

**ALL - América  
Latina Logística S.A.  
and its subsidiaries**  
**Financial statements as of  
March 31, 2007 and 2006, and  
December 31, 2006  
and report of independent auditors  
on special review**

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

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**SPECIAL REVIEW REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Shareholders  
**ALL – América Latina Logística S.A.**  
Curitiba, PR

1. We have performed a special review of the accompanying Quarterly Financial Information of ALL – América Latina Logística S.A., for the quarter ended March 31, 2007, including the balance sheets, statements of operations, report on the Company's performance and other Company' relevant information, prepared in accordance with accounting practices adopted in Brazil.
2. Our review was conducted in accordance with the specific standards established by the Brazilian Institute of Independent Auditors (IBRACON) and the Brazilian Federal Board of Accountancy (CFC), and mainly comprised of: (a) inquiries of and discussions with the management responsible for the Company's accounting, financial and operational areas about the criteria adopted for the preparation of the quarterly information and (b) review of information and subsequent events which have or could have significant effects on the Company's operations and financial position.
3. Based on our special review, we are not aware of any material modification that should be made to the Quarterly Financial Information referred to in paragraph 1 for it to comply with accounting practices adopted in Brazil applicable to the preparation of Quarterly Financial Information, together with specific regulations established by the Brazilian Securities and Exchange Commission (CVM).

4. As mentioned in Note 4(a), the subsidiaries América Latina Logística Central S.A. (“ALL Central”) and América Latina Logística – Mesopotámica S.A. (“ALL Mesopotámica”) are in the process of renegotiating their concession contracts with the government of Argentina. On October 20, 2006, the subsidiaries signed a new “Memorandum of Understanding” with the “*Unidad de Renegociación y Análisis de Contratos de Servicios Públicos*”, which established a proposal for renegotiation of the concession contracts based on the following terms: (i) payment of a concession fee (“canon”) beginning January 2006 through the end of the concession; (ii) obligation to make minimum capital investments beginning January 1, 2006 through the end of the concession; (iii) resolution of past disputed claims between the government of Argentina and subsidiaries, such net claims were in favor of the government and will be converted into capital investment commitments by the subsidiaries beginning from January 2006 through the end of the concession. The Memorandum of Understanding must be ratified by the national congress and by a decree of the President of the republic of Argentina, and therefore is subject to modifications and possible loss of effects. The Quarterly Financial Information referred to in the first paragraph were prepared on the assumption that the conditions agreed to in the Memorandum of Understanding will be ratified as agreed to by the subsidiaries and the government and do not include any adjustments that may arise from future modifications to those conditions.
  
5. As mentioned in Note 4(c), taking into consideration resolutions enacted by an entity of the government of Argentina (Inspección General de Justicia (“I.G.J.”)), the subsidiary ALL - América Latina Logística Argentina S.A. (“ALL Argentina”) should have converted the advances for future capital increase (“aportes irrevocables”) which were recorded in its shareholders’ equity into capital within a 180-day period, for which the latest extension expired on February 21, 2006. The extension was not renewed by the Company to date. If a specific authorization is not obtained from I.G.J., such advances should be converted into capital or reclassified to a liability account. In accordance with Argentinean laws applicable to the subsidiary, any changes to capital need prior approval by the federal government. Therefore, conversion of the “aportes irrevocables” into capital depends on such approval which has not been obtained to date. At March 31, 2007 the balance of “aportes irrevocables” amounts to approximately R\$78,500 thousand and, based on the opinion of its legal advisors, the Company recorded these amounts as shareholders’ equity of the subsidiary because the Company’s intent is to convert these advances into capital in the future after the necessary governmental approvals have been obtained. Management of the subsidiary requested a waiver from immediately converting the “aportes irrevocables” into capital, in accordance with I.G.J. resolutions, because of the legal restrictions which currently prevent the conversion of the advances. No response was obtained through the date this report was issued. The Quarterly Financial Information described in the first paragraph does not include any effects that may arise in connection with the conclusion of this matter.

6. As described in Note 4(c), based on the opinion of its legal advisors, the subsidiary ALL Argentina did not recognize in its Quarterly Information the minority interest, if any, on advances for capital increase granted to its subsidiaries ALL Central and ALL Mesopotámica. Such recognition was sought in court by a non-controlling shareholder. The Quarterly Financial Information does not include potential adjustments or reclassifications that might arise in connection with the conclusion of this matter.
7. As described in Note 6, the subsidiary ALL Central discontinued the recognition of revenues from tolls of “Unidad Ejecutora del Programa Ferroviario Provincial (U.E.P.F.P.)” beginning in January 2002. This decision was made because U.E.P.F.P. does not acknowledge the services provided by ALL Central. In 2004, ALL Central filed a claim with the Federal Court for Litigious and Administrative Matters of the Province of Buenos Aires seeking the payment of toll amounts for the period 1993 to 1995. As a result of the agreements reached with previous shareholders, ALL Argentina has a liability of R\$3,857 thousand (P\$5,510 thousand), associated with the obligation to reimburse 50% of the recovered toll amounts incurred in the periods prior to the date of acquisition of ALL Central and ALL Mesopotámica. Although management believes, based on the opinion of its legal advisors, that the likelihood of a favorable outcome in the collection proceedings initiated against U.F.P.F.P. is high, the receivable of R\$3,585 thousand (P\$5,420 thousand) has not been recorded. The Quarterly Financial Information does not consider any adjustment or reclassifications that might arise in connection with the conclusion of these discussions.
8. Our review procedures was carried out to enable us to issue a Special Review Report on the Quarterly Financial Information referred to in the first paragraph, taken as a whole. The statements of cash flows included in Note 30, prepared in accordance with the accounting practices adopted in Brazil, which are presented to provide supplementary information about the Company, are not required as an integral part of the Quarterly Financial Information. Such statements of cash flows were submitted to the review procedures described in the second paragraph and, based on such procedures, we are not aware of any material modification that should be made to these supplementary statements for them to be fairly disclosed, in all material respects, in accordance with the accounting practices adopted in Brazil.

Curitiba, May 2, 2007,

ERNST & YOUNG  
Auditores Independentes S.S.  
CRC-2-SP 15199/O-6 -F- PR

Marcos Antonio Quintanilha  
Accountant CRC-1-SP-132776/O-3 T-SC-S-PR

**ALL-América Latina Logística S.A. e suas Controladas**  
**Balço Patrimonial findos em 31 de março de 2007 e 31 de dezembro de 2006**  
(em milhares de reais)

	Note	Parent Company		Consolidated	
		03/31/2007	12/31/2006	03/31/2007	12/31/2006
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	5	138,717	270,067	1,483,195	1,739,040
Trade accounts receivable	6	7,964		157,124	111,317
Inventories	7			62,984	70,995
Lease and concessions	8			6,182	6,182
Taxes recoverable	9	10,832	17,762	146,838	152,771
Deferred income tax and social contribution	10	18,582	20,257	47,527	36,082
Dividends and interest on net equity		112,460	141,537		
Advances and other accounts receivable		24,225	15,044	60,521	44,543
Prepaid expenses		2,579	2,477	9,091	9,634
Total current assets		315,359	467,144	1,973,462	2,170,564
Non-current assets					
Long-term assets					
Credits with related companies	19	37,219	29,319	5,798	6,099
Lease and concessions	8			121,049	122,594
Taxes recoverable	9	25,608	18,753	74,725	55,677
Deferred income tax and social contribution	10	33,911	34,085	56,720	63,635
Judicial deposits	18			389,216	378,140
Long-term investments	11	1,196,728	1,063,059	214,931	203,094
Other accounts receivable		345		43,032	43,619
Prepaid expenses		6,938	7,393	18,571	19,495
		1,300,749	1,152,609	924,042	892,353
Permanent assets					
Investments	12	3,163,596	3,163,209	2,533,727	2,536,962
Intangible assets		137	137	137	137
Fixed assets	13	4,174	4,286	2,970,412	2,840,460
Deferred charges	14	118,651	120,467	426,231	445,741
		3,286,558	3,288,099	5,930,507	5,823,300
Total non-current assets		4,587,307	4,440,708	6,854,549	6,715,653
Total assets		4,902,666	4,907,852	8,828,011	8,886,217

As notas explicativas da administração são parte integrante das demonstrações financeiras

**ALL-América Latina Logística S.A. e suas Controladas**  
**Balço Patrimonial findos em 31 de março de 2007 e 31 de dezembro de 2006**  
(em milhares de reais)

	Note	Parent Company		Consolidated	
		03/31/2007	12/31/2006	03/31/2007	12/31/2006
<b>LIABILITIES</b>					
Current liabilities					
Suppliers		6,537	1,083	343,146	333,502
Loans and financings	15	2,207	1,621	612,223	231,936
Debentures	16	160,340	187,578	192,757	224,342
Other taxes payable		536	2,415	171,818	180,300
Lease and concessions	17	204		17,919	16,990
Payroll and related charges				77,095	95,648
Advances from clients				18,748	29,586
Lease	28			18,303	18,380
Other accounts payable				98,086	93,855
Dividends and interest on net equity		3,417	15,842	3,417	15,964
Total current liabilities		<u>173,241</u>	<u>208,539</u>	<u>1,553,512</u>	<u>1,240,503</u>
Non-current liabilities					
Long-term liabilities					
Loans and financings	15		640	1,929,416	2,324,861
Debentures	16	1,035,000	1,035,000	1,582,090	1,573,516
Debts payable from related companies	19	18,216	12,029	634	650
Provision for contingencies	18			442,923	442,794
Lease and concessions	17			678,573	664,373
Provision for unrealized profit	20	15,407	15,593		
Lease	28			6,777	7,066
Other accounts payable		2,838		174,156	165,691
Provision for unsecured liabilities in subsidiary	12	1,218,450	1,189,563		
Deferred income	21			25,237	25,443
Total non-current liabilities		<u>2,289,911</u>	<u>2,252,825</u>	<u>4,839,806</u>	<u>5,204,394</u>
Minority interest in subsidiaries				3	
Shareholders' equity	22				
Capital stock		2,129,475	2,129,475	2,129,475	2,129,475
Capital reserves		32	32	32	32
Profit reserves		315,999	315,999	315,999	315,999
Accrued losses		(16,473 )		(21,297 )	(5,168 )
Advance for future capital increase		10,481	982	10,481	982
Total shareholders' equity		<u>2,439,514</u>	<u>2,446,488</u>	<u>2,434,690</u>	<u>2,441,320</u>
Total liabilities and shareholders' equity		<u>4,902,666</u>	<u>4,907,852</u>	<u>8,828,011</u>	<u>8,886,217</u>

As notas explicativas da administração são parte integrante das demonstrações financeiras

