RANDON®

ANNUAL REPORT 2016



A NEW MARKET, A NEW RANDON.

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Word from the President

NEW RANDON ERA

Following a complete X-Ray of the structure, management and processes of Randon Companies over the last years, aiming to adjust the Companies to current times, Randon enters a new era. Rather than wailing that the crisis persists, we have to look ahead and enhance the positive prospects. The political and institutional crisis cannot build a barrier to those who produce, generate taxes and create jobs while watching, over the last three years, successive drops in demand.

On alert, the private sector is willing and ready to applaud the execution of urgent and necessary ongoing reforms such as those in labor and social security – and others that are still inert such as the political and tax reforms – so that the Brazilian's economy may unlock. We need a glimpse of better days on the horizon to ensure the integrity of companies and jobs for the people.

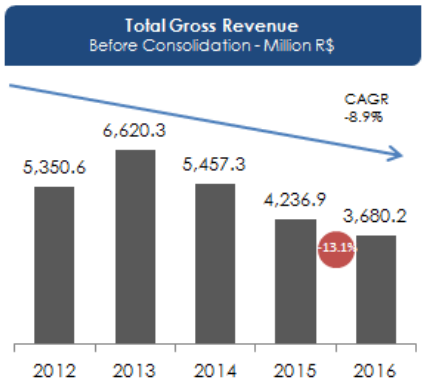
As active agents of the economy, it was up to us, business people and administrators, to make tough decisions throughout the fiscal year. We took cost containment measures at all levels, eliminating heavy structures that did not respond positively. But we also had good returns such as the capital increase of Randon and Fras-le, showing that we are following the right path in facing challenges.

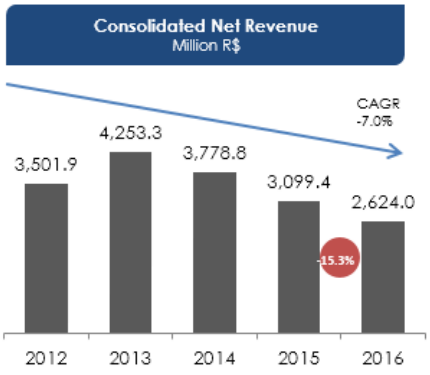
By placing ourselves into the proper perspective and with the company becoming increasingly productive, we are ready to be part of another cycle of growth, always with renewed confidence.

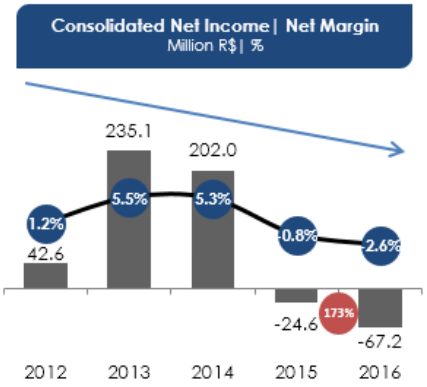


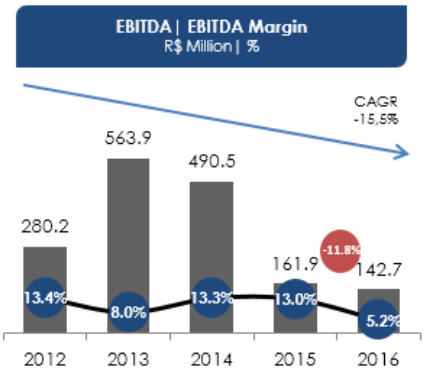
DAVID ABRAMO RANDON
President Director

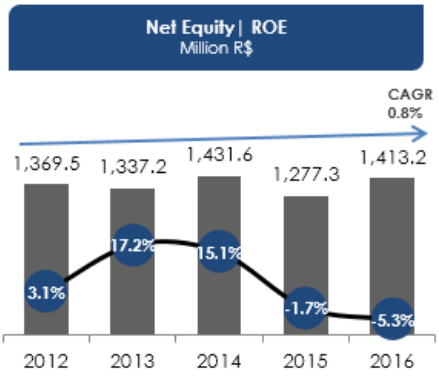
Main Indicators

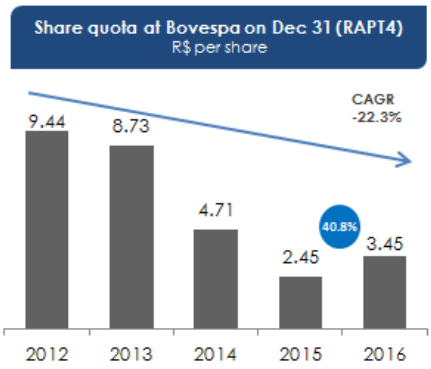






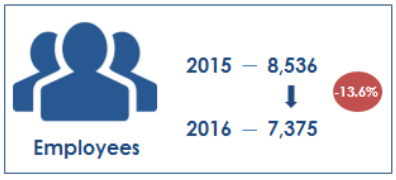






Capital Market	2015	2016	Var. %
Dividends + Interest on capital payable (R$ per share)	0.0000	0.0000	-
Dividend Yield (%) **	0.00%	0.00%	0.0 p.p.
Return on Net Equity (%)***	-1.7%	-5.3%	-3.5 p.p.
Market Value on Dec 31 (R$ billion)	0.69	1.08	56.6

* Fiscal Year Deliberations.
** Fiscal Year Deliberations per share and quote at the last Day of the year before the Fiscal Year under analysis.
*** Ratio between the net income and the net equity of the controlling company in the prior year



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Índice Small Cap SMLL
Índice do Setor Industrial INDX
Índice Brasil IBRX
Índice de Ações com Tag Along Diferenciado ITAG
Índice de Ações com Governança Corporativa Diferenciada IGC

Values in current Reais
CAGR: Compound Average Growth Rate
ROE: Return on Equity



Profile

Randon S.A. - Implementos e Participações, based in Caxias do Sul, is a mixed holding, the controlling company of a group of eight companies operating in the segments of vehicles and road equipment, autoparts and financial services. Randon is among the largest Brazilian private companies, holds leadership in most of their business segments and is part of Level 1 of Corporate Governance Practices of BOVESPA. The shareholding control is exercised by DRAMD Administração e Participações Ltda., which, together with the individual interests of its partners, holds 41.8% percent of their total capital.

The conglomerate dates back in 1949 with the establishment of a small workshop dedicated to rebuilding electric motors in Caxias do Sul, RS. It is made up of nine operating companies, being Randon S.A.- Implementos e Participações the controlling company. Its directly controlled companies are: Fras-le S.A., Randon Argentina S.A., Randon Implementos para o Transporte Ltda., Randon Administradora de Consórcios Ltda., Master Sistemas Automotivos Ltda., JOST Brasil Sistemas Automotivos Ltda and Randon Investimentos Ltda. (a holding company of Banco Randon S.A.). The controlling company also owns 3 branches, which are controlled companies incorporated in 2009 (Randon Veículos), 2013 (Suspensys Sistemas Automotivos) and 2014 (Randon Brantech).

In December 2014, the Company's headquarters were split into two separate establishments, allowing the operating results of the Road Equipment Business Unit to be calculated separately from its holding company. Therefore, the Head Office Unit is now identified with the General Taxpayers' Registry (CNPJ) no. 89.086.144/0011-98 and the Road Equipment business unit has kept its General Taxpayers' Registry (CNPJ) no. 89.086.144/0001-16, but is now operating as a branch of the Company. Such a change did not affect the corporate structure of Randon Companies, nor will reflect on shareholders, since it remains as a single legal entity - Randon S.A. Implementos e Participações - with its headquarters and branches. Changes in its By-Laws have not been necessary either, since the Head Office address remains unchanged.

The Company offers an international network of sales and services, serving more than 100 countries, especially Chile, Mexico, Canada, The United States, South Africa and countries located in the Middle East, European Union and Mercosur.

Equipment Division

Our road equipment and specialty vehicles segment is represented by the following companies: Randon S.A.- Implementos e Participações, Randon Argentina S.A., Randon Implementos para o Transporte Ltda., and by the branches of Randon S/A. Implementos e Participações: Randon Brantech and Randon Veículos.

Randon Implementos is the largest manufacturer of road equipment in Latin America, producing truck bodies, trailers and semi-trailers (grain, tankers, dry cargo, dump, silo, reefer, sugar-cane, forestry, sider and vans), and since 2004 the company has been manufacturing rail wagons of the following types: hopper, gondola, tank, general cargo, platform and others.

Randon Veículos operates in the development, manufacturing, sale and technical assistance of off-road trucks (both rigid and articulated), forwarders, backhoe loaders, as well as in the sale of spare parts and components.



Autoparts Division

The autoparts segment of Randon is formed by the following companies: Suspensys (branch of Randon S.A. Implementos e Participações), Fras-le S.A., Master Sistemas Automotivos Ltda., JOST Brasil Sistemas Automotivos Ltda., and Castertech Fundição e Tecnologia Ltda..

Fras-le S.A. produces brake linings and pads for the brake set produced by Master Sistemas Automotivos Ltda. The brake set, in turn, integrates the axle-suspension assembly produced by Suspensys (belonging to Randon's Road Equipment Division). And JOST Brasil Sistemas Automotivos Ltda. produces the articulating and coupling set that joins the truck-tractor to the towed vehicle. Castertech Fundição e Tecnologia Ltda. produces components in nodular cast iron for Randon Companies in a chain integration process.

