v. Term for share transfer restrictions
   vi. Average weighted price for exercise for each of the following groups of options:
      - Outstanding at the beginning of the fiscal year
      - Lost during the fiscal year
      - Exercised during the fiscal year
      - Expired during the fiscal year
a. Fair value of shares on grant date
b. Potential dilution if all granted options are exercised

Not applicable, as the Company does not have a share-base remuneration plan.

13.6.- Please fill in the following details for the Board of Directors' and Statutory Executive Board ' outstanding stock options at the end of the last fiscal year:

c. Body
d. Number of members
e. For options not yet exercised:
   i. quantity
   ii. date in which they will become exercisable
   iii. maximum time period for shares to become exercisable
   iv. Term for share transfer restrictions
   v. Average weighted price for exercise
   vi. Fair value of options on the last day of the fiscal yearl
f. For exercisable options
   i. quantity

ii. Maximum time period until shares become exercisable
iii. Term for share transfer restrictions
iv. Average weighted price for exercise
v. Fair value of options on the last day of the fiscal year
vi. Fair value of all options on the last day of the fiscal year

Not applicable

13.7 **Please fill in the following details for options exercised and shares granted as share-based compensation for the Board of Directors and the Statutory Executive Board during the last 3 fiscal years**

d. Body
e. Number of members
f. For exercisable options:
   i. Number of shares
   ii. Average weighted price for exercise
   iii. Total difference value between the exercise value and the stock market value in relation to exercised options;
g. For granted shares:
   i. Number of shares
   ii. Average weighted price of acquisition;
   iii. Total difference value between the acquisition value and the stock market value of the acquired shares.

Not applicable

13.8.-Brief description of the information necessary to understand the data contained in items 13.6 to 13.8, such as an explanation of the methods used for share and option pricing, indicating at least:

h. Pricing model;
i. Data and assumptions used in the pricing model, including average weighted price of shares, exercise price, expected volatility, term of the option, expected dividends and risk-free interest rate;
j. method and assumptions used to incorporate expected effects of advanced exercise of options
a. manner in which expected volatility was determined;
b. if any other characteristic of the option was incorporated in the determination of its fair value

Not applicable

13.9. Information on private pension plans granted to the Board of Directors members and Statutory Executive Officers:

13.9.1. Body
13.9.2. Number of members participating in the plan
13.9.3. Pension plan name
13.9.4. Number of administrators entitled to retire
13.9.5. Conditions for early retirement;
13.9.6. Updated amount of accumulated contributions up to the close of the last fiscal year, excluding contributions paid directly by executive officers;

13.9.7. Total amount of accumulated contributions up to the last fiscal year, excluding contributions paid directly by executive officers;
13.9.8. Early withdrawal and its conditions.

Description	Statutory Executive Board	Board of Directors
Number of members participating in the plan	3	2
Plan name	Randonprev	Randonprev
Number of administrators entitled to retire	0	0
Updated amount of accumulated contributions up to the close of the last fiscal year, excluding contributions paid directly by executive officers;	7.570.225,00	1.441.014,00
Total amount of accumulated contributions up to the last fiscal year, excluding contributions paid directly by executive officers;	77.312,00	64.453,00
Early withdrawal and its conditions	None	None

13.9. Compensation paid to the Board of Directors, Statutory Executive Board and Audit Board in the last three fiscal years:
13.9.1. Body
13.9.2. Number of members
13.9.3. Amount of the largest individual remuneration;
13.9.4. Amount of the smallest individual remuneration
13.9.5. Average individual remuneration amount

Year	(in R$)	Statutory Executive Board	Board of Directors	Audit Board
2009	Number of members	4	5	3
	Largest remuneration	685.240,00	984.180,00	57.389,00
	Smallest remuneration	245.420,00	131.326,00	57.389,00
	Average remuneration	525.025,00	383.699,60	57.389,00
2010	Number of members	4	5	3
	Largest remuneration	733.330,00	1.262.138,00	60.500,00
	Smallest remuneration	245.420,00	140.528,00	60.500,00
	Average remuneration	604.865,00	439.516,40	60.500,00
* The positions of Chairman and Vice-Chairman of the Board of Directors are occupied by the same person and his fees are paid partly by the office of Director and partly as a Board member, being partially shown in the two bodies.				

13.10. **Describe all contractual covenants, insurance policies or compensation mechanisms for management in case of termination or retirement, indicating**
Not applicable

13.11. For the three last fiscal years, indicate percentage of total compensation of each Body, as recognized in the Company`s results, for members of the Board of Directors, Statutory Executive Board or Audit Board that are direct or indirect related parties of the controllers, according to all applicable accounting rules governing the matter:

Year	Statutory Executive Board	Board of Directors	Audit Board
2009	40%	62%	00%
2010	46%	88%	00%

13.12. For the last three fiscal years, indicate the amounts paid to members of the Board of Directors, Statutory Executive Board and Audit Board, by Body, for any reason not related to their position (i.e., commissions, consulting or advisory fees) as recognized in the Company`s results.

Not applicable

13.13. For the last three fiscal years, indicate the amounts recognized in the results of the Company`s direct or indirect controllers, jointly-controlled subsidiaries or subsidiaries, as compensation for members of the Board of Directors, Statutory Executive Board and Audit Board, specifying the type of payment and to whom it was paid:

The values recognized in the results of the subsidiary Fras-le S.A., shown in the table below, refer to the remuneration of the members of the Board of Directors, Statutory Executive Board and Audit Board of that subsidiary, integrating the management bodies and the Audit Board of the Company.

FRAS-LE S.A. (in R$)				
Body	**No. of members**	**2008**	**2009**	**2010**
Board of Directors	1	280.276,00	298.092,00	536.340,00
Statutory Executive Board	1	304.009,00	323.487,00	101.580,00*
Audit Board	1	38.556,00	39.690,00	43.966,00
* The amounts received by the member of the Statutory Executive Board refer only to the months of January to April 2010, since the Director left the Board of that company as of May 2010.				

13.14. Provide other information that the Company may deem as relevant.