**ALL-América Latina Logística S.A. e suas Controladas**  
**Demonstrações do resultado**  
**Exercícios findos em 31 de março**  
(em milhares de reais)

	Note	Parent Company		Consolidated	
		03/31/2007	03/31/2006	03/31/2007	03/31/2006
<b>Gross revenue from services</b>					
Provision of cargo transportation services and other		8,204	9,716	490,295	310,211
Gross revenue deductions, mainly taxes (ICMS, ISS, PIS, and COFINS)		(32)	(1,262)	(60,705)	(41,682)
Net revenue from services		8,172	8,454	429,590	268,529
Cost of services provided		(5,677)		(303,787)	(197,797)
<b>Gross profit</b>		<b>2,495</b>	<b>8,454</b>	<b>125,803</b>	<b>70,732</b>
<b>Income from shareholding</b>					
Equity accounting	12	1,411	(6,534)	45	167
Provision for unsecured liabilities in subsidiaries	12	(28,887)			
Goodwill amortization in subsidiaries	12	(2,838)	(1,817)	(3,302)	(2,311)
		(30,314)	(8,351)	(3,257)	(2,144)
<b>Other operating incomes (expenses)</b>					
Selling				(1,558)	(1,487)
General and Administrative		(1,331)	(2,256)	(25,702)	(15,753)
Other operating incomes (expenses), net		186	186	16,182	827
		(1,145)	(2,070)	(11,078)	(16,413)
<b>Operating result before financial result</b>		<b>(28,964)</b>	<b>(1,967)</b>	<b>111,468</b>	<b>52,175</b>
Financial expenses	25	(34,233)	(4,114)	(187,393)	(67,540)
Financial income	25	51,982	27,855	56,705	39,783
		17,749	23,741	(130,688)	(27,757)
<b>Operating profit (loss)</b>		<b>(11,215)</b>	<b>21,774</b>	<b>(19,220)</b>	<b>24,418</b>
Non-operating income, net				(172)	805
<b>Income (loss) before taxes</b>		<b>(11,215)</b>	<b>21,774</b>	<b>(19,392)</b>	<b>25,223</b>
Provision for income tax and social contribution	24	(1,766)	(3,493)	(5,854)	(5,612)
Deferred income tax and social contribution		(3,492)	(795)	9,122	(1,775)
Minority interest in subsidiaries				(4)	(5)
<b>Net income (loss) for the period</b>		<b>(16,473)</b>	<b>17,486</b>	<b>(16,128)</b>	<b>17,831</b>
Number of shares at the end of the year (in thousands)		2,880,363	223,087	2,880,363	223,087
<b>Net income (loss) per thousand shares at the end of the period – R\$</b>		<b>(5.719)</b>	<b>78.382</b>	<b>(5.598)</b>	<b>79.928</b>

As notas explicativas da administração são parte integrante das demonstrações financeiras

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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### 1 Operations

#### (a) The Company

ALL - América Latina Logística S.A. (the "Company" or "Parent Company") was established on September 30, 1997, and started its operating activities in April 1999, when the shareholders of former Ferrovia Sul-Atlântica S.A. (currently ALL-América Latina Logística do Brasil S.A., ALL Brasil) contributed all of the shares of ALL Brasil in exchange for all of the Company's shares.

The Company's main corporate objectives are:

- . to hold stock ownership in other companies, ventures and consortia, whose purpose is related to transportation services, including rail transportation;
- . to perform activities relating to transportation services, such as logistics, intermodal transportation, port operations, handling and storage of goods, operation and administration of storage warehouses and general warehouses;
- . to acquire, lease or lend locomotives, wagons and other rail equipment to third parties;
- . to perform other activities within the Company's structure;
- . to operate multimodal transportation.

Considering the appreciation potential of its assets, and with a view to providing its investors and the market with full business transparency, on May 31, 2004 ALL joined the Special Corporate Governance Practices - Level 2 implemented by the São Paulo Stock Exchange (BOVESPA), where its shares are traded. ALL is the first land freight transportation Company to join this special corporate governance level, undertaking to fully comply with the related requirements.

According to the commitments taken by parent company ALL - América Latina Logística do Brasil S.A. with the BNDES, the Company should adapt its Bylaws to the rules of the Novo Mercado (New Market) of BOVESPA by February 1, 2004. Management requested and obtained from BNDES on March 7, 2006, the extension of this deadline for February 1, 2008, therefore, eliminating all the penalties determined (early maturity of the debt and execution of guarantees).

The Company operates rail transportation in Southern Brazil through ALL Brasil, and in the Central-Western region and in the State of São Paulo through the concessionaires, indirect subsidiaries, Ferrobán, Ferronorte and Novoeste, Brasil Ferrovias, and Novoeste Brasil. It operates in Argentina through its subsidiary ALL - América Latina Logística - Argentina S.A. (ALL Argentina), holding company of ALL - América Latina Logística - Central S.A. (ALL Central) and ALL - América Latina Logística - Mesopotámica S.A. (ALL Mesopotámica), and also provides road transportation services in Brazil through ALL - América Latina Logística Intermodal S.A. (ALL Intermodal).



# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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ALL Brasil holds the right to operate part of the Brazilian rail network (Malha Ferroviária Sul - Southern Rail Network), with a total length of 6,586 km, by February 2027, a period that may be renewed by the granting authorities for an additional 30 years, covering the States of Paraná, Santa Catarina and Rio Grande do Sul. The Company also has an agreement to operate, on an exclusive basis, 874 km of rail lines in the State of São Paulo.

Brasil Ferrovias is a publicly-held and holding company of the cargo rail transportation industry, whose predominating activity is the direct control of concessionaires Ferronorte S.A. Ferrovias Norte Brasil (Ferronorte) and Ferroban – Ferrovias Bandeirantes S.A. (Ferroban), the indirect control of Portofer Transportes Ferroviários Ltda. (Portofer), and the shared control of Terminal XXXIX de Santos S.A. (Terminal XXXIX).

Ferroban has the right to operate part of the Brazilian rail network, with an approximate length of 4,186 km by December 2028, a period that may be renewed by the granting authorities for an additional 30 years, covering the entire State of São Paulo.

Ferronorte is a logistics Company which links the North and Central-West regions to the South and Southeast regions of Brazil and to Port of Santos. It is the only railroad in the Country recently built with private capital. Its concession agreement was executed on May 19, 1989, between the Federal Government and Ferronorte, granting the concession for the development of a cargo rail system to Ferronorte, comprising the construction, operation, exploration and preservation of the road between Cuiabá (State of Mato Grosso) and Uberlândia, Santa Fé do Sul, Porto Velho and Santarém, for a 90-year period, which may be extended for another 90 years. There are no obligations for the payment of any amount while the agreement is valid.

The first segment of Ferronorte was inaugurated in 1999, with a length of 421 km, connecting Aparecida do Taboado (State of Mato Grosso do Sul) to Alto Taquari (State of Mato Grosso). In April 2002, another 90-km segment was inaugurated, interconnecting Alto Taquari and Alto Araguaia, both in broad gauge. With the continuity of the expansion project, Ferronorte will reach Rondonópolis (State of Mato Grosso), and, afterwards, Cuiabá (State of Mato Grosso).

Portofer is a special purpose company constituted on June 28, 2000, by Ferronorte and Ferroban, partners which hold 50% of its quotas each. It controls 90 km of railroads in Port of Santos, and its goal is to perform the rail handling of goods in the port, through an agreement executed with CODESP (Companhia Docas do Estado de São Paulo) for a 25-year period, which may be extended by mutual agreement between the parties.

The concession and lease agreements related to terminals Terminal XXXIX, TGG, and TERMAG were executed on August 8, 1997, between Ferronorte and CODESP. The concessions are valid for 25 years, period which may be extended under agreement between the parties.

Novoeste Brasil S.A. (Novoeste Brasil) is a closely-held and holding company of the rail cargo transportation industry, resulting from the partial spin-off of Brasil Ferrovias, which occurred on May 13, 2005, and it is the parent company of Ferrovia Novoeste S.A..

## ALL-América Latina Logística S.A. and Subsidiaries

### Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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Ferrovias Novoeste S.A. (Novoeste) has the right to operate part of the Brazilian rail network, with an approximate length of 1,600 km. Through July 2026, a period that may be renewed by the granting authorities for an additional 30 years. The railroad is interconnected to waterway terminals in Porto Esperança and Ladário, both in the State of Mato Grosso do Sul, and it interconnects to Ferrobán, in Bauru (State of São Paulo), and Bolivian Ferrovias Oriental in Corumbá (State of Mato Grosso do Sul).

ALL Central has the right to operate part of the Argentine rail network, in a total length of 5,690 km, and whose main lines extend from Mendoza, on the Chilean border, to Buenos Aires, through August 2023, a period that may be renewed for an additional 10 years. ALL Mesopotámica has the right to operate part of the Argentine rail network, in a total length of 2,704 km, whose main lines extend from Buenos Aires to Uruguaiana, through October 2023, a period that may also be renewed for an additional 10 years. In Uruguaiana these networks are interconnected to the rail network of ALL in Brazil and the border with Paraguay, in Corrientes.

Boswells S.A. is a financial investment company based in Uruguay.

ALL Intermodal provides logistics and road transportation services, mainly by trucks, to the most populated Brazilian regions. This Company also distributes goods in urban areas, and provides road freight services.

On December 1, 2001, the Company sold all of its partner rights in ALL Argentina to Logispar Logística e Participações S.A. (Logispar), a Company's jointly-controlled subsidiary, for R\$256,201. At that time, this amount was equivalent to the amount paid in May 1999 by ALL Argentina for the acquisition of ALL Central and ALL Mesopotámica, plus advances for capital increase "aportes irrevocables" made up to that date, approximating its market value according to the valuation report prepared by independent appraisers. On December 31, 2003, the Company reacquired all the shares of Logispar at market value.

Based on the Extraordinary General Meeting held on March 29, 2006, the right of usufruct over ALL Argentina's shares was transferred from Logispar to the Company, by means of Capital Stock reduction, and its purpose was to directly concentrate the rights and obligations over issuance shares and rights over AFAC's (advances for future capital increase) made in ALL Argentina at the Parent Company.

On September 29, 2006, the Board of Directors approved and merged Logispar's net assets by its parent company ALL.

The Company's activities are focused on the control and planning of operational, commercial and strategy activities of the subsidiaries, in addition to the supply of financial resources to enable the subsidiaries' operations.

#### **(b) Limitations and conditions to operate the concession granted to ALL Brasil, Ferrobán and Novoeste**

The Companies are subject to complying with specific conditions established in the privatization notices and in the concession agreements for the operation of Rail Networks.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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The concession agreements of these subsidiaries may be terminated in view of the following events: expiration of the contractual term; expropriation; forfeiture; termination; annulment and bankruptcy; or extinguishment of the concessionaire.