Financial Services Division

Services are represented by the following companies: Randon Consórcios and Randon Investimentos (Banco Randon). Randon Consórcios manages coop-payment plans as a way to provide financing to the customers of end products, and Banco Randon (Randon Bank) acts supporting sales by means of offering funding to customers and suppliers of Randon Companies.

Organizational Structure



Operating structure



Consolidated general performance

The business scenario in 2016 was rather adverse. The economic crisis aggravated with the political instability, leading the country to record another year of strong GDP shrinkage (-3.6%).

The market numbers, which were already low in previous years, went further down in 2016 as a result of rising unemployment, falling consumption by families, and industrial production retraction.

In addition, the grain crop, which is usually positive news in periods of low economic activity, was impacted by drought, impairing even more transportation and the market of heavy vehicles.

To face these problems, the Company took a series of important actions such as:

- Strong expenditure control;
- Better management and use of capital;
- Debt Reduction;
- Adjustment of manufacturing capacity to market volumes;
- Innovations and development of new products.

To face idleness of more than 75% in its plants, OEM companies had to take strong adjusting actions such as production stops, general vacations, plan of voluntary layoffs, and layoffs.

The production volumes reflected this scenario: 60,604 trucks were produced (-18.2%) and 50,562 trucks were sold (-29.4%), when comparing with the same period in 2015.

The scenario was not different in trailers and semi-trailers: production dropped from 33,056 in 2015 to 27,161 units in 2016 (-17.8%).

On the other hand, the Company took advantage of the Real (devalued against the American Dollar) to increase exports while strengthening its actions in the Aftermarket. In addition, the volume of rail cars remained at a good level, totaling 1,584 units sold in 2016.

The main indicators of the period were:

Total Gross Revenue 2016 (before consolidation)

R$ 3.7 billion, retraction of 13.1% when compared to 2015.

Consolidated Net Revenue 2016

R$ 2.6 billion, 15.3% lower than achieved in 2015 (R$ 3.1 billion).

EBITDA and Adjusted EBITDA 2016

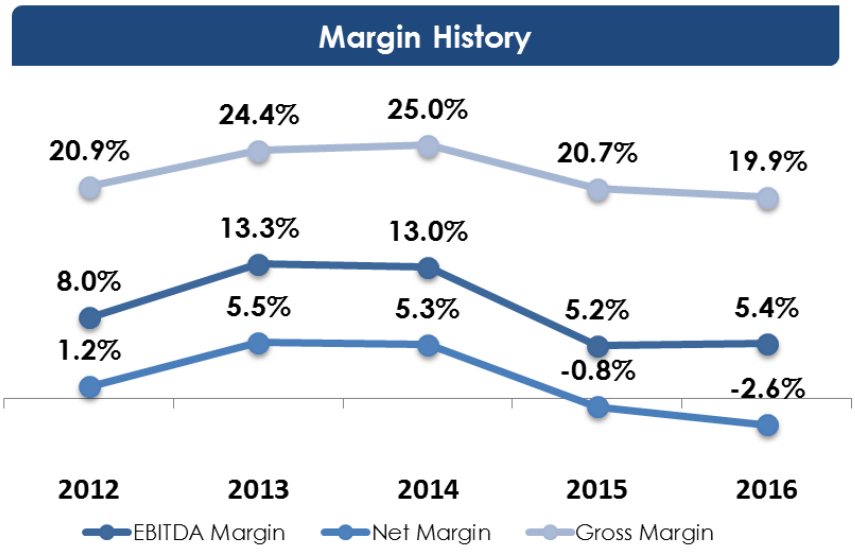
EBITDA reached **R$ 142.7 million**, a decrease of 11.8% from 2015 and adjusted EBITDA of **R$ 252.1 million.**

Consolidated Net Income 2016

R$ 67.2 million of net loss, with a -2.6% net margin.

The economic crisis in Brazil aggravated in 2016, requiring from the Companies strong adjustments to face this challenging scenario and to be better prepared for better times in the market as soon as economic growth resumes. According to the Company's Guidance, published on August 11, 2016 the enterprises performed as follows:

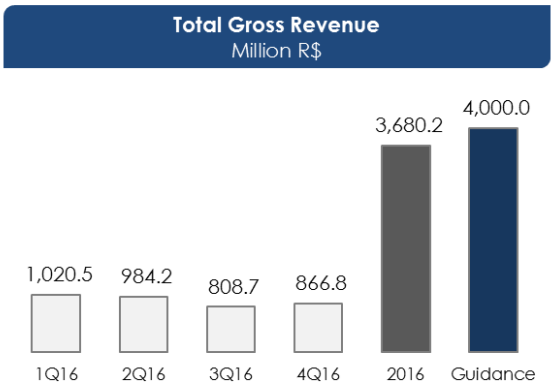
	Forecast	Accomplished
Total Gross Revenue (before consolidation)	R$ 4.0 billion	R$ 3.7 billion
Consolidated Net Revenue	R$ 2.9 billion	R$ 2.6 billion
Revenues from abroad	US$ 260 million	US$ 265.2 million
Imports	US$ 45 million	US$ 39.0 million
Investments	R$ 60 million	R$ 43.2 million

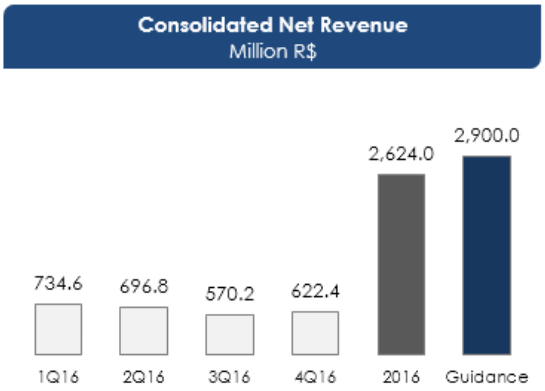


Revenues

Total gross revenue, with taxes and before consolidation, reached R$ 3.7 billion in 2016, 13.1% lower than total gross revenue in 2015.

Consolidated net revenue for 2016's fiscal year was R$ 2.6 billion, a decrease of 15.3% compared to 2015 (R$ 3.1 billion).





Composition of Consolidated Net Revenue

	2016				2015	
	NET REVENUE	INTER-COMPANY SALES	CONSOLIDATED NET REVENUE	% OVER REVENUE	CONSOLIDATED NET REVENUE	% OVER REVENUE
Randon S.A. Impl. e Participações (Parent Company)	1,080,621	75,413	1,005,208	38.3%	1,263,635	40.8%
Randon Impl. p/o Transporte Ltda.	86,134	4,549	81,585	3.1%	182,671	5.9%
Randon Argentina S.A.	78,160	-	78,160	3.0%	103,177	3.3%
International Offices	2,085	2,085	-	0.0%	-	0.0%
VEHICLES AND TRAILERS/SEMI-TRAILERS	**1,247,001**	**82,047**	**1,164,954**	**44.4%**	**1,549,483**	**50.0%**
Master Sist. Automotivos Ltda.	265,561	81,032	184,529	7.0%	189,509	6.1%
Jost Brasil Sistemas Automotivos Ltda.	112,065	31,906	80,159	3.1%	76,372	2.5%
Fras-Le S.A. (Consolidated)	812,651	12,762	799,888	30.5%	855,861	27.6%
Randon S.A. Impl. e Participações (Suspensys Division)	263,851	17,256	246,595	9.4%	294,763	9.5%
Castertech Fundição e Tecnologia Ltda	62,807	59,357	3,450	0.1%	2,791	0.1%
AUTOPARTS	**1,516,934**	**202,313**	**1,314,621**	**50.1%**	**1,419,295**	**45.8%**
Randon Administradora de Consórcios Ltda.	108,375	85	108,290	4.1%	96,018	3.1%
Randon Investimentos Ltda.	49,962	13,850	36,112	1.4%	34,606	1.1%
FINANCIAL SERVICES	**158,337**	**13,935**	**144,402**	**5.5%**	**130,624**	**4.2%**
TOTAL	**2,922,272**	**298,296**	**2,623,976**	**100%**	**3,099,401**	**100%**

Revenues Breakdown

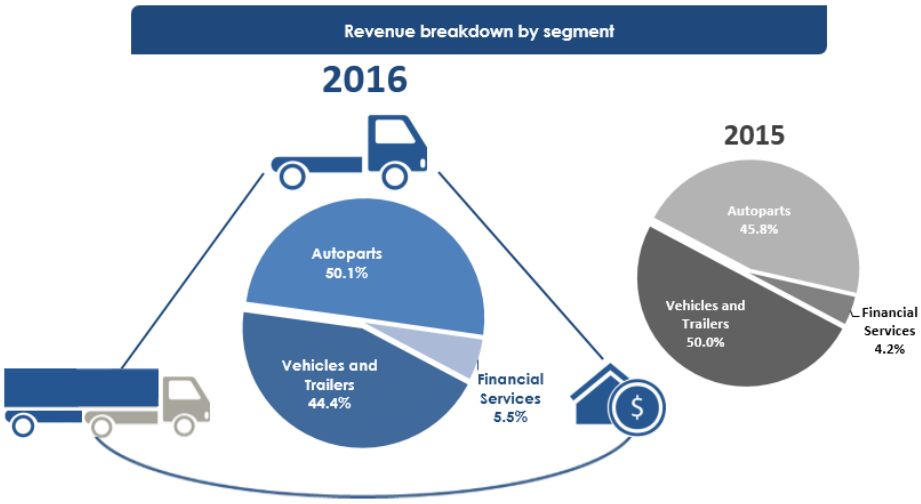
In 2016, autoparts revenues were responsible for 50.1% of the Company's total revenue, followed by a 44.4% share of vehicles and trailers and 5.5% of financial services.

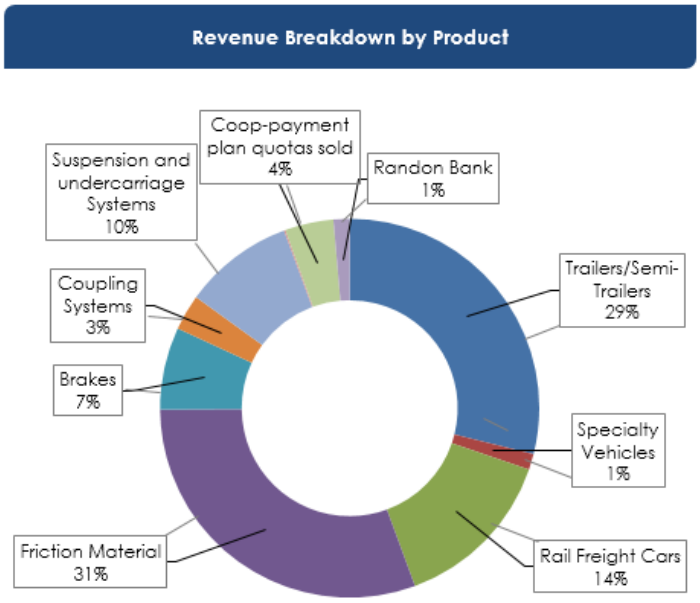
When compared to 2015, vehicles and trailers presented a decrease of 5.6 p.p. This is mainly due to the retraction of 20.8% of railcar sales in 2016.

Below, revenues are breakdown by types of product.

At the end of 2016, products with the most representative share were: friction material (31%), Semi-trailers (29%) and rail freight cars (14%).







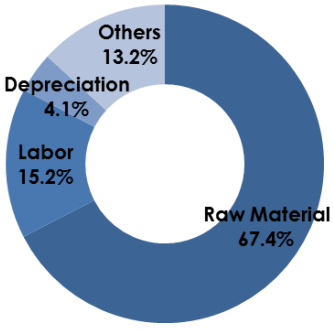
Cost of Goods Sold

Cost of Products Sold accounted for 80.1% of consolidated net revenue or R$ 2.1 billion in fiscal 2016, against R$ 2.5 billion in the same period in 2015, which is 79.3% of the net revenue.

Following the implementation of the Corporate Purchasing Sector in 2015, which brought, in addition to standardization of processes, synergy among the companies of the Group, Randon started a major review of contracts and supply sources in order to reduce the impacts of inflation, helping reduce fixed and variable costs of the Company. Suppliers and materials were replaced and constantly assessed. The challenge to achieve further reductions remains, even in a complex and difficult-to-predict scenario.

Restructuring costs in COGS were significant in 2016, totaling R$ 36.8 million (R$ 47.6 million in 2015).

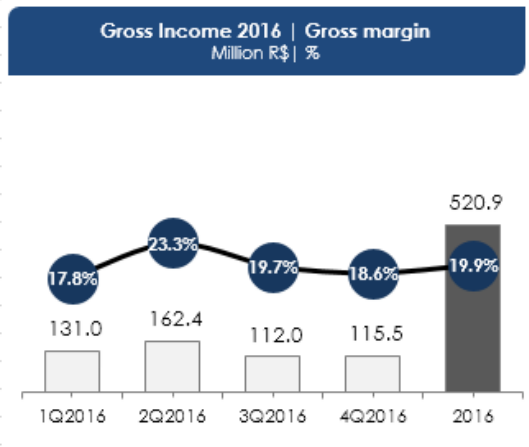
The image below exposes the COGS' breakdown in 2016:



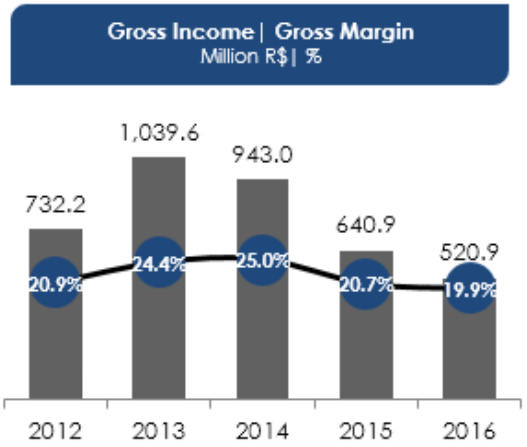
Gross Income

Gross income reached R$ 520.9 milllion in 2016 which accounted for 19.9% of consolidated net revenue, a drecrease of 18.7%, in comparison to 2015, when gross income totaled R$ 640.9 million and 20.7% of consolidated net revenue.

The performance of gross income and gross margin through 2016 is shown below:



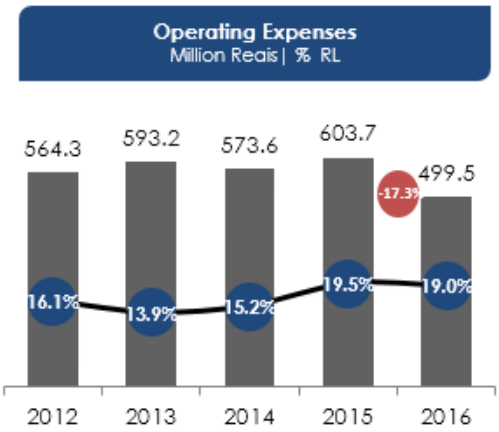
The following image shows the same indicators throughout the last five years:



Operating Expenses
(Administrative /Commercial /Others)

Operating Expenses accounted for 19.0% over consolidated net revenue this year, against 19.5% in 2015, reaching R$ 499.5 million (R$ 603.7 million in 2015).

2016 presented itself with some non-recurring expenses that totaled R$ 45.9 million at the end of the period. This amount is due to restructuring cost, impairment and provision for reorganization of a Randon dealer.



EBITDA

In 2016, Consolidated EBITDA reached R$ 142.7 million, 5.4% over net revenue. Meanwhile, in 2015 it reached R$ 161.9 million (5.2% over net revenue).

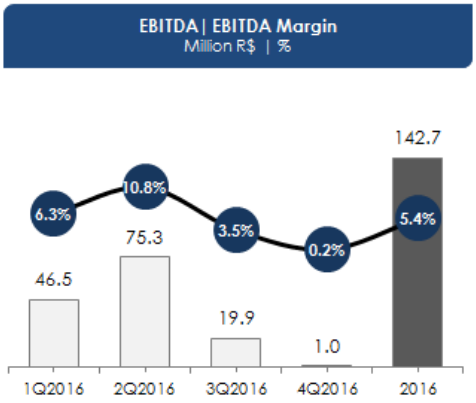
Difficult market conditions have impacted margins, which remained pressed by the difficulty to adjust product prices and by the reduction in volumes. In addition, adjustments in structure were needed to adjust production levels to demand, causing significant structuring costs this year (R$ 44.7 million).

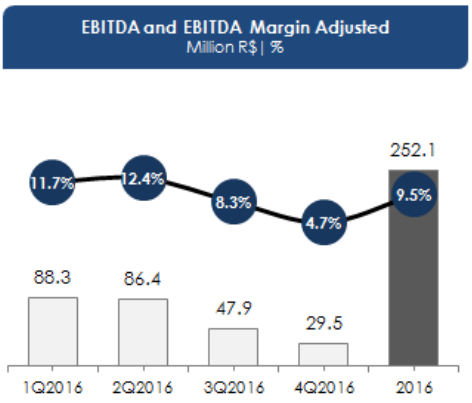
At the end of 1Q2016, the Company announced the shutdown of its unit Randon Implementos based in Guarulhos, São Paulo, the cost of which also significantly affected the EBITDA.

Hedge accounting has been used by the Company since January of 2014, and transfers the exchange rate variations to Net Equity, thus avoiding monthly foreign currency fluctuations in financial expenses. Exchange locks are made between loan maturities against export earnings. When installments mature, the corresponding exchange rate variation in suppressed from export revenues, affecting operating results and, consequently, the generation of EBITDA.

Adjusted to the non-recourring effects, EBITDA amounts to R$ 252.1 million (9.5% EBITDA Margin) in 2016.

The images below show the performance of Consolidated EBITDA and Consolidated Adjusted EBITDA throughout 2016.