The main impacts of the extinguishment of any of the concessions would be as follows:

- all rights and privileges transferred to the Companies will return to the Federal Government, together with leased assets and those resulting from investments that are considered reversible by the Federal Government for being necessary to the continuous rendering of services under the concession.
- the assets considered reversible will be indemnified by the Federal Government at the residual cost value, calculated in accordance with the accounting records of the Companies, net of depreciation; this cost will be subject to technical and financial analyses by the Federal Government. Any and all improvements made to the permanent track superstructure will not be considered as investments for indemnification purposes.

## 2 Presentation of the quarterly information

### (a) Overall aspects

The quarterly information was prepared and is presented in conformity with the accounting practices adopted in Brazil, considering the accounting guidelines set forth in the corporation law and in the rules of the Securities and Exchange Commission of Brazil - CVM.

The preparation of the quarterly information requires the Management to make estimates based on assumptions that affect the values of assets, liabilities, revenues, expenses and disclosures presented in the quarterly information. Material items subject to these estimates and assumptions include the selection of the useful life of the fixed assets and their recoverability in operations, credit risk analysis to determine the allowance for doubtful accounts, as well as the analysis of other risks to determine other provisions, including provision for contingencies and assessment of financial instruments and other assets and liabilities on the balance sheet date.

As a result of the settlement of transactions comprising these estimates, values may be materially different from those recorded in the financial statements due to inaccuracies inherent to the estimate process. The Company reviews its estimates and assumptions at least quarterly.

Assets and liabilities are classified as current when their realization or settlement is probable to take place in the next twelve months. Otherwise, they are stated as non-current. Monetary assets and liabilities denominated in foreign currency were translated into reais according to the balance exchange rate. Differences resulting from currency conversion were recognized in the statement of income. For subsidiaries located abroad, their assets, liabilities and income ended on March 31, 2007, were converted into reais according to the exchange rate on the balance sheet's closing date, R\$0.661419 to P\$1.00 (Argentine peso) (on December 31, 2006 - R\$0.699836, and on March 31, 2006 - R\$0.773785 to P\$1.00) for Companies

## **ALL-América Latina Logística S.A. and Subsidiaries**

### **Notes to the financial statements**

**Periods ended March 31, 2007, 2006 and December 31 2006.**

**(in thousands of reais, except when otherwise indicated)**

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headquartered in Argentina, and R\$2.0504 to US\$1.00 (U.S. dollar) (on December 31, 2005 – R\$2.138, and on March 31, 2006 - R\$2.3407 to US\$1.00). Exchange gains (losses) of investments denominated in foreign currency are recorded in the result under "financial income (expenses)".

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

### (b) Consolidated financial statements

The consolidated financial statements comprise the Company's operations and the following subsidiaries' operations, whose percentage ownership on the balance sheet date is summarized as follows:

	<b>Ownership %</b>	
	<b>03/31/2007</b>	<b>12/31/2006</b>
<b>Direct Subsidiaries</b>		
ALL-América Latina Logística do Brasil S.A. (ALL Brasil)	100.00	100.00
ALL-América Latina Logística Intermodal S.A. (ALL Intermodal)	100.00	100.00
ALL-América Latina Logística Overseas Ltd. (ALL Overseas)	100.00	100.00
ALL-América Latina Logística Tecnologia Ltda. (ALL Tecnologia)	99.00	99.00
ALL-América Latina Logística Centro-Oeste Ltda. (ALL Centro-Oeste)	100.00	100.00
ALL-América Latina Logística Equipamentos Ltda. (ALL Equipamentos)	95.83	95.83
ALL-América Latina Logística Argentina S.A. (ALL Argentina)	100.00	100.00
Santa Fé Vagões S.A.	39.99	39.99
Brasil Ferrovias S.A. (Brasil Ferrovias)	100.00	100.00
Novoeste Brasil S.A. (Novoeste Brasil)	100.00	100.00
Boswells S.A.	100.00	100.00
<b>Indirect Subsidiaries</b>		
<b>Investee of ALL Intermodal</b>		
ALL-América Latina Logística Armazéns Gerais Ltda. (ALL Armazéns Gerais)	100.00	100.00
ALL-América Latina Logística Equipamentos Ltda. (ALL Equipamentos)	4.17	4.17
<b>Investee of Armazéns Gerais</b>		
PGT Grains Terminal S.A. (PGT)	100.00	100.00
<b>Investee of Brasil Ferrovias</b>		
Nova Ferroban S.A. (Nova Ferroban)	80.00	80.00
Ferronorte S.A. – Ferrovias Norte Brasil (Ferronorte)	97.55	97.55
Ferroban – Ferrovias Bandeirantes S.A. (Ferroban)	30.52	30.52
<b>Investee of Nova Ferroban</b>		
Ferroban – Ferrovias Bandeirantes S.A. (Ferroban)	66.42	66.42
<b>Investee of Ferroban</b>		
Portofer Transporte Ferroviário Ltda. (Portofer)	50.00	50.00
<b>Investee of Ferronorte</b>		
Portofer Transporte Ferroviário Ltda. (Portofer)	50.00	50.00
Terminal XXXIX de Santos S.A (Terminal XXXIX)	50.00	50.00
Ferronorte Locadora de Vagões S.A. (Ferronorte Locadora)	100.00	100.00
Tenorte S.A.	100.00	100.00
<b>Investee of Novoeste Brasil</b>		
Ferrovia Novoeste S.A. (Novoeste)	100.00	100.00
<b>Investee of ALL Argentina</b>		
ALL-América Latina Logística Central S.A. (ALL Central)	73.55	73.55
ALL-América Latina Logística Mesopotámica S.A. (ALL Mesopotámica)	70.56	70.56

ALL Central and ALL Argentina have the following minority interest breakdown on March 31, 2007:

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

	% interest	
	ALL Central	ALL Mesopotámica
Railroad Development Corporation	6.45	2.74
Alesia S.A.		3.64
Petersen, Thiele Y Cruz S.A.		3.06
Ministerio de Economía y Obras y Servicios Públicos de la Nación	16.00	16.00
Other - Individuals	4.00	4.00

The fiscal years of the subsidiaries included in the consolidated are coincident with the parent company's and the accounting practices evenly applied in the consolidated companies, and consistent with those used in the previous year.

ALL Argentina negotiated with its minority shareholder Railroad Development Corporation the acquisition of its interest of 6.45% and 2.74% of ALL Central and ALL Mesopotámica. The negotiation depends on the approval of the share transfer by the Argentine government.

For Companies ALL Argentina (direct subsidiary), ALL Central (indirect subsidiary), ALL Mesopotámica (indirect subsidiary), headquartered in Argentina, and Boswells S.A. (direct subsidiary), headquartered in Uruguay, analyses were carried out with a view to adapting the accounting principles adopted in Argentina and Uruguay to the accounting principles adopted in Brazil. Except for indirect subsidiaries ALL Central and ALL Mesopotámica, which amortize the organization expenditures and pre-operating costs under the item deferred permanent assets for periods which differ from the criteria used in the balance sheets in compliance with Brazilian rules, no other differences in accounting practices were identified.

Except for investments in Santa Fé Vagões S.A. and Terminal XXXIX, whose controls are shared with other shareholders, assets, liabilities and results are consolidated proportionally to the interest in the Capital Stock of those investees. For the direct and indirect subsidiaries, all their assets, liabilities and results were consolidated, highlighting, when applicable, the interest of minority shareholders in the shareholders' equity and in the result of the periods. Investments in subsidiaries, non-realized profits, and the portion corresponding to its shareholders' equity were eliminated in the consolidation, as well as asset and liability balances, revenues and expenses resulting from transactions among consolidated companies, as indicated in Notes 12 and 19.

The financial statements of indirect subsidiaries based out of Argentina, used for consolidation purposes, consider the inflationary effects of that country as a whole up to August 31, 1995, and from January 1, 2002, to February 28, 2003.

The conciliation of net income (loss) for the period, and of the shareholders' equity between the parent company and the consolidated is summarized as follows:

Shareholders' equity		Net income (loss) in the period	
03/31/2007	12/31/2006	03/31/2007	03/31/2006

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

<b>Parent Company</b>	2,439,514	2,446,488	(16,473 )	17,486
Gain in the variation of interest	(4,824 )	(5,168 )		
Realization in the year of the gain in the variation of interest			345	345
<b>Consolidated</b>	<u>2,434,690</u>	<u>2,441,320</u>	<u>(16,128 )</u>	<u>17,831</u>

The gain of interest refers to the subscription and payment, on August 22, 2000, by ALL - América Latina Logística do Brasil S.A. of 16,573,431 shares of Itacaiúnas Participações S.A., with goodwill of R\$21,193. Such subscription generated variation in the parent company's interest from 100% to 63.03% of the capital with capital gain of R\$13,782. The realization of this gain has been taking place as the locomotives, which originated the value of aforementioned goodwill, are depreciated.

### (c) Comparability of the Quarterly Information

The comparison of the consolidated quarterly information has significantly been affected by the acquisition of investments in subsidiaries Brasil Ferrovias S.A. and Novoeste Brasil S.A., as mentioned in Notes 1(a) and 12. The balance sheets of these companies drawn up on March 31, 2007, have been consolidated, as well as the corresponding of the period ending on that date.

### (d) Complementary information

As complementary information, the Company is also presenting the statements of cash flows. Such statements were prepared according to the norms established by the IBRACON, the Brazilian Institute of Independent Auditors and Accounting Federal Council, introduced in Note 30.

## 3 Summary of the main accounting practices

### (a) Cash and cash equivalents

They include the balances in current account, and financing investments redeemable within 90 days as from the balance sheet date, including, when applicable, income earned to the balance sheets dates.

### (b) Allowance for doubtful accounts

The bad debt reserve is established in an amount deemed sufficient by management to cover possible losses on the realization of credits, considering the client portfolio profile, the economic scenario, and specific risks.

### (c) Inventories

Inventory items are evaluated by their average acquisition costs, which do not exceed the realization amounts.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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**(d) Lease and concessions (assets)**

Lease and concession installments paid in advance are recorded at cost, and allocated to result according to the remaining concession term.

**(e) Investments**

The significant investments in subsidiaries and affiliated companies were appraised by the equity method of accounting, adjusted to the recovery value when it is lower, as shown in Note 12; goodwill recorded upon the acquisition of subsidiaries, based on expectation of future profitability, is amortized on a straight-line basis over the remaining concession term, based on the curve of future economic benefits generation.

**(f) Fixed assets**

Recorded at the acquisition, formation or construction cost (including interest and other financial charges linked to projects or constructions), whose depreciation is recognized on the straight-line basis, considering the estimated economic useful life of the assets at the annual rates described in Note 13.

**(g) Intangible assets**

Recorded at the acquisition and formation cost that do not overcome the realization values.

**(h) Deferred charges**

The portions of lease and concession cost, corresponding to the pre-operating phase of the Brazilian operations were deferred and have also been amortized over the concession term, as described in Note 14. The pre-operating, and studies and projects expenditures are amortized within a five-year term, as from the occasion in which the benefits started to be generated.

**(i) Determination of net income**

Net income is determined by the accrual method. The revenues from services rendered are recorded as services are rendered. Revenue is not recognized if there is significant uncertainty of its realization.

**(j) Advances for future capital increase**

The Company records the amounts related to advances for future capital increase, received from participants of the Stock Option Plan described in Note 23, in shareholders' equity account, considering the control and expectation the Company has for resolution on conversion of advances into capital increase.

**(k) Taxation**



# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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Charges (PIS, Cofins, ICMS and ISS) incurring on revenues from services rendered are presented as sales deductions in the statement of income. Credits deriving from the non-cumulativity of PIS/COFINS are presented deductively of the cost of services rendered in the statement of income.

Taxation on profit comprises the income tax and social contribution. The income tax is computed on the taxable income by the 15% rate, increased of a 10% additional for profits that exceed R\$240 in the 12-month period, whereas the social contribution is computed by the 9% rate on the taxable income, recognized by the accrual method, therefore, inclusions to the accounting profit of expenses, temporarily non-deductible, or revenue exclusions, temporarily non-taxable, for determination of the current taxable income generate deferred tax credits or debits.

Certain subsidiaries record the provision for income tax and social contribution on net income, adopting the presumed profit taxation regime computed based on a percentage of gross sales or the taxation rules of the countries where these are located.

Prepayments or amounts subject to offset are stated in current or non-current assets, according to the estimate of its realization.

Deferred tax credits arising from tax loss or negative basis of social contribution are stated by the amount expected to be realized. Some subsidiaries present a history of recurring losses and, therefore, do not comply with criteria which rule the recognition of tax credits of such type, as per rules of the Securities and Exchange Commission, which will not be recognized until such conditions are fully reached. The recognized tax credit, as well as the bases of potential credits, not yet recognized in accounting statements, is disclosed in Note 10.

## **4 Argentine subsidiaries - relationship with the granting authorities**

### **(a) Renegotiation of the concession agreement**

From July 1997 to March 2001, through Decree 605/97, the Argentine Executive Power ordered the Transportation Secretariat to renegotiate all concession agreements for freight rail transportation services, resulting in various discussions and analyses that led to the proposal of an addendum, which ended up null and void.

With the enactment of Law 25,561, a new turning point for the renegotiation of concession agreements was introduced, and on April 10, 2002, a presentation was delivered to the Argentine Minister of Economy, reinitiating the process.

In 2003, the Executive Power issued Decree 311, creating a special committee for the renegotiation of all concession agreements. This committee reports simultaneously to the Ministry of Economy and to the Ministry of Federal Planning, Public Investments and Services. The change in the management of Argentine Government in May 2003 suspended the process for a few months, and in September 2003, the concessionaires were once again required to update data and to attend various meetings with government officers and advisers of the Ministry of Federal Planning.

## **ALL-América Latina Logística S.A. and Subsidiaries**

### **Notes to the financial statements**

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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On July 18, 2005, Provisions 18/2005 and 19/2005 of the Unit for Renegotiation and Analysis of Public Services Agreements were published on the Official Bulletin of the Argentine Government, relating to the Letter of Understanding resulting from renegotiations of the commitments of the concession agreement between ALL Central and ALL Mesopotámica with the Argentine Government. On October 20, 2006, ALL Central and ALL Mesopotámica executed new Letters of Understanding with the Unit for Renegotiation and Analysis of Public Services Agreements in order to replace the prior Letter. The effects and commitments arising from this concession are reflected in the Financial Statements, even considering that the aforementioned Letters shall be analyzed and approved by the Argentine National Congress and by the President of the Republic of Argentina. The Letters establish basically the following:

(i) Annual investment plan

As from January 2006, the concessionaries must carry out annual investments in an amount equivalent to 9.5% of total net revenues of ALL Central and ALL Mesopotámica related to the previous quarter. In the first quarter of 2007 these companies made investments in the amount of R\$8,795 and R\$4,673 respectively, which are higher than the minimum assumed commitments.

(ii) Concession fee (“canon”)

As of January 1, 2006, the amount corresponding to 3% of total net revenues of ALL Central and ALL Mesopotámica referring to the previous year will be considered as the amount of the concession fee (“canon”). During the first quarter of 2007, these Companies recorded expenses of R\$790 and R\$304, respectively, having as counter-entry the lease and concession payable account.

The concession tariffs relating to the previous three-year periods were included as an integral part of mutual claims negotiations, as described in item (iii).

(iii) Rights and obligations comprising the mutual claims

The renegotiation of concession agreements includes the discussion on amounts claimed by both the Argentine Government and concessionaries, such as: investments not complied with by concessionaries, amounts related to concession tariffs of previous periods, and losses incurred by concessionaires due to unavoidable reasons (floods and other).

Based on the Letters, the extinction of liabilities of the amounts related to mutual claims balances, which totaled P\$79,760 thousand and P\$14,480 thousand for ALL Central and ALL Mesopotámica, respectively, in favor of the Argentine Government, was set forth, and the concessionaries started to assume investment commitments as from January 2006, which cannot be lower than 3.17% and 1.54%, respectively, on net revenues of the previous year, respecting the minimum amounts of P\$4,686 thousand and P\$852 thousand, respectively. The minimum investments required by the Letters' commitments have been fully complied with by concessionaries to date.

**(b) Approval for transfer of shares**

On May 26, 1999, indirect subsidiary ALL Argentina entered into an agreement with Poconé Participações S.A., Judori Administração, Empreendimentos e Participações S.A., Interférrea S.A. - Serviços Ferroviários

## ALL-América Latina Logística S.A. and Subsidiaries

### Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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e Intermodais, GP Capital Partners II L.P., and Emerging Markets Capital Investments ("the 5 shareholders") for the purchase and sale of 73.55% of shares of ALL Central and 70.56% of shares of ALL Mesopotámica. The amount of the transaction, equivalent to US\$ 33,900 thousand at that time, was settled by means of offset against credits the subsidiary held with the 5 shareholders. Pursuant to the terms of the concession agreement, this transfer of shares is subject to the approval by the Argentine Government, and on April 26, 2004 that Government approved the share transfer, which is now in progress.

Additionally, ALL Argentina holds partner rights in ALL Central and ALL Mesopotámica, by means of a usufruct agreement entered into with the 5 shareholders in May 1999. Under the terms of the usufruct agreement, ALL Argentina undertakes the rights (both economic and political) and responsibilities as the shareholder of ALL Central and ALL Mesopotámica. The term of the usufruct agreement shall expire upon the effective transfer of shares of ALL Central and ALL Mesopotámica to ALL Argentina.

Also, in May 1999, the Company entered into a purchase agreement with the 5 shareholders for the total number of shares of ALL Argentina and a usufruct agreement over the rights (both economic and political) over shares of ALL Argentina. The term of the usufruct agreement is 20 years, automatically renewable if, up to the expiration of the agreement, the Argentine Government does not express an opinion with regard to the approval of the transaction. Should authorization be denied by the Government, the 5 shareholders irrevocably undertake to exercise the voting right over shares of ALL Argentina, in accordance with the Company's instructions.

Subsequently, as described in Note 1(a), the Company sold all its partner rights in ALL Argentina to Logispar, and reacquired these rights through the purchase of Logispar's shares on December 31, 2003.

On March 29, 2006, the Company reacquired the usufruct right and obligations over ALL Argentina's shares, as well as the right over advances for future capital increase ("aportes irrevocables"), described in Note 4(c), recorded in that investee, by means of capital stock reduction in Logispar (assignor of such rights and obligations). This transaction was supported by Appraisal Report issued by independent experts and approved in the Annual General Meeting held on the date mentioned above.

#### (c) **Advances for future capital increase ("aportes irrevocables")**

Considering the Resolutions of *Inspección General de Justicia* ("I.G.J") 25/2004 and 1/2005, direct subsidiary ALL - América Latina Logística Argentina S.A. should have destined the advances for future capital increase ("*aportes irrevocables*") granted by its former controller Logispar, which are recorded in its shareholders' equity in the approximate amount of R\$78,500 on March 31, 2007, for a term which expired on February 21, 2006, and which has not been extended. Such decision should imply the conversion of "*aportes irrevocables*" into capital stock, or their reclassification to a liability account.

Pursuant to Administrative Resolution applicable to the subsidiary, alterations in its capital stock shall be previously approved by the Argentine Government. Accordingly, the compliance with the conversion of "*aportes irrevocables*" into capital stock depends on aforementioned approval, which has not occurred to date. The subsidiary's management issued a request of waiver to the application of aforesaid Resolutions to I.G.J., in view of current regulatory impediment in carrying out the conversion of said advances, and until the issue date of this Report, no definitive response was obtained.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

The Management of the Company consistently maintains its commitment to convert “*aportes irrevocables*” into capital stock in ALL Argentina, as well as ALL Argentina to convert “*aportes irrevocables*” into capital stock in ALL Central and ALL Mesopotámica.

In addition, indirect subsidiaries ALL Central and ALL Mesopotámica recorded R\$95,180 (P\$143,900 thousand) and R\$65,410 (P\$98,900 thousand) respectively, relating to advances for capital increase, received from their parent company ALL Argentina. In April 2004, during the Shareholders Meeting of these companies, Argentina’s Government (minority shareholder) proposed such advances for capital increase to be capitalized, but its interest not to be altered, even though it would not make any capital contribution. This proposal was not accepted by ALL Argentina. The Government then filed for a legal process as an attempt to oppose this decision. No definitive decision has been made on this judicial discussion to date.

The way these advances are accounted for and, therefore, their classification and evaluation in ALL Central's and ALL Mesopotámica's balance sheets, as well as the calculation of the equivalence by ALL Argentina and the acknowledgement of the respective minority interests, depends on the legal decision to be made after the conclusion of these discussions. So far, based on the opinion of its legal advisors, ALL Argentina acknowledges its 100% interest on the granted advances, without attributing any interest to the minority shareholder (Argentina's Government), which could correspond to 16% of such advances.