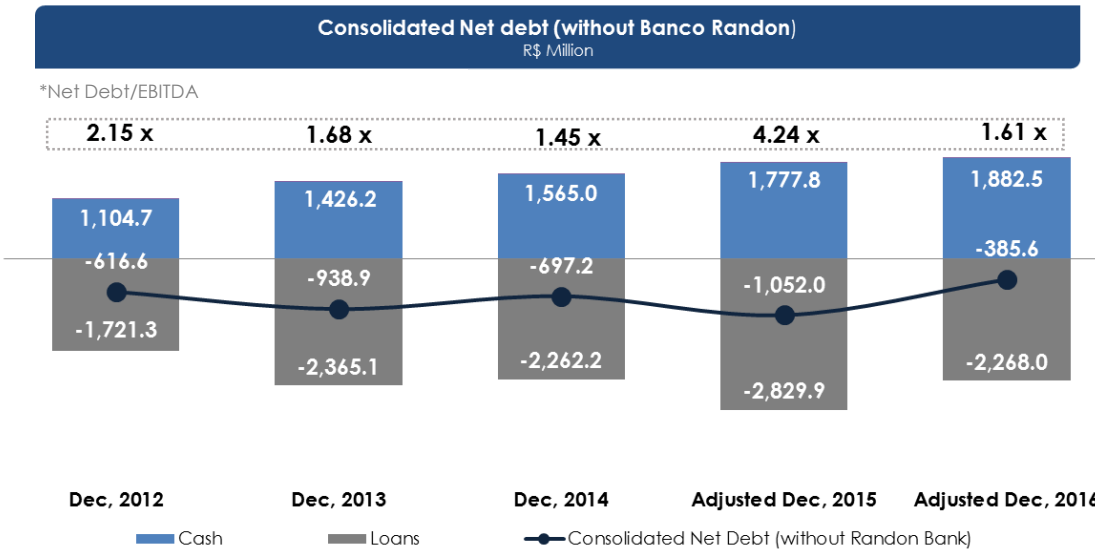


Financial Result

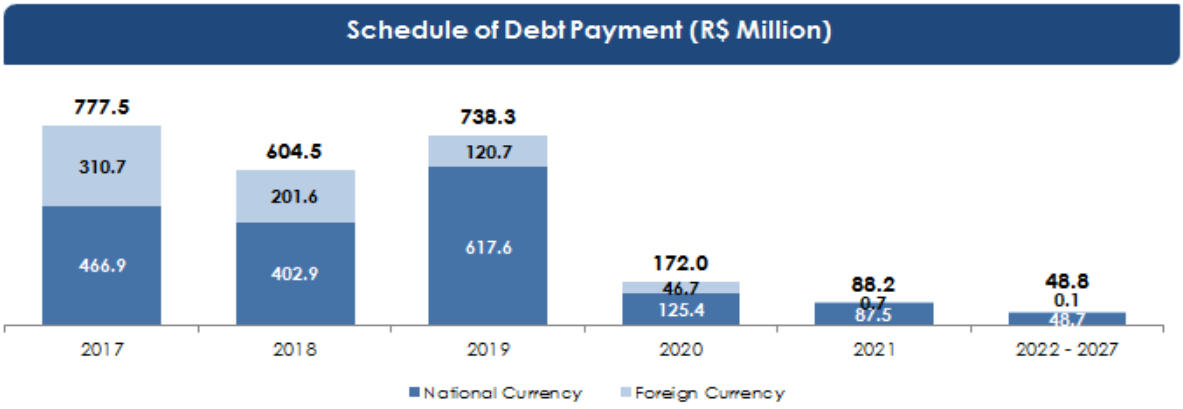
Consolidated net income (revenues less expenses) changed from R$ 43.3 million in the negative in 2015 to R$ 20.3 million in the negative in 2016.

The consolidated net bank debt (gross debt less cash and banks, and financial investments) reached R$ 613.5 million at the end of 2016, which is equivalent to a multiple of 4.3 times the EBITDA of the last twelve months. In the same period in 2015, debt level was R$ 1.4 billion, a multiple of 8.38 times the EBITDA of the last twelve months.

Net Debt (without Randon Bank) – It is worth mentioning that part of the Company's consolidated net debt (R$ 228.0 million) refers to the financial activity of Banco Randon (Randon Bank). When removing the amount referring to Randon Bank, consolidated net debt would be R$ 385.6 million and a multiple of 2.95 times the EBITDA of the last twelve months. When using the adjusted EBITDA (without Randon Bank operations), the multiple is 1.61 times the EBITDA of the last 12 months.



The graph above shows the debt of the Company without Cash Flow and Randon Bank's debt. The comparative EBITDA used to calculate indebtedness was adjusted to the non-recurring effects of the period. 2016 Consolidated net debt amounts to R$ 613.5 million, a multiple of 4.3 times the EBITDA of the last 12 months (2.43 times if considering the adjusted EBITDA to the non-recurring effects of the period). Industrial net debt in 2016 amounts to R$ 385.6 million, a multiple of 2.95 times the EBITDA of the last 12 months (1.61 times if considering the EBITDA adjusted to the non-recurring effects of the period).



Income Tax and Social Contribution

Income and Social Contribution Taxes reached R$ 12.4 million negative in 2016, -0.5% over consolidated net revenue (R$ 5.3 million in 2015, 0.2% over consolidated net revenue), against a profit before earnings taxes of R$ 1.1 million (R$ -6.1 million in 2015).

Net Income

The company registered net loss of R$ 67.2 million and net margin of -2.6% in 2016, in comparison to a net loss of R$ 24.6 million and net margin of -0.8% in 2015.

Net income is explained mainly by the significant reduction in the demand of trucks and semi-trailers. Actions such as production halt and personnel reduction significantly affected the result of the Company. Other factors have already been explained throughout this Report.

Overall Performance

	2016	2015	Δ%
Total Gross Revenue without eliminations	3,680,156	4,236,905	-13.1%
Consolidated Net Revenue	2,623,976	3,099,401	-15.3%
Consolidated Gross Profit	520,907	640,927	-18.7%
Net Income	-67,205	-24,628	172.9%
Operating Shareholders' Equity (EBIT) - Consolidated	21,386	37,230	-42.6%
Consolidated EBITDA	142,717	161,879	-11.8%
Adjusted EBITDA	252,075	258,167	-2.4%
Consolidated Net Financial Debt	613,529	1,357,269	-54.8%
Consolidated Net Financial Debt (without Randon Bank)	385,574	1,052,048	-63.4%
Consolidated Net Financial Income	-20,305	-43,315	-53.1%
Financial Income	356,035	422,834	-15.8%
Financial Expenses	-376,340	-466,149	-19.3%
Consolidated Administrative and Commercial Expenses	-457,749	-567,866	-19.4%
Consolidated Income per Share	-0.21	-0.08	156.9%

Values in Thousands of Reais



Exports

Consolidated overseas sales in fiscal 2016 totaled US$ 151.6 million, a drop of 4.2% over the same period in 2015 (US$ 158.2 million).

Randon Companies exports accounted for 20.0% of consolidated net revenue of the twelve months of 2016, against 16.9% in the previous year.

The Company plans to increase its sales to the foreign market. Several actions were initiated in 2016 to this end and several projects are underway, such as studies of feasibility to expand exports in CKD (Completely Knock Down).

However, in addition to internal actions aiming to increase exports, a favorable and receptive environment in foreign countries is required, which did not happen in 2016. Countries are facing internal crises; the price of the barrel of oil is below the historical level, reducing the inflow of foreign currencies in dollars in some African countries and affecting export volumes. Furthermore, the economic growth of the world's leading countries is modest and emerging countries have been adjusting their public finances and reducing their investments.

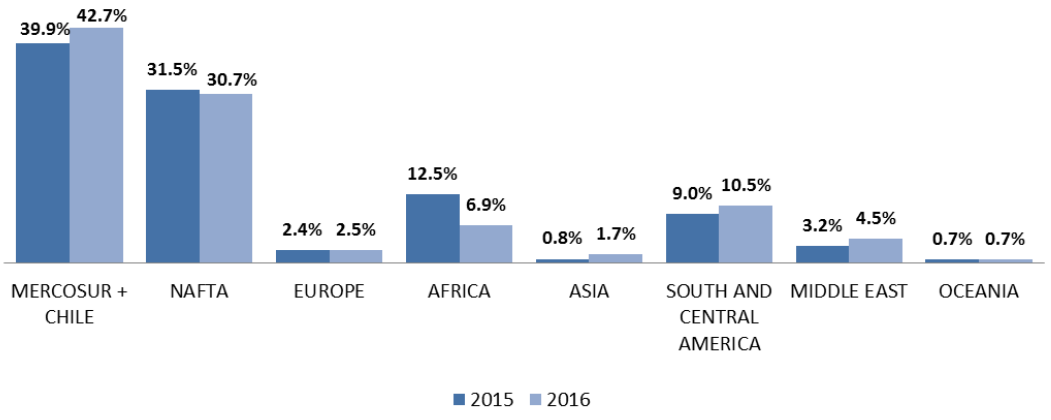
Exports by Company

	2016	2015	Δ%
Randon S/A and Randon SP	49,616	57,437	-13.6%
Vehicles Division	1,868	977	91.3%
VEHICLES AND TRAILERS	51,484	58,414	-11.9%
Master	11,477	12,515	-8.3%
Jost	4,553	5,976	-23.8%
Fras-le	79,632	73,653	8.1%
Randon (Suspensys Division)	3,604	7,164	-49.7%
Castertech	810	477	70.1%
AUTOPARTS	100,076	99,785	0.3%
TOTAL	151,560	158,198	-4.2%

* Revenues from abroad not included

Values in US$ Thousands

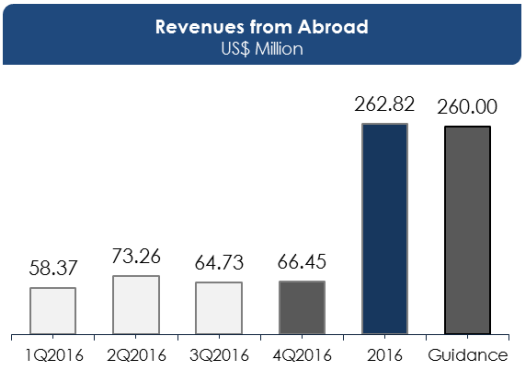
Exports by Economic Block



Overseas Operation

In 2016, the Company's overseas units sold US$ 113.6 million against US$ 142.8 million in 2015. The controlled company Randon Argentina, which produces trailers and semi-trailers, recorded a gross income of US$ 25.1 million. The overseas plants controlled by Fras-le, and the international offices recorded gross revenue of US$ 88.5 million, down 19.1% when compared to 2015 (US$109.4 million).

Altogether, exports and revenues generated overseas reached US$ 265.2 million in 2016, down 11.9% when compared to 2015 (US$ 301.0 million).

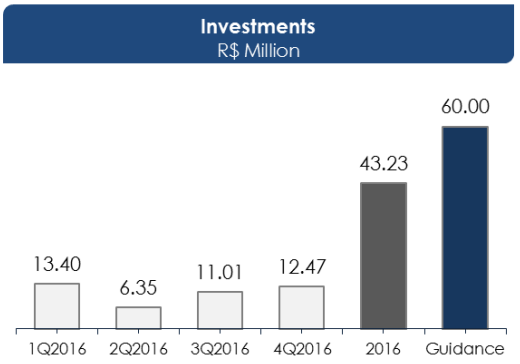


Consolidated Investments

In order to reduce the Company's need for working capital and reduce debt, one of the actions that the Company intended to take in 2016 was to minimize investments by only carrying out the needed maintenance of assets. Of the amount the company had planned to invest (R$ 60.0 million), R$ 43.2 million was effectively invested, 28% down from the initial plan.

In addition to this amount, the controlling company invested R$ 158.1 million in its controlled company Fras-le, thus increasing its shareholding participation to 51.2% of the total shares.

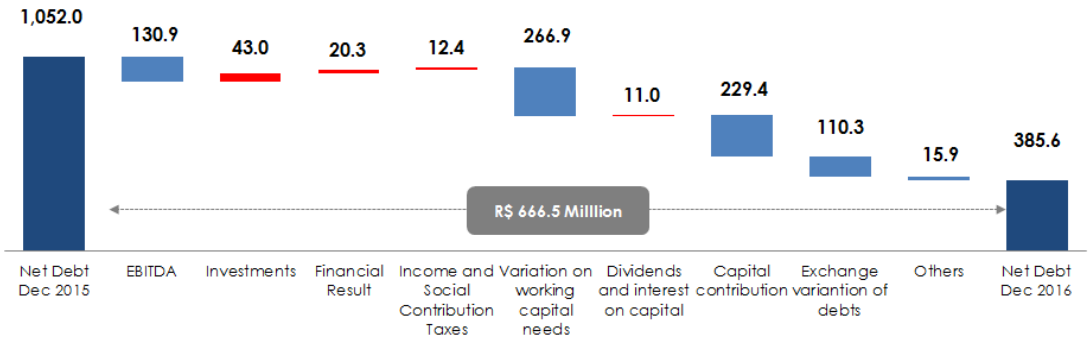
This operation was partially funded by raising R$ 93.2 million from a restricted offer of the Company's shares, which was completed in June 2016.



ACCRUED INVESTMENTS										
Fixed Assets (In Thousands of Reais)	**Randon**	**Fras-le**	**Master**	**Jost**	**Consórcio**	**Argentina**	**Randon SP**	**Randon Automotive**	**Castertech**	**Total**
Machines	9,305	5,394	1,720	1,510	-	325	40	-	666	**18,960**
Buildings	1,730	-	76	356	-	33	140	-	10	**2,345**
Vehicles	32	70	-	-	-	-	-	-	-	**102**
Furniture and Fixture	586	38	94	234	1	-	-	7	-	**960**
Computer Hardware and Software	450	137	58	78	92	-	-	-	-	**815**
Others/Intangible	12,906	4,783	511	840	-	-	-	-	794	**19,834**
TOTAL:	**25,009**	**10,422**	**2,459**	**3,018**	**93**	**358**	**180**	**7**	**1,470**	**43,016**
INVESTIMENTS (*) - (Thousands of Reais)	158,356	-	-	-	2	-	-		-	**158,358**
GRAND TOTAL (Thousands of Reais)	**183,365**	**10,422**	**2,459**	**3,018**	**95**	**358**	**180**	**7**	**1,470**	**201,374**

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

Free Cash Flow (without Randon Bank) – R$ Million

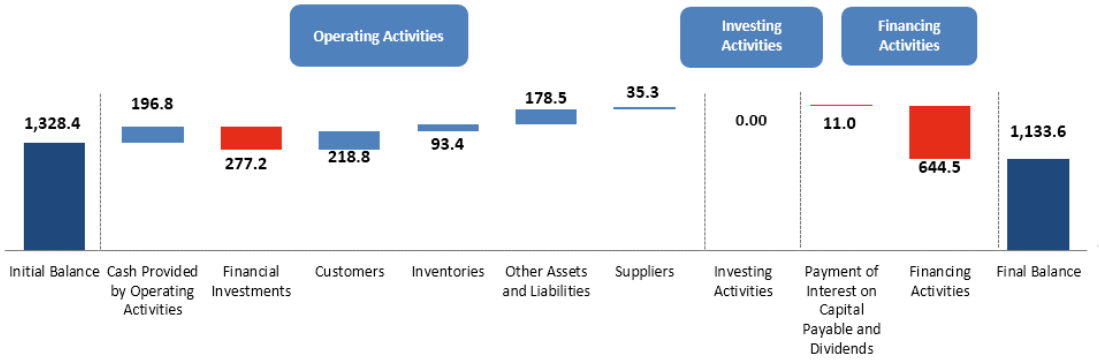


Considering that reducing financial leverage was one of the main goals of the Company for 2016, Senior Management has focused its efforts in coming up with a plan to achieve this goal.

Among the measures that have been taken is the strict control of costs and expenditure aiming to contain internal inflation and improve margin; the reduction of investments and funds of R$ 229.4 million through capital increase offerings in Randon S.A., and in its controlled company Fras-le S.A. The drop in the dollar exchange rate has also helped reduce financial leverage.

All these measures together caused consolidated net indebtedness (without Randon Bank) to end the year at R$ 385.6 million, or a free cash generation (free cash Flow) of R$ 666.5 million.

Consolidated Cash Flow 2016 (R$ Million)



The cash balance (cash) of the Company was highly impacted by its operating activities. The reduction in the working capital need, the generation of EBITDA, and the capital increase offering resulted in a cash increase of R$ 504 million, reducing the need for financing of the Company.

At the end of 2016, when added to long-term resources, the Company cash reached R$ 1.8 billion, an increase of R$ 78.0 million when compared to the end of the previous year (R$ 1.7 billion)

The total cash balance in December 2016 accounted for 6.6 months of consolidated gross revenues, an increase of 1.2 months when compared to December 2015 (cash for 5.4 months).



Performance by Segment

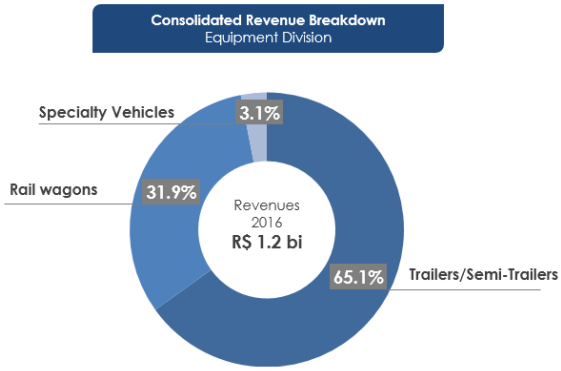


1. Equipment Division

Randon is the largest manufacturer of trailers and semi-trailers of Latin America and is among the largest manufacturers in the world. In addition to two plants in Brazil (in the cities of Caxias do Sul and Chapecó), Randon also produces semi-trailers in a plant located in Rosario, Argentina.

In addition to selling trailers and semi-trailers, this Division also sells rail cars and specialty vehicles (backhoe loaders and off-road trucks) and accounted for 44.4% of the total consolidated net revenue of the company in 2016 (R$ 1.2 billion).

Net sales in this segment can be seen in the chart below:



1.1 Trailers and semi-trailers

The sales of semi-trailers accounted for 65.1% of the sales of the Equipment Division. In 2016, 9,850 products were sold, down 6.9% when compared with the 10,584 units sold in 2015.

The sales of semi-trailers went down by 22.1% in 2016 when compared with 2015, totaling 23,075 units sold in the domestic market.

Despite this drop in sales, the Company managed to increase its market share by 2.9 percentage points, going from 26.2% in 2015 to 29.1% in 2016.

Randon has a broad mix of products suitable for different sectors. Among the main products are dump, sugar-cane, grain, forestry, reefer and tank trailers and semi-trailers.



Dump Trailer



Sugar Cane Trailer

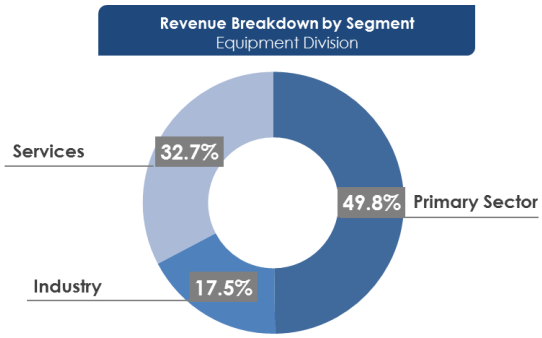


Grain Trailer



Tanker

In 2016, 49.8% of the sales of trailers came from the primary sector, 32.7% from the services sector and 17.5% from the industry.



Exports

In 2016, the export of trailers and semi-trailers reached US$ 49.6 million, 13.6% down from 2015. The reduction was caused by the difficulty in exporting to African countries, due to the low reserve of currency in dollars.