## 5 Cash and cash equivalents

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>03/31/2007</b>	<b>12/31/2006</b>	<b>03/31/2007</b>	<b>12/31/2006</b>
Cash and banks	13,367	58,842	67,564	99,854
Financial Investments	125,350	211,225	1,415,631	1,639,186
	<u>138,717</u>	<u>270,067</u>	<u>1,483,195</u>	<u>1,739,040</u>

These are substantially represented by short and long-term Bank Deposit Certificates (CDB) with rates linked to the variation of the Interbank Deposit Certificate – CDI (83.50% to 104% rates) and with daily liquidity, except for the FAQ/FIF Exclusivo investments, whose liquidity is lower than 90 days. The investment funds are also measured through the Variation of the Interbank Deposit Certificate – CDI, however, its financial results is post-fixed, occurring only on the redemption date.

The investments linked to the Austrian Notes may be redeemed at any moment according to the Company’s decision, regardless the maturity term, with fiscal benefit of Income Tax exemption and daily liquidity. The balance of financial investments is set forth as follows:

<b>Institution</b>	<b>Type of investment</b>	<b>%CDI</b>	<b>Maturity</b>	<b>Amount</b>	
				<b>03/31/2007</b>	<b>12/31/2006</b>
<b>Parent Company</b>					
	Investment Fund			99,683	86,841
Banco Alfa S.A.	CDB X CDI	102.00	05/28/2007		1,191
Banco Itaú BBA S.A.	CDB X CDI	101.00	08/04/2007		2,701

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

Banco J Safra S.A.	CDB X CDI	102.00	08/29/2007		1,516
Banco Pactual S.A.	CDB X CDI	101.00	08/28/2007		18,364
Banco Safra S.A.	CDB X CDI	102.00	08/01/2008	18,180	60,577
UNIBANCO	CDB X CDI	100.25	05/09/2009	23	10,240
Banco Votorantim S.A.	CDB X CDI	102.20	08/22/2008	7,464	29,795
				125,350	211,225

Institution	Type of investment	%CDI	Maturity	Amount	
				03/31/2007	12/31/2006
<b>Direct Subsidiary – ALL Brasil</b>					
	Investment				
FAQ/FIF Exclusivo Paranaguá	Fund			41,088	75,462
	Investment				
Fundo Mellon Brascan	Fund			6,411	6,202
Banco ABC Brasil S.A.	CDB X CDI	101.00	06/22/2007		9,209
Banco ABN Amro Bank	CDB X CDI	100.78	05/16/2008	103	100
Banco Alfa S.A.	CDB X CDI	101.60	02/23/2009	15,140	13,767
Banco BMG S.A.	CDB X CDI	103.00	10/22/2007	729	710
Banco Bradesco S.A.	CDB X CDI	100.20	03/16/2009	35,147	52,533
Banco Caixa Econômica Federal	CDB X CDI	100.00	12/18/2008	177	173
Banco do Brasil S.A.	CDB X CDI	100.00	09/24/2009	26,614	72,341
Banco Itaú BBA S.A.	CDB X CDI	100.50	09/14/2007	45,306	41,281
Banco J. Safra S.A.	CDB X CDI	100.25	02/28/2008		20,005
Banco Pactual S.A.	CDB X CDI	101.00	11/09/2007	62,478	56,864
Banco Pine S.A.	CDB X CDI	103.00	05/12/2007	139	136
Banco Safra S.A.	CDB X CDI	102.00	07/07/2008	42,905	41,803
Banco Santander S.A.	CDB X CDI	100.78	05/16/2008	32,797	31,953
Banco Votorantim S.A.	CDB X CDI	102.20	07/09/2008	73,379	63,926
Credit Suisse First Boston	CDB X CDI	101.05	11/02/2007	9,124	21,521
HSBC Bank Brasil S.A.	CDB X CDI	100.30	03/16/2009	67,102	91,595
Paraná Banco S.A.	CDB X CDI	103.00	05/12/2007		7,374
UNIBANCO	CDB X CDI	100.09	01/21/2008	90,150	99,748
Banco Del Istmo Internacional Ltda	TD – US\$				2,708
	Austrian				
Credit Suisse First Boston S.A.	Notes	83.50	08/03/2008	670,726	663,582
				1,219,515	1,372,993

Institution	Type of investment	%CDI	Maturity	Amount	
				03/31/2007	12/31/2006
<b>Direct Subsidiary – ALL Intermodal</b>					
Banco ABN Amro Bank	CDB X CDI	100.50	09/25/2008	6	6
Banco Bradesco S.A.	CDB X CDI	100.50	08/24/2007	1,038	1,014
Banco Itaú BBA S.A.	CDB X CDI	101.00	02/20/2009	14,810	14,440
Banco do Brasil S.A.	CDB X CDI	100.00	05/17/2009	285	293
UNIBANCO	CDB X CDI	100.06	06/16/2006	10,594	9,238
				26,733	24,991

**Shared Control - Santa Fé Vagões**

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

Banco do Brasil S.A.	Investment Fund				1,995
<b>Indirect Subsidiary - Ferronorte</b>					
Banco Itaú BBA S.A.	CDB X CDI	100.00	06/12/2007	3,034	2,944
Banco Unibanco S.A.	CDB X CDI	100.00	09/15/2009	18,072	2,944
				<u>21,106</u>	<u>7,883</u>
<b>Indirect Subsidiary - Ferroban</b>					
Banco Itaú BBA S.A.	CDB X CDI	100.00	06/12/2007	2,027	3,657
<b>Indirect Subsidiary - Terminal XXXIX</b>					
UNIBANCO – União de Bancos Brasil.	CDB X CDI	100.00	12/02/2007		486
<b>Indirect Subsidiary - Ferronorte Locadora de Vagões</b>					
UNIBANCO – União de Bancos Brasil.	CDB X CDI	100.00	04/07/2009	1,057	1,029
<b>Ferrovia Novoeste</b>					
Banco do Brasil S.A.	CDB X CDI	100.00	05/15/2011	12,755	12,499
<b>Direct Subsidiary – ALL Argentina</b>					
	Investment Fund				12
<b>Indirect Subsidiary - ALL Central</b>					
	Investment Fund			7,088	3,134
<b>Indirect Subsidiary – ALL Mesopotâmica</b>					
	Investment Fund				4,221
<b>Subsidiaries</b>				<u>1,290,281</u>	<u>1,427,961</u>
<b>Consolidated</b>				<u>1,415,631</u>	<u>1,639,186</u>

## 6 Trade accounts receivable - consolidated

<u>Subsidiaries</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
<b>Trade accounts receivable</b>		
ALL S.A. (parent company)	7,964	
ALL Brasil	44,546	31,744
ALL Intermodal	24,932	16,803
ALL Armazéns Gerais	11,007	216
ALL Tecnologia		4,577
Santa Fé	1,968	1,096
Ferroban	13,083	15,318
Ferronorte	30,042	17,658

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

Ferrovias Novoeste	7,785	11,780
Terminal XXXIX	52	1,494
Ferronorte Loc. De Vagões	398	
ALL Central	30,286	28,214
ALL Mesopotámica	6,525	6,386
	<u>178,588</u>	<u>135,286</u>
<b>(-) Allowance for doubtful accounts</b>		
ALL Brasil	(530)	(993)
ALL Intermodal	(835)	(858)
Ferrobán	(1,507)	(1,553)
Ferronorte	(3,050)	(3,051)
Ferrovias Novoeste	(561)	(1,639)
ALL Central	(13,526)	(14,358)
ALL Mesopotámica	(1,455)	(1,517)
	<u>(21,464)</u>	<u>(23,969)</u>
<b>Consolidated</b>	<b><u>157,124</u></b>	<b><u>111,317</u></b>

ALL Central and ALL Mesopotámica maintain, among others, provision on amounts receivable referring to toll revenue in the amount of R\$9,812 on March 31, 2007 (R\$10,836 on December 31, 2005).

ALL Central has been collecting, under the administrative scope, amounts derived from toll revenues receivable from “Unidad Ejecutora del Programa Ferroviário Provincial” (“U.E.P.F.P.”) totaling P\$5,420 thousand, whose probability of success in the realization of such asset was classified as probable by our legal advisors, however, they are not recorded, in view that the aforementioned entity does not recognize service provisions. As outlined in Note 6, for those amounts resulting from toll revenue, whose chances of losses were classified as probable, provisions for doubtful accounts were made.

## 7 Inventories - consolidated

	<u>03/31/2007</u>	<u>12/31/2006</u>
Maintenance supplies	46,886	55,820
Raw material (railcars)	1,797	2,394
Finished products (railcars)		9
Advances to suppliers	10,456	8,242
Materials in transit and others	3,845	4,530
	<u>62,984</u>	<u>70,995</u>

## 8 Lease and concessions - consolidated

## ALL-América Latina Logística S.A. and Subsidiaries

### Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

	03/31/2007		12/31/2006	
	Current assets	Long-term assets	Current assets	Long-term assets
<b>Lease</b>				
ALL Brasil	2,734	51,725	2,734	52,410
Ferroban	1,760	36,515	1,760	36,955
Novoeste	166	3,024	166	3,064
<b>Prepaid right of way</b>				
ALL Brasil	1,262	24,675	1,262	24,990
<b>Concession</b>				
ALL Brasil	150	2,843	150	2,881
Ferroban	97	2,018	97	2,042
Novoeste	13	249	13	252
	<b>6,182</b>	<b>121,049</b>	<b>6,182</b>	<b>122,594</b>

The lease of RFFSA's assets, for a 30-year period, was contracted by ALL Brasil on February 27, 1997, for R\$202,112, R\$82,032 of which were paid in cash. The remaining R\$120,080 have been paid since January 15, 1999, in 112 quarterly installments including interest of 12% per annum, restated by the General Price Index – Internal Availability (IGP-DI). The provision for this liability is described in Note 17.

The lease of RFFSA's assets, for a 30-year period, was contracted by Ferroban – Ferrovias Bandeirantes S.A. – on December 30, 1998, for R\$230,160, R\$52,793 of which were paid in cash. The remaining R\$177,367 have been paid as from December 15, 2000, in 112 quarterly installments including interest of 12% per annum, restated by the General Price Index – Internal Availability (IGP-DI). The provision for this liability is described in Note 17.

The lease of RFFSA's assets for a 30-year period, was contracted by Ferrovia Novoeste S.A. on June 26, 1996, for R\$56,440, R\$4,969 of which were paid in cash. The remaining R\$51,471 have been paid as from January 15, 1998, in 112 quarterly installments including interest of 12% per annum, restated by the General Price Index – Internal Availability (IGP-DI). The provision for this liability is described in Note 17.

Prepaid right of way refers to the amount paid by ALL Brasil to Ferrovia Bandeirantes S.A. as a consideration for the use of the lines from Presidente Epitácio to Rubião Júnior and from Pinhalzinho/Apiaí to Iperó (Sao Paulo), in accordance with the agreement to operate these lines for 30 years, which is also the accounting amortization period.