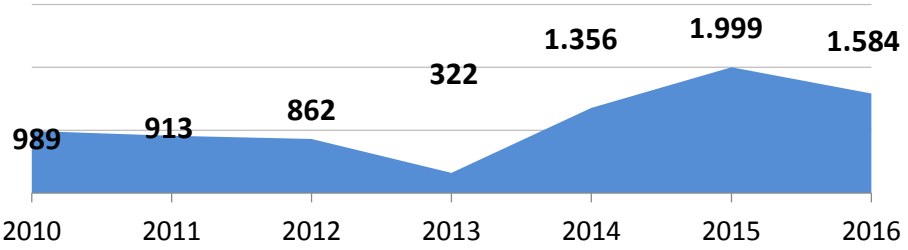


Rail Freight Cars

In 2016, the sale of rail cars accounted for 31.9% of the total net revenue of the Equipment Division. In this period, 1,584 rail cars were delivered, 20.8% down when compared to 2015 (1,999 units).

The Brazilian rail cars market demanded 3,903 units in 2016, 40.6% of which were manufactured and delivered by Randon. As it can be seen in the chart below, this was the second best year of sales ever made by the Company.

Sales of Rail Wagons
Physical Units



1.3 Specialty Vehicles

Directly affected by the lack of government investment and by the low demand in civil construction, sales of specialty vehicles in 2016 remained low and accounted for 3.1% of the Equipment division revenues.

In total, 196 specialty vehicles were sold in the year against 355 in 2015 (a drop of 44.8% when compared to 2015). The numbers are: 188 backhoe loaders and 8 off-road trucks were sold in 2016.



Off-road trucks are mainly used by power plants (to carry their waste) and by queries. Randon is the only Brazilian manufacturer of this type of product.



Backhoe loaders are mainly used in civil constructions. Randon's Market share in Brazil reached 8% in 2016.

Vehicles and Road Equipment	2016	2015	Var. %
Consolidated Net Revenue (R$)	1,164,954	1,549,483	-25%
Unit Sales:			
*Trailers and Semi-trailers (un.)**	9,850	10,584	-6.9%
Specialty Vehicles (un.)	196	355	-44.8%
Rail Wagons (un.)	1,584	1,999	-20.8%

* The differences between the units sold and those reported – in the composition of market share – refer to units sold in the foreign market or to those that are not licensed in domestic territory.







- **Net Revenue** – R$ 1.2 billion
- **Gross Margin** – 6.2%
- **Exports** – US$ 51.5 million
- **EBITDA** – (R$ 76.5 million)
- **EBITDA Margin**– (6.6%)

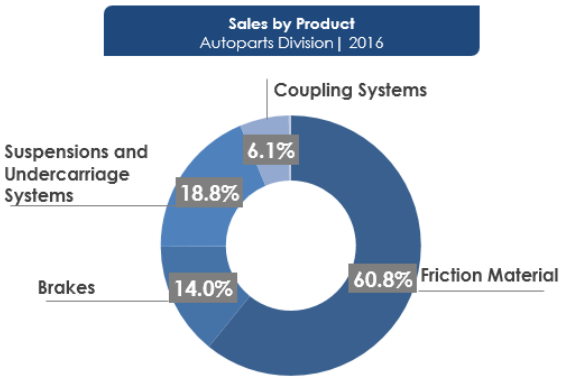


2. Autoparts Division

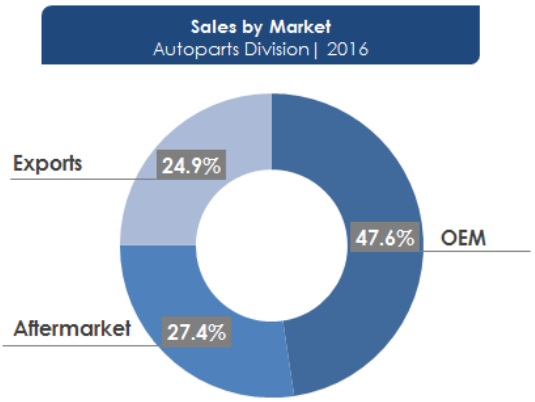
The autoparts division is formed by the companies Castertech, Fras-le, JOST, Master and Suspensys (a branch of Randon S.A. Implementos e Participações) and accounted for 50.1% of consolidated net revenue of the Company, amounting to R$ 1.3 billion in 2016.

The main products manufactured by this Division are: friction materials, brakes, coupling systems, castings, axles and suspensions. They are supplied to the OEM companies of commercial vehicles in Brazil and in the world through strategic partnerships, focus on technological development, increased competitiveness, efficiency and quality products.

In order to compensate for the high dependency on sales to OEM's, the auto parts division sought to expand sales in the aftermarket and exports in 2016. New business opportunities and partnerships were explored, and the distribution channels of the subsidiary Fras-le, which is already active in these markets, were used to approach customers.



With the exception of sales of suspensions and axles, which had their volumes reduced by 28.6% in the annual comparison, the other products had volume reductions of less than 10%, even with the decrease of truck sales in Brazil in 2016 (-29.4 %), thanks to this strategy.



Exports

In 2016, the auto parts division added US$ 100.1 million in exports, stability compared to 2015, with exports totaling US$ 99.8 million.

This growth of 0.3% is considered relevant, since the business environment for exports in 2016 was very complex. Oil-dependent countries are having difficulties to import, as they do not have sufficient dollar currency to import all the goods needed for their countries.

In addition, the low price of oil also impacts on the dynamics of prices of other products, leading to a deflationary movement and causing exporters, especially from emerging countries, to adapt their prices to this new reality.

Autoparts	2016	2015	Var. %
Consolidated Net Revenue (R$)	1,314,621	1,419,295	-7.4%
Unit Sales:			
*Friction Material (ton.) **	63,601	69,649	-8.7%
Brakes (un.)	403,411	446,065	-9.6%
Coupling Systems (un.)	49,137	51,613	-4.8%
Suspension and undercarriage systems (un.)	115,057	161,231	-28.6%
Castings (ton.)	16,980	15,066	12.7%

** Tons billed to Fras-le' controlled companies.*



- **Net Revenue** – R$ 1.3 billion
- **Exports** – US$ 100.1 million
- **EBITDA** – R$ 182.2 million
- **EBITDA Margin** – 13.9%
- **Gross Margin** – 23.8%



3. Financial Services

The Financial Services Division is represented by the companies Randon Consorcios and Randon Investimentos (Randon Bank) and accounted for 5.5% of consolidated net revenue.

These businesses support sales by allowing access to credit and financing of products for the customers of Randon Companies.

Randon Consórcios – In 2016, 11,626 quotas of "consórcios" (coop-payment plans) were sold, a drop of 8.0% when comparing to the quotas sold in 2015 (12,643 units).

Banco Randon – Randon Bank acts as sales support, with funding targeted to customers and suppliers of Randon Companies, focused on expanding their commercial base along with Randon distributors, thus offering an interesting financing alternative.

Services	2016	2015	Var. %
Consolidated Net Revenue (R$)	144,402	130,624	10.5%
"Coop-payment plan" quotas sold.	11,626	12,643	-8.0%





- **Net Revenue** – R$ 144.4 million
- **EBITDA** – R$ 37.0 million
- **EBITDA** Margin– 25.6%
- **Gross Margin** – 94.0%

Added Value

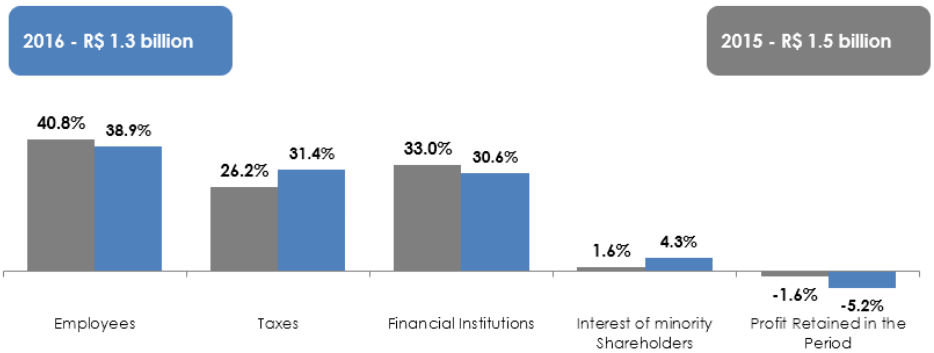


Table with complete data is included in the Notes integrating financial statements.



People Management

People, Valued and respected. More than one of the Company's principles, this phrase epitomizes the respect for the human being as the final recipient of the actions and business initiatives we take. This comprehensive concept goes beyond the relationship with employees and the benefits offered to them, but go through into a broad portfolio of social programs and relationships with the community and stakeholders. These movements are the foundation for the perpetuation and sustainable growth of the Organization.

Randon Companies ended the 2016 fiscal period with 7,375 employees, a reduction of 13.6% when compared to 2015 (8,536 employees). The reduction reflects the crisis and the market moment we are facing, as widely discussed in this Report.

Fringe benefits are offered to employees such as health plan, pension plan, credit cooperative, profit sharing, transport and food, providing employees with health, safe and welfare. The Companies also have in place regular programs geared to a better quality of life focused on healthy practices.

In adittion, the company supports the Elisabetha Randon Institute (IER). The IER, founded in 2003, is a Public Interest Private Organization aimed at promoting citizenship and social development through actions focused on education, culture, social assistance and volunteerism.