The 30-year concession for rail freight transportation services was obtained by ALL Brasil for R\$10,830, R\$4,510 of which were paid in cash. The remaining R\$6,320 have been paid since January 15, 1999, in 112 quarterly installments including interest of 12% per annum, restated by the IGP-DI. The company also provisions for this liability as described in Note 17.

The 30-year concession for rail freight transportation services was obtained by Ferroban – Ferrovias Bandeirantes S.A., for R\$12,252, R\$2,917 of which were paid in cash. The remaining R\$9,335 have been



# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

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paid since December 15, 2000, in 112 quarterly installments including interest of 12% per annum, restated by the IGP-DI. The company also provisions for such liability as described in Note 17.

The 30-year concession for rail freight transportation services was obtained by Ferrovia Novoeste S.A. for R\$3,118, R\$409 of which were paid in cash. The remaining R\$2,709 have been paid since January 15, 1998, in 112 quarterly installments including interest of 12% per annum, restated by the IGP-DI. The company also provisions for such liability as described in Note 17.

## 9 Taxes recoverable

	03/31/2007		12/31/2006	
	Current assets	Long-term assets	Current assets	Long-term assets
<b>Parent Company</b>				
Withholding income tax - IRRF	9,797	25,608	3,092	18,753
Recoverable Pis and Cofins				
Recoverable IR and CS – prepayment	1,035		14,670	
	<u>10,832</u>	<u>25,608</u>	<u>17,762</u>	<u>18,753</u>
<b>Subsidiaries</b>				
Value-added Tax on Goods and Services – ICMS	37,023	35,257	36,817	31,291
Tax on Value Added (Value Added Tax?) – IVA	2,215		1,589	
Withholding income tax - IRRF	13,571	10,433	21,676	4,520
Recoverable IR and CS – prepayment	27,742		18,475	
Federal Tax Credits to offset	47,585		47,322	
Other	7,870	3,427	9,130	1,113
	<u>136,006</u>	<u>49,117</u>	<u>135,009</u>	<u>36,924</u>
<b>Consolidated</b>	<u>146,838</u>	<u>74,725</u>	<u>152,771</u>	<u>55,677</u>

ALL Brasil and ALL Intermodal have acquired federal credits to offset debts of other federal taxes, such as: PIS, COFINS, IRRF and CSL. Such credits derive from lawsuits filed by third parties, with *res judicata* and without the possibility of filing an action to overrule a final judgment on the part of the federal government. The amount offset by both Companies until March 31, 2007, amounted to R\$52,115. The Company's management negotiated the restitution of federal credits recorded by ALL Brasil in the amount of R\$46,648 on December 31, 2006, and the bad debt reserve was recorded in the amount of R\$16,240, related to the difference between the amount of credits to be restituted and liabilities owed to those sellers.

## 10 Deferred income tax and social contribution

The credits of the parent company's deferred income tax and social contribution are as follows:

	03/31/2007		12/31/2006	
	Current	Long-term	Current	Long-term

## ALL-América Latina Logística S.A. and Subsidiaries

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	<u>assets</u>	<u>assets</u>	<u>assets</u>	<u>assets</u>
<b>Income tax credits</b>				
On tax losses	2,067	18,610	12,771	6,024
On temporary differences	11,597	6,326	2,124	19,041
	<u>13,664</u>	<u>24,936</u>	<u>14,895</u>	<u>25,065</u>
<b>Social contribution credits</b>				
On negative bases	744	6,697	4,598	2,142
On temporary differences	4,174	2,278	764	6,878
	<u>4,918</u>	<u>8,975</u>	<u>5,362</u>	<u>9,020</u>
	<u>18,582</u>	<u>33,911</u>	<u>20,257</u>	<u>34,085</u>

Due to the expectation of future tax results, as well as in compliance with the conditions set forth by the accounting practices in Brazil and rules of the Securities and Exchange Commission of Brazil (CVM), the parent company recorded deferred IR and CS credit.

The expectation of generation of future taxable income is basically founded on the occurrence of future taxable income, which is estimated to be obtained in a very short term.

Deferred income tax and social contribution credits of the parent company and subsidiaries ALL - América Latina Logística do Brasil S.A., ALL – América Latina Logística Intermodal S.A. and ALL - América Latina Logística Argentina are as follows:

	<u>03/31/2007</u>		<u>12/31/2006</u>	
	<u>Current assets</u>	<u>Long-term assets</u>	<u>Current assets</u>	<u>Long-term assets</u>
<b>Income tax credits</b>				
On tax losses	15,343	28,609	13,653	22,669
On temporary differences	19,604	15,494	12,878	28,283
	<u>34,947</u>	<u>44,103</u>	<u>26,531</u>	<u>50,952</u>
<b>Social contribution credits</b>				
On negative bases	5,524	7,039	4,915	2,478
On temporary differences	7,056	5,578	4,636	10,205
	<u>12,580</u>	<u>12,617</u>	<u>9,551</u>	<u>12,683</u>
	<u>47,527</u>	<u>56,720</u>	<u>36,082</u>	<u>63,635</u>

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

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Tax losses, negative bases and temporary differences of the consolidated companies are as follows:

	03/31/2007		Consolidated 12/31/2006	
	Income Tax	Social Contribution	Income Tax	Social Contribution
<b>Tax losses and negative bases</b>				
ALL S.A. (parent company)	82,710	82,684	84,944	84,917
ALL Brasil	51,831	51,850		
ALL Intermodal	5,075	5,075	7,478	7,478
Brasil Ferrovias	235,329	236,085	216,159	216,159
Ferroban	1,223,115	1,176,374	1,162,688	1,162,688
Ferronorte	1,139,149	1,139,511	1,138,029	1,138,029
Ferrovias Novoeste	327,146	328,803	319,636	319,636
Nova Ferroban	201	201		
Ferronorte Locadora de Vagões	1,560	1,560	1,560	1,560
Novoeste Brasil	5,605	5,605	3,078	3,078
ALL – Argentina – consolidated	25,846	25,846	44,894	44,894
<b>Temporary differences</b>				
ALL S.A. (parent company)	71,688	71,688	79,752	79,752
ALL Brasil	65,610	65,610	76,788	76,788
ALL Intermodal	3,091	3,091	2,979	2,979
Brasil Ferrovias	11,354	11,354	11,354	11,354
Ferroban	407,806	407,806	436,345	436,345
Ferronorte	114,608	114,608	115,037	115,037
Ferrovias Novoeste	83,612	83,612	85,048	95,048

The expectation of realization of deferred tax credits is as follows:

	Parent Company	Consolidated
2007	18,582	47,527
2008	8,478	31,287
2009	8,478	8,478
2010	8,478	8,478
2011	8,477	8,477
	<u>52,493</u>	<u>104,247</u>

Indirect subsidiaries ALL Central and ALL Mesopotâmica have consolidated part of their corporate reorganization process, and based on the expectation of future taxable results, the subsidiaries meet the conditions set forth by the accounting practices adopted in Brazil for the recognition of the deferred income tax credit in the amount of R\$9,046 on March 31, 2007, which were recorded. The tax losses, according to the Argentine tax legislation, prescribe in 5 years, term deemed sufficient by the management for the full recovery of the deferred income tax assets.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

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In subsidiaries Brasil Ferrovias and Novoeste Brasil and its subsidiaries, such tax credits were not recognized, in view of the history of losses during the last years and the lack of a realization feasibility study of tax losses, negative bases and temporary differences. These balances of tax losses and negative bases are under review.

The deferred tax assets on March 31, 2007, in the amount of R\$104,247, are based on a technical feasibility study approved by the Board of Directors on February 16, 2007, which presented future taxable income discounted at present value, in accordance with CVM Instruction 371.

Tax losses and social contribution negative bases generated in the parent company and Brazilian subsidiaries do not become time-barred and will be offset with future taxable income, according to the tax legislation criteria.

## 11 Long-term investments

### (a) Debentures - Parent Company

On June 17 2005, the Company acquired 27,459 registered debentures, non-convertible into book-entry shares, at unit par value of R\$10, of subordinated type, referring to 1<sup>st</sup> tranche of 2<sup>nd</sup> issuance, through the private issue of ALL – América Latina Logística do Brasil S.A.

On October 2, 2006, subsidiary Brasil Ferrovias approved the issuance of 70,000 registered debentures, non-convertible into book-entry shares, at unit par value of R\$10, of subordinated type, relative to the Company's 4<sup>th</sup> issuance. This is related to a private issuance of the parent company.

On October 2, 2006, subsidiary Novoeste Brasil approved the issuance of 15,000 registered debentures, non-convertible into book-entry shares, at unit par value of R\$10, of subordinated type, relative to the Company's 1<sup>st</sup> issuance. This is related to a private issuance of the parent company.

Tranche	Issue date	Amount	Final maturity	Annual yield	Long-term assets	
					03/31/2007	12/31/2006
1 <sup>st</sup> issue	06/17/2005	274,590	06/01/2015	CDI + 4%	400,911	385,248
4 <sup>th</sup> issue	10/02/2006	622,818	10/02/2016	CDI + 4%	726,065	624,690
1 <sup>st</sup> issue	10/02/2006	53,501	10/02/2016	CDI + 4%	69,752	53,121
					<u>1,196,728</u>	<u>1,063,059</u>

### (b) Marketable Securities

Indirect subsidiary Ferrovias Novoeste holds LFT's (Financial Treasury Bills), with compensatory interest of 100% of CDI linked to banking surety rendering agreement in the fixed amount of R\$147,572. Such surety is destined to the guarantee of the amounts of overdue installments related to concession and lease owed by Ferrovias Novoeste S.A to RFFSA – in settlement and to the Federal Government. On November 28, 2005,

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

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they were redeemed and replaced by another 63,100 LFT's, and on January 19, 2006, another 1,917 LFT's held in custody with Banco do Brasil S.A. in the amount of R\$214,931 (R\$203,094 on December 31, 2006), respectively, maturing on December 16, 2009, classified as "long-term investments" in the consolidated balance sheet.

## 12 Investments

### (a) Investments in subsidiaries

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>03/31/2007</b>	<b>12/31/2006</b>	<b>03/31/2007</b>	<b>12/31/2006</b>
Interest in subsidiaries	667,355	665,945		
Interest in affiliated companies			7,190	7,151
Goodwill in subsidiaries	2,496,241	2,497,264	2,526,537	2,529,811
	<u>3,163,596</u>	<u>3,163,209</u>	<u>2,533,727</u>	<u>2,536,962</u>

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

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### (b) Chart of interest in subsidiaries and affiliated companies

	Number of Shares/Owned quotas				% Voting			
	Common Shares/Quotas		Preferred Shares		Total		Interest	
	03/31/2007	12/31/2006	03/31/2007	12/31/2006	03/31/2007	12/31/2006	03/31/2007	12/31/2006
ALL Brasil	9,914,626,262	9,914,626,262	15,084,057,716	15,084,057,716	100	100	100	100
ALL Intermodal	63,844,232	63,844,232			100	100	100	100
ALL Overseas	11,000	11,000			100	100	100	100
ALL Tecnologia	999	999			99.9	99.9	99.9	99.9
ALL Centro-oeste	499,999	499,999			99.99	99.9	99.99	99.9
ALL Equipamentos	24,192,631	24,192,631			95.83	95.83	95.83	95.83
ALL Argentina	3,298,470	3,298,470	6,404,530	6,404,530	100	100	100	100
Santa Fé	50,000	50,000	29,996	29,996	39.99	39.99	50	50
Brasil Ferrovias	4,731,051,827	4,731,051,827	1,672,758,809	1,672,758,809	100	100	100	100
Novoeste Brasil	46,670,083	46,670,083	6,934,891	6,934,891	100	100	100	100
Boswells S.A.	60,000	60,000			100	100	100	100

## ALL-América Latina Logística S.A. and Subsidiaries

### Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

	Subsidiaries/affiliated companies		Parent Company			
	Shareholder's equity	Income for the period	Equity accounting		Investments Amount	
			03/31/2007	03/31/2006	03/31/2007	12/31/2006
<b>Direct Subsidiaries</b>						
ALL Brasil	362,614	(10,159 )	(10,159 )	(3,331 )	362,614	372,773
ALL Intermodal	137,839	11,601	11,601	7,476	137,839	126,238
ALL Overseas (a)	3,451		(147 )	(204 )	3,451	3,597
ALL Tecnologia	400	399	395	527	396	1
ALL Centro-oeste	1,174	674	674	728	1,174	500
ALL Equipamentos	32,946	7,704	7,380		31,573	24,196
Logispar				1,280		
ALL Argentina (b)	127,661	(431 )	(7,869 )	(13,107 )	127,661	135,530
Santa Fé	6,617	(1,159 )	(464 )	(17 )	2,647	3,110
<b>Goodwill</b>						
Santa Fé.					456	457
Brasil Ferrovias					2,363,722	2,364,380
Novoeste Brasil					132,063	132,427
<b>Affiliated company</b>						
Geodex				114		
			<u>1,411</u>	<u>(6,534 )</u>	<u>3,163,596</u>	<u>3,163,209</u>

(a) It comprises the exchange variation on the investee with functional currency in U.S. dollars in the amount of (R\$147).

(a) It comprises the exchange variation on the investee with functional currency in Argentine pesos in the amount of (R\$7,438).

## ALL-América Latina Logística S.A. and Subsidiaries

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#### (c) Subsidiaries with Negative Shareholders' Equity

Related to those subsidiaries that present negative shareholders' equity, the respective provision was composed, which is being presented in the Long-term Liabilities group in the balance sheet, and it was estimated as it follows:

	Subsidiaries		Parent Company		
	Unsecured liabilities	Income for the year	Write-off (provision) unsecured liabilities 03/31/2007	Provision for unsecured liabilities	
				03/31/2007	12/31/2006
<b>Direct Subsidiaries</b>					
Brasil Ferrovias	1,146,250	(21,018 )	(21,018 )	1,146,250	1,125,229
Novoeste Brasil	66,120	(7,764 )	(7,764 )	66,120	58,355
Boswells	6,080	(350 )	(105 )	6,080	5,979
			(28,887 )	1,218,450	1,189,563

#### (d) General information

ALL Overseas: a wholly-owned subsidiary acquired in December 1999, and its corporate purpose is to perform any activity that complies with Bahamian legislation.

Geodex: the Company has a 3.28% interest in the voting capital and a 43.69% interest in the total capital of Geodex Communications S.A. (Geodex), whose main activity is to provide telecommunication services relating to the network and specialized circuits. On October 06, 2006, the Company adhered to the Memorandum of Understanding with the other shareholders of Geodex, for a future disposal. The investment is evaluated by the equity method until September 30, 2006, and after that date it started being adjusted by the estimated recovery value.

Pursuant to the Shareholders Agreement of Geodex, the preemptive right of receipt in the disposal shall be granted to the shareholders who have performed capital contributions in cash, who shall be remunerated by the US dollar variation plus 10% per year. For this reason, the Company recorded, during 2006, a provision for investment loss in Geodex in the amount of R\$55,112 and reclassified the loss's net permanent investment in the amount of R\$13,514 under the item other accounts receivable in current assets.



# ALL-América Latina Logística S.A. and Subsidiaries

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In the consolidated balance sheet, investments are comprised as follows:

	Consolidated	
	Book value of investments	
	03/31/2007	12/31/2006
Appraised by the equity accounting method		
Rhall Terminais	1,195	1,151
Other	5,995	6,000
Goodwill		
ALL Argentina	30,296	32,547
Brasil Ferrovias	2,363,722	2,364,380
Novoeste Brasil	132,063	132,427
Santa Fé Vagões	456	457
	<u>2,533,727</u>	<u>2,536,962</u>

ALL Argentina: goodwill in ALL Argentina is based on the future profitability at the time the shares of ALL Central and ALL Mesopotámica were acquired on May 26, 1999, and has been amortized on a straight-line basis over the concession period.

On August 11, 2005, the Company and Millinium Investimentos Ltda. (“Millinium”), subsidiary of Indian company Besco Engineering and Services Private Limited, entered into agreements aiming at the incorporation of Santa Fé Vagões S.A. Its corporate purpose is manufacture, maintain, commercialize, and trade items and services related to rolling stocks, rail systems, traction equipment, trails, signaling on rail vehicles, and mechanical equipment related to rail activities, in addition to its parts and components, as well as the import, export, purchase, sale, distribution, lease, rental and loan of railcars, machinery, equipment and inputs related to rail activities.

According to the agreements mentioned above, Millinium has undertaken to provide Santa Fé Vagões with complete technical support and the necessary expertise for railcar manufacturing. The Company, on its turn, granted Santa Fé Vagões a loan for use of an area located in the city of Santa Maria, state of Rio Grande do Sul, including part of the equipment used by Santa Fé Vagões for the fulfillment of its corporate purpose, for the performance of its industrial, commercial and administrative activities.

On November 1, 2004, the Company incorporated, with minority shareholders, the Company ALL - América Latina Logística Centro-Oeste Ltda. The Company’s corporate purpose is the rendering of services related to contracting of freight road transportation under the local, interstate and international scope, combined with rail and water transportation of cargo, in addition to other activities related to freight transportation such as logistics, port operations, handling and storage of commodities and containers, cargo agency, operation and management of warehouses, purchase, sale and lease of containers, association with other logistic carriers, alternatively being able to become involved in other similar, related or ancillary activities, or activities that use the Company’s structure.

On May 9, 2006, PREVI, FUNCEF, JP Morgan, BRP FERRONORTE, GABORONE and ALL executed two Investment Agreements, besides other ancillary and correlative agreements, which establish the terms and conditions of the merger, by ALL, of all shares issued by Brasil Ferrovias and by Novoeste. On May 10, 2006, BNDESPAR, which originally had the tag-along right in a Shareholders’ Agreement executed

# ALL-América Latina Logística S.A. and Subsidiaries

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with PREVI and FUNCEF, exercised the referred right and adhered to the Investment Agreement and Other Covenants related to the merger of shares from Brasil Ferrovias and Novoeste Brasil.

In accordance with Protocols for Merger of Shares and Justifications, entered into on May 31, 2006, the operation was structured based on Article 252 of the Corporation Law, through the merger of all shares issued by Brasil Ferrovias and by Novoeste Brasil, with all rights inherent to them, including those related to dividends, recorded or not, bonuses, and any other forms of profit-sharing. With the conclusion of the operation and, therefore, the effective corporate reorganization resulting from the merger of shares, ALL became holder of the totality of Brasil Ferrovias' and Novoeste do Brasil's capital stock and, as a result, it also became holder, indirectly, of the share control of rail concessionaries Ferroban, Ferronorte and Ferrovia Novoeste.

The merger of shares of Brasil Ferrovias and of Novoeste do Brasil caused an increase in ALL's capital stock, through the conference of all shares held by shareholders of those corporations, excepting the ones who have exercised their right to withdrawal, in accordance with the economic values verified in the appraisal reports of Brasil Ferrovias and of Novoeste do Brasil. The increase in ALL's capital and conference of shares carried out on June 16, 2006, totaled approximately R\$1,405,033, plus the costs directly attributable to the acquisition process, generated goodwill of R\$2,496,807 on December 31, 2006, based on the expectation of future profitability generation. In the first quarter of 2007, according to the \_\_\_ of economic benefits generation, a total of R\$1,022 was amortized.

On June 16, 2006, the Shareholders' General Meetings of the Company, of Brasil Ferrovias and of Novoeste do Brasil, approved the merger of shares, as well as further related acts necessary to the implementation of the aforementioned acquisition. As part of the transaction, PREVI, FUNCEF and BNDESPAR adhered to the Issuer's block of control, becoming a party of the Shareholders' Agreement.

The term for the exercise of the withdrawal right expired on July 24, 2006, for the dissenting shareholders of the Company, and on July 26, 2006, for the dissenting shareholders of Brasil Ferrovias and of Novoeste do Brasil. After the term expiration, the former shareholders of Brasil Ferrovias and of Novoeste do Brasil who did not exercise the right to withdraw, became shareholders of the Company, which, on its turn, became holder of all shares issued by Brasil Ferrovias and by Novoeste do Brasil.

The documents related to the merger of shares were presented to the authorities of the Brazilian Competition Defense System on May 29, 2006, and are currently under a process of analysis by the proper authorities.