The IER keeps in place social programs aimed at the community, of which we highlight:

- **The Florescer Program**, the mission of which is to prepare children and adolescents with fewer social and economic opportunities for the exercise of citizenship through various educational activities in the shift opposite to their regular school hours. Created in 2002, the Program annually benefits 360 children from 6 to 14 years of age.
- **Florescer Program – Professional Initiation** offers technical courses and has the mission of preparing young people for the labor market through humanistic training. In partnership with SENAI, the program offers technical-professional education through learning programs (Administrative Assistant) thus supplying the needs of technical qualification for 70 adolescents from 15 to 16 years of age, without leaving aside humanistic training.
- **Vida Sempre Program,** promotes education for traffic safety. The employees of Randon Companies and their families receive information through printed material, videos and campaigns, with the purpose of promoting thought and reflection on appropriate traffic attitudes, in order to contribute to improve the education indexes in this area.

In search of sustainable development, Randon Companies are also focused on the community, both in the area of environmental education and on culture and leisure.



Sustainability

The company has in place or encourages a number of programs aimed at the economic and social development of the communities where it operates, practicing a policy of proactive sustainability and in tune with their stakeholders. The disclosure of its initiatives in social and environmental responsibility is made by Randon Companies through its corporate site (www.randon.com.br), as well as through its Sustainability Report, updated and published twice a year.

Exceptionally, in 2016 the Company will not publish its Sustainability Report. Updated data will be published in the 2018 Sustainability Report, which will concentrate the initiatives and indicators related to the years 2015, 2016 and 2017. The period of crisis and uncertainty (experienced in recent fiscal years) did not lessen the efforts and dedication of the Company to strengthen its Sustainable mindset. On the contrary, they increased our responsibility towards this important issue and matured the principles that guide the philosophy of our operations. The non-publication of the Sustainability Report comes in line with this moment of cuts and choices.

The last Report was published in 2015 and contains information related to the years 2013 and 2014.

The publication, which is in its sixth edition, provides transparency in the sustainability put in practice by Randon Companies, understood as the continuity of the company. The Sustainability Report contains their economic and financial information, social activities, and environmental management.

The document follows the guidelines established by the Global Reporting Initiative (GRI), an organization recognized worldwide by establishing principles and indicators of economic, environmental and social performance.

In 2016, the Company established its Principles and Values with the Randon ID Program.

Randon Companies care about building an ethical organizational environment so that everyone may perform their activities guided by honesty, transparency, integrity and seriousness and, thereby, reaffirming the Company's commitment towards the society as a whole.

The Randon Companies Integrity Program (Randon ID), represents the continuity in this process of evolution of the governance of companies, strengthening values and our principles for the next challenges.

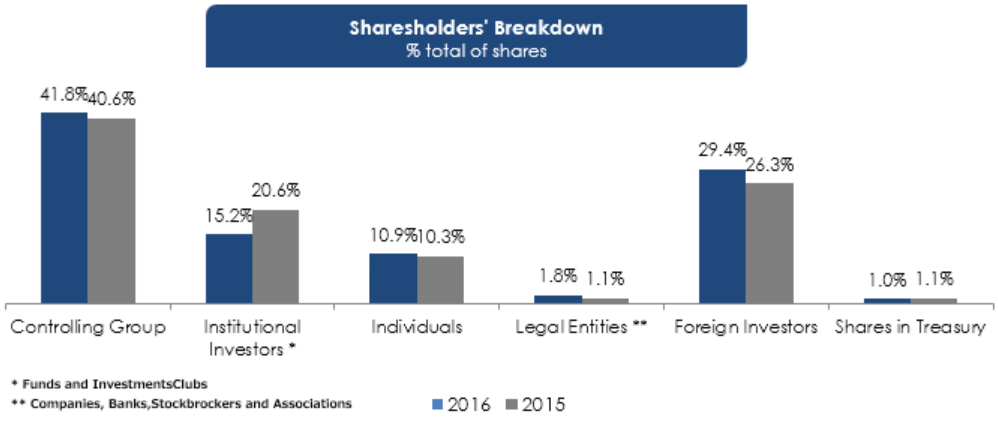
Stock Market

Performance of Shares

The preferred shares of Randon S.A. Implementos e Participações, in fiscal 2016, have valued by 40.8% and ended the period (on Dec 31, 2016) quoted at R$ 3.45 per share. In the same period, Ibovespa Index showed a positive variation of 38.9%.

During the period, 488.9 million preferred shares were traded, a total of 897,266 deals on the spot market of BM&IBovespa. The company recorded an average daily volume of trades of R$ 8.1 million against R$ 4.1 million in the same period in 2015.





General overview of performance of shares
Spot Market

Variables	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2014
Number of Shareholders	9,236	7,770	7,780
Traded volume (Pref.)	488,924,100	297,270,500	318,008,500
Number of trades	897,266	636,568	782,443
Daily Average Shares per trading session	2,153,851	1,208,417	1,282,292
Daily Average Trades per trading session	3,953	2,588	3,155
Variance of Randon shares (%)	40.8%	-48.0%	-46.0%
Variance of IBOVESPA (%)	38.9%	-13.3%	-2.70%
Share Book Value	5.52	5.27	5.79
Share Stock Market Value	3.45	2.45	4.77
Daily Average Traded Volume (R$ Million)	8,097	4,145	9,273
Company's Market Value (R$ Million)	1,081	690	1,326

Source: BMF&Bovespa

Investor Relations

In the year of 2016, the Company held meetings and participated in several events that have brought together different audiences, such as the financial and capital markets, shareholders, potential investors and the press, as follows:

- *20th Annual Latin American Conference,* Cancun – Jan 12 to 15, 2016.
- *BofAML 2016 Brazil Conference,* São Paulo – March 16 to 17, 2016.
- *"UBS VII Autoparts Round Table", May 24, 2016.*
- *UBS V LatAm Infrastructure Conference* – New York – USA – August 01 to 02, 2016.
- *Credit Suisse 10th Annual Midsummer LatAm Conference,* New York – USA – August 03 to 04, 2016.
- *17ª Conferência Anual Santander* – São Paulo – August 17, 2016.
- *BTG Pactual VII Latin American CEO Conference 2016* – New York, USA – October 04 to 06, 2016
- *APIMEC Meeting* – São Paulo – September 11, 2016.
- *Bradesco's 6th Annual CEO Forum – The Leadership's View* – New York, USA – 15 to 16, 2016.
- *J.P. MORGAN 9th Brazil Opportunities Conference* – São Paulo – November 29 to December 1, 2016.

Material Fact and Notice to Shareholders

■ On March 23, 2016, the shutdown of the industrial activities of our controlled company Randon Implementos para o Transporte Ltda. (based in Guarulhos, São Paulo, since 1965) was announced. The decision to shut down production in that Unit was made under the current economic crisis, which has affected the production of commercial vehicles in the country for three years already.

■ On April, 2016, Fras-le S.A. carried out a public offering with restricted efforts of primary distribution of common shares of its issue, which was completed with total success. In total, 92,592,593 common shares were paid-up, totaling R $ 300,000,001.32. The net resources raised from the operation will be used to make acquisitions of other companies that carry out activities related to auto parts and that supply to the automotive industry, as well as to strengthen its capital structure.

■ On April 11, 2016, the Company informed its shareholders and the public that its Board of Directors approved the increase of its capital stock in the amount of R$ 99,990,000.00 upon the issue of 14,682,819 common shares and 29,365,639 preferred shares, with a minimum subscription amount of R$ 60,000,000.00. The capital increase aimed to strengthen the Company`s capital structure and assets, as well as to raise funds for the Company to be able to subscribe to shares issued by its controlled company Fras-le S.A. within a Public Offering of Primary Distribution of common shares.

■ On June 29, 2016, the Company informed its shareholders and the market that its Board of Directors approved the partial approval of its capital increase in the amount of R$ 93,169,864.11 upon the issuance of 14,155,159 common shares and 26,888,834 preferred shares, each one subscribed and paid up at R$ 2.27 (price per share). As a result of this capital increase, the capital stock of the Company is now R$ 1,293,169,864.11, being 116,515,527 common shares and 229,260,282 preferred shares.

Shareholders Remuneration

Taking into account the negative result in 2016 fiscal year, the Company did not carry out credit and payment of interest on capital to shareholders and the loss of R$ 67.2 million will be compensated with part of the balance of the Investment Reserve and Working Capital.



CVM Instruction nº 381/2003 – Independent Auditors

In compliance with Instruction nº 381/2003, of the Securities and Exchange Commission, we inform the following:

In 2016, the Company paid fees to KPMG Auditores Independentes in the amount of R$ 1,891 thousand, which includes external audit and tax consulting services, described as follows:

(a) Other Services			
Period	**Duration**	**Fees Paid**	**% over the total amount paid to External Auditing**
January to December	12 months	R$ 757 thousand	40%
During the year ended December 31, 2016, fees were paid for additional tax advisory services and services related to the issuance of a comfort letter in the Offering of Shares Distribution and analyzes related to possible acquisitions of investments, in the amount of R$ 757 thousand .			
These services have not affected the restrictions of CVM Instruction 381/2003, as they refer to other specific services carried out by professionals who are not related to independent audit whatsoever. Therefore, they do not affect the independence and objectivity needed for external audit services.			
(b) Required (Mandatory) External Auditing Services			
Period	**Duration**	**Fees Paid**	**% over the total amount paid to KPMG**
January to December	12 months	R$ 1,134 thousand	60%
The required (mandatory) external auditing legal services have included the review of quarterly information for the periods of March, June and September 2016, and audit of the financial statements for the year ended December 31, 2016.			

The Company's policy is to be in accordance with the restrictions of independent auditors, i.e., ensure that there is no conflict of interest, loss of independence or objectivity in services provided by independent auditors (not related to external audit). This independence is achieved by having these services provided by professionals who do not belong to the auditing firm.



Acknowledgements

Randon Companies express their thanks to customers, suppliers, distributors, shareholders, financial institutions, government bodies, the community and all those who have contributed to their performance. The last fiscal periods have been challenging and the Company had to make tough and complex decisions in order to lessen the impact of economy on business. We especially thank our employees for their efforts, dedication, and commitment, which are crucial for the Companies to continue advancing in their business, building up their reputation and surviving in difficult times.

Awards

In 2016, Randon Companies received awards, of which we highlight:

Randon Companies

- Brands of Decision Makers: **Great Gaucho Brand** - 3rd place in people's remembrance and 3rd place in the preference of respondents. **Social Responsibility** Category: 4th place in people's remembrance and 5th place in the preference of the people of Rio Grande do Sul State - Jornal do Comércio and Qualidata;
- Trophy "Empresa Amiga da Cultura" Culture-Friendly Company - Prefeitura Municipal de Caxias do Sul (City Hall), Culture Department.
- The Founder and Chairman of the Board of Directors of Randon Companies, Raul Anselmo Randon, was nominated to receive the Laurea Honoris Causa in Ingegneria Gestionale, for his entrepreneurial profile in the social area.
- The Financial and Investor Relation Director of Randon S.A. Implementos e Participações, Geraldo Santa Catharina, was elected the Best Executive of Finances in the State of Rio Grande do Sul with the Award "Equilibrista 2016". The trophy is awarded by the Brazilian Institute of Finance Executives of Rio Grande do Sul State.
- 34th place among the 500 Largest Companies of the three States that comprise the Southern Region of the country – 500 Largest Companies of Southern Brazil ranking – Revista Amanhã.

Fras-le

- 1st place in the Social environmental category of the Everest Award;
- 44th RS Export Award – category: Market Diversification Award – (Brazilian Marketing and Sales Directors Association) (ADBV-RS);
- 2016 Inova Award – 1st place as the Best Brake Pad and 3rd place in Business Performance.
- Best Brands Award – 1st place in the Brake system category – Transporte Mundial Magazine and website.

Jost

- Prominent Supplier Award - CNH Industrial – Program: SUPER - Supplier Performance – Iveco customer.

Master

- Ítalo Bersani Trophy – Câmara da Indústria e Comércio de Caxias do Sul (Industry and Commerce Chamber);

Randon Consórcios

- Decision Makers brands. Consórcios (Coop-Payment Plans category) – 1st place in the preference and 2nd place in the remembrance of respondents – Jornal do Comércio and Qualidata.



Randon Implementos

- Top of Mind Award in Transport – Road Equipment category Prêmio Top of Mind do Transporte – Revista Transpodata;
- Paper related to Aerodynamic Drag in Semi-Trailers and Evaluation of Vertical Acceleration Levels and Frequencies of vibration on the chassis of a Road Equipment, Considering Different Types of Pavement and Load Conditions – 9th International Colloquium of Suspensions and Road Equipment & Engineering Trade Show.
- 44th RS Export Award – Highlight of the Steelmaking Sector and Special Distinction – Diamond Exporter Award - Associação dos Dirigentes de Vendas do Brasil (ADBV-RS);
- The Best of the Automotive Sector 2016 – Road Equipment category – Editora Autodata.
- Preference in Transport and Logistics Award – category: Manufacturer of Road Equipment - Sindicato das Empresas de Transportes de Carga e Logística no Estado do Rio Grande do Sul (Association of Freight and Logistics Companies of RS).
- Award as the best company in the categories Truck Body and Road Equipment for Trucks – OTM Editora;
- Autodata 2016 Award – category: Manufacturer of Road Equipment.
- NTC Transport Suppliers Award. Category: Manufacturer of Truck Bodies and Road Equipment – NTC &Logística.
- Best Brands – categories: Truck Body and Road Equipment (Trailers and Semi-Trailers) - Transporte Mundial Magazine and website.

Suspensys

- Supplier Awards 2016 International Award – Volvo;
- Best Paper in Influence of the Anti Squat Percentage of the Rear Suspension in the Starting Capacity in ramp of a truck tractor 6x2 - 9th International Colloquium of Suspensions and Road Equipment & Engineering Trade Show.

Caxias do Sul, March 24, 2017.
The Management



Management

Board of Directors

Raul Anselmo Randon – Chairman
Alexandre Randon - Vice-Chairman
Antônio José de Carvalho – Board Member
Hugo Eurico Irigoyen Ferreira – Board Member
Ruy Lopes Filho – Board Member

Audit Board

João Carlos Sfreddo
Maria Tereza Casagrande
Orly Casara
Rafael Ferraz Dias de Moraes
Regina Fátima de Souza Cruz

Executive Board

David Abramo Randon – President Director
Alexandre Randon – Director
Daniel Raul Randon – Vice-President Director
Geraldo Santa Catharina – Director
Alexandre Dorival Gazzi – Director

Executive Committee (non-statutory)

David Abramo Randon – President Director
Daniel Raul Randon – Vice-President Director
Alexandre Dorival Gazzi – Corporate Director
Norberto José Fabris – Corporate Director

Financial and Investor Relations Director

Geraldo Santa Catharina

Planning and IR Manager

Hemerson Fernando de Souza

Accountant

Valzeane Drehmer Hoch
(CRC/RS-81.001/O-0)

Investor Relations

Hemerson Fernando de Souza
Camila Villa Comunello
Caroline Isotton Colleto
Davi Coin Bacichette
Gleidson de Carvalho Cearon
Guilherme Vitorio Martini

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Índice Brasil IBRX

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Índice de Ações com Governança Corporativa Diferenciada IGC



Adresses and Contacts

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- **Investor Relations Manager:** Hemerson Fernando de Souza
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- **Fax:** +55 54 3239-2566
- **Email:** ri@randon.com.br
- **Home Page:** www.empresasrandon.com.br
- **Shareholders Services**

  Banco Itaú S.A.

  Adress: Rua Boa Vista, 176 – 1° Subsolo – Centro, São Paulo – SP
- **Independent Auditors:** KPMG Auditores Independentes
- **Newspapers:**

  Diário Oficial do Estado do Rio Grande do Sul

  Folha de Caxias – Caxias do Sul – RS
- **Photography:**

  Magrão Scalco

  João Carlos Lazzarotto

  Julio Soares

  Banco de Imagens Empresas Randon



Summarized Financial Statements on December 31, 2016

Balance Sheet	Randon S.A. Impl. e Part. Consolidated	Randon S.A. Impl. e Part. Controlling	Randon Investimentos
Assets	**4,868,291**	**3,430,294**	**368,716**
Current Assets	3,038,140	1,446,348	264,835
Cash and equivalents	1,133,643	619,385	16,935
Financial Investments	680,983	265,225	24,511
Derivative Financial Instrument	1,216	-	-
Receivables	484,247	174,694	223,285
Inventory	461,535	229,750	-
Deferred Charges/ Recoverable taxes	158,679	100,023	-
Others	117,837	57,271	104
Noncurrent Assets	1,830,151	1,983,945	103,882
Long-term Assets	414,115	283,245	103,603
Investments of non-immediate liquidity	-	104,263	-
Credit controlling company/controlled companies	-	4,036	-
Receivables	96,494	-	96,494
Consortiums for resale	61,341	24,215	-
Deferred Charges/recoverable taxes	228,896	144,483	6,446
Other non-current assets	9,879	602	663
Taxes under litigation	17,505	5,646	-
Investments/Property, Plant, Property/Intangible	1,416,036	1,700,701	279
Liabilities	**4,868,291**	**3,430,294**	**368,716**
Current Liabilities	1,239,669	691,553	205,229
Suppliers	170,058	95,830	1,451
Financing institutions	777,475	501,497	192,365
Derivative Financial Instrument	53	53	-
Salaries and benefits	41,260	16,846	454
Taxes and Fees	50,619	15,807	5,437
Advances for customers and others	200,204	61,520	5,522
Noncurrent Liabilities	1,738,338	1,325,584	80,430
Financing institutions	1,651,843	1,303,261	80,406
Government Subsidy	6,037	2,680	-
Debits with controlled companies	-	-	24
Diverse taxes and contributions	40,217	292	-
Provision for contingencies	25,705	15,005	-
Other non-current liabilities	14,536	4,346	-
Total Net Equity	1,890,284	1,413,157	83,058
Net Equity	1,413,157	1,413,157	83,057
Minority interest	477,127	-	1



Summarized Financial Statements on December 31, 2016

Income Statement	Randon S.A. Impl. e Part. Consolidated	Randon S.A. Impl. e Part. Controlling	Randon Investimentos
Net Revenue	2,623,976	1,344,472	49,962
Cost of goods sold	-2,103,069	-1,251,143	-20,305
Gross income	520,907	93,329	29,657
Sales expenses	-273,732	-109,524	0
Administrative expenses	-184,017	-84,007	-9,809
Financial income	-20,305	-47,240	-3
Investment valuation income	0	39,927	0
Other expenses/income	-41,772	-1,553	-8,104
Income before taxes	1,081	-109,068	11,741
Provision for taxes and social contributions	-12,447	41,863	0
Interest of non-controlling shareholders	-55,839	0	-5,347
Net income for the period	**-67,205**	**-67,205**	**6,394**
EBIT	**21,386**	**-101,755**	**11,744**
EBITDA	**142,717**	**-44,516**	**11,848**
EBITDA MARGIN (%)	**5.4%**	**-3.3%**	**23.7%**