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	03/31/2007		12/31/2006		Depreciation Annual Weighted Average Rates (%)
	Cost	Accumulated depreciation	Net	Net	
<b>Improvements in third parties' assets</b>					
Locomotives	412,964	(159,019 )	253,945	196,676	4.49
Railcars	222,331	(83,879 )	138,452	107,930	15
Track	703,919	(97,651 )	606,268	536,597	8.5
Other	100,966	(32,200 )	68,766	42,234	10
	1,440,180	(372,749 )	1,067,431	883,437	
<b>Own fixed assets in use</b>					
Track	953,472	(100,874 )	852,598	826,118	3.33
Locomotives	476,330	(79,809 )	396,521	432,191	4.49
Railcars	226,421	(41,679 )	184,742	202,580	10
Assets in use supplies	39,370		39,370	38,983	
Land	15,241		15,241	15,241	
Buildings	70,257	(10,999 )	59,258	59,290	3.5
Furniture and fixtures	10,003	(7,930 )	2,073	13,958	15
Road vehicles	47,184	(18,459 )	28,725	18,176	15
Data processing Equipment, systems And applications	55,401	(24,958 )	30,443	25,504	20
Telecommunications and Signaling equipment	39,053	(23,180 )	15,873	13,491	10
Equipment for track Maintenance and rail transportation	34,402	(10,620 )	23,782	28,893	11
Other	78,427	(38,499 )	39,928	68,328	Sundry
	2,045,561	(357,007 )	1,688,554	1,742,753	
<b>Construction in Progress</b>					
Locomotives	94,783		94,783	52,846	
Railcars	34,738		34,738	9,890	
Track	28,732		28,732	30,418	
Advance from suppliers	18,223		18,223	35,516	
Systems and applications	17,576		17,576	9,629	
Road vehicles	207		207	5,988	
Other	20,168		20,168	69,983	
	214,427		214,427	214,270	
	3,700,168	(729,756 )	2,970,412	2,840,460	

During the quarter ending on March 31, 2007, R\$3,858 were capitalized to the item construction in progress, relating to financial charges generated by loans that financed such fixed assets.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

### 14 Deferred charges

			<b>Consolidated</b>	
			<b>03/31/2007</b>	<b>12/31/2006</b>
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net</b>	<b>Net</b>
<b>Parent Company</b>				
Ágio Logispar	122,284	(3,633 )	118,651	120,467
<b>Subsidiaries</b>				
Concession and lease - ALL Brasil	24,736	(5,161 )	19,575	19,822
Pre-operating expenses				
ALL Central	19,746	(9,456 )	10,290	11,042
ALL Mesopotâmica	4,532	(2,163 )	2,369	2,557
Santa Fé Vagões S.A.	175	(27 )	148	154
PGT Ltda.	148		148	148
Feronorte	645,294	(378,877 )	266,417	282,550
Terminal XXXIX	469	(446)	23	47
Expenditures with studies and projects				
ALL Equipamentos	3,776	(472 )	3,304	3,398
ALL Brasil	6,337	(1,031 )	5,306	5,556
<b>Consolidated</b>	<b>827,497</b>	<b>(401,266 )</b>	<b>426,231</b>	<b>445,741</b>

Subsidiary ALL Brasil adopts as a basic criterion to amortize concession and lease expenses on a straight-line basis over the remaining term of the agreement. However, based on an operational study of installed capacity for transportation in tons per kilometer useful- RTK (REVENUE TONNE KILOMETERS, <http://www.acronymatic.com/results.aspx?q=rtk>) concluded in December 1998, management reviewed the estimate of such amortization absorption until the subsidiary reaches its operational break-even point. From 1998 through mid December 2001, amortization of concession and lease amounts was calculated considering the proportion between the RTK transported volume and the volume projected to reach the operating break-even point, estimated at 14 billion RTK. With the attainment of the operating break-even point, deferred concession and lease expenses have been amortized on a straight-line basis over the remaining concession and lease term, and the amount of R\$246 was recorded for the periods ended on March 31, 2007 and 2006.

Pre-operating expenses refer to disbursements in Argentine rail companies ALL Central and ALL Mesopotâmica in connection with feasibility studies for the concession acquisition, which are amortized over the remaining concession period.

The pre-operating expenses of the indirect subsidiary Feronorte refer to the implementation expenditures incurred in its pre-operational phase since 1988, net of financial expenses and income. The expenditures come from Phase I, comprising the segment of 403 km between the roadrail bridge over Paraná River and Alto Taquari (Mato Grosso), ended in March 2001, and expenditures coming from Phase II, which comprised the segment 1, of 96 Km between Alto Taquari (Mato Grosso) and Alto Araguaia (Mato Grosso), ended in March 2003. Such expenses have been amortized on a straight-line basis, by the remaining term of the concession.

### 15 Loans and financings

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

	<u>Annual charges</u>	<u>Maturity</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
<b>Parent Company</b>				
<b>In foreign currency (exchange variation linked to the US\$)</b>				
Financing of locomotives	10% (with swap to CDI)	December 2007	2,207	2,261
<b>Total Parent Company</b>			<b>2,207</b>	<b>2,261</b>
<b>Subsidiaries</b>				
<b>Local currency</b>				
<b>• ALL Brasil</b>				
Commercial banks	116% of CDI	November 2007	14,391	19,121
CCB	106.3% of CDI	August 2008	112,882	117,261
	106.3% of CDI	April 2008	350,561	339,616
	107.8% of CDI	December 2007	365,341	353,778
Investments	TJLP + 5.25%	Quarterly/Monthly		
BNDES		To April 2010	64,172	69,248
	TJLP + 6.63%	Quarterly/Monthly		
		Up to February 2008	117,036	124,416
NCC	107.0% of CDI	March 2013	200,202	206,816
<b>• ALL Intermodal</b>				
BNDES investments	TJLP + 3%	Quarterly/Monthly		
- FINAME	4.7%	Up to December 2011	21,546	13,223
<b>• Brasil Ferrovias</b>				
Commercial banks	IGPM	March 2011	17,238	17,131
<b>• Novoeste</b>				
	CDI + 7.44%	Monthly until January 2007	20	20
<b>• Ferrobán</b>				
BNDES investments	TJLP + 1.5% p.a.	Quarterly/Monthly		
		March 2016	182,279	191,576
	Umbndes + 6%	Quarterly/Monthly		
		January 2016	7,696	3,099
<b>• Ferronorte</b>				
BNDES investments	TJLP + 1.5% p.a.	Quarterly/Monthly		
		February 2015	754,199	788,086
	TJLP + 3%	Quarterly/Monthly		
		October 2015	196,723	204,871
FINAME	TJLP + 4%	Quarterly/Monthly		
		March 2009	32,554	37,038
Commercial Banks	CDI + 2 % p.a.	December 2007	34,779	10,417
<b>• Terminal XXXIX</b>				
BNDES investments	TJLP + 6%	Quarterly/Monthly		
		December 2010-	6,386	6,386

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

	<u>Annual charges</u>	<u>Maturity</u>	<u>03/31/2007</u>	<u>12/31/2006</u>
<b>In foreign currency (exchange variation linked to US\$, with swap to CDI)</b>				
• <b>ALL Brasil</b>				
Financing of locomotives	10%	December 2007	4,413	4,520
Swap transactions			4,504	1,633
<b>In foreign currency (exchange variation linked to Argentine Peso - P\$)</b>				
• <b>ALL Argentina</b>				
Commercial Banks	8.4%	December 2006	4,913	
CMF – Debt 3	6.9%	November 2007	6,684	1,983
Mortgage Debt 4	3%	December 2008	4,534	5,462
Itaú Argentina – Debt 6	13.5%	March 2011	24,417	24,991
Itaú Londres – Debt 2	9.05%	January 2009	8,356	9,455
• <b>ALL Central</b>				
BST	CER + 8%	September 2008	1,160	1,396
Itaú Argentina	13.0%	August 2008	2,446	2,993
<b>Total subsidiaries</b>			<u>2,539,432</u>	<u>2,554,536</u>
<b>Total consolidated</b>			<u>2,541,639</u>	<u>2,556,797</u>
Portion in the current liabilities			(612,223 )	(231,936)
Portion in the long-term liabilities			<u>1,929,416</u>	<u>2,324,861</u>

Composition by maturity year of long-term liabilities:

	<u>03/31/2007</u>
2008	411,104
2009	226,337
2010	324,069
2011	190,061
2012	167,500
As from 2013	610,345
	<u>1,929,416</u>

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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### Abbreviations:

BNDES	-	The Brazilian Development Bank
CCB	-	Bank Credit Note
CDI	-	Interbank Deposit Certificate
CER	-	Reference Stabilization Ratio
FINAME	-	Government Agency for Equipment and Machinery Financing
LIBOR	-	London Interbank Offered Rate
TJLP	-	Long-Term Interest Rate
IFC	-	International Finance Corporation
NCC	-	Commercial Credit Note

Loans and financings are guaranteed by letters of guarantee, and promissory notes for the total financed amount considering the same agreed terms and conditions, except in the case of BNDES, which is guaranteed by collateral account ensuring liquidity of payment, and in the case of the financing of locomotives, which by themselves guarantee the financing.

Cash and cash equivalents and financial investments include collateral accounts in subsidiary ALL Brasil amounting to R\$16,059 on December 31, 2006 (December 31, 2005 – R\$27,576).

For foreign currency financings contracted in Brazil, there are swaps protecting the Brazilian real against the U.S. dollar (hedge operations?), and the financings (? -o refere-se a que?) are converted at rates of 85% to 105% of CDI.

The loans obtained from BNDES and IFC, as mentioned above, are intended for investments and depend on the compliance with certain financial liquidity ratios related to the net debt; shareholders' equity; earnings before taxes, financial results, depreciation and amortization (EBITDA); debt service; short-term debt, among others, which have been complied with by the Company.

For the subsidiaries of Brasil Ferrovias, in guarantees of loans and financings the following items were granted: (i) Pledge of the total shares issued of Ferronorte held by the parent company Brasil Ferrovias, (ii) Pledge of revenue on the product of the fee collection for the provision of the rail transportation services resulting from the work project of Ferronorte, (iii) Linkage of the revenue of service agreements, (iv) Promissory notes.

Some agreements have restrictive covenants establishing financial limits quarterly determined in each publication of the consolidated financial statements of the Issuer as follows:

The index corresponding to the ratio of the Net Debt by the Consolidated EBITDA of the last 12 months, in the maximum limit of:

Year	2006	2007	2008	2009	2010
Consolidated Net Debt/Consolidated EBITDA	4.0	3.5	3.0	2.5	2.5

Minimum limit of 1.3 times for the index corresponding to the division of the Consolidated EBITDA of the last 4 (four) quarters of the Issuer by its Consolidated Net Financial Expense.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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Year	2006	2007	2008	2009	2010
EBITDA/Consolidated Financial Result	1.5	1.75	1.75	2.0	2.0

## 16 Debentures

### Parent Company

- On February 1, 2003, the Company issued 5,500 debentures convertible into shares at unit par value of R\$10 each (2<sup>nd</sup> issue);
- On June 1, 2004, the Company issued 12,000 debentures non-convertible into shares at unit par value of R\$10 each (3<sup>rd</sup> issue);
- On October 1, 2004, the Company issued 13,500 debentures non-convertible into shares at unit par value of R\$10 each (4<sup>th</sup> issue);
- On September 1, 2005, the Company issued 20,000 debentures non-convertible into shares at unit par value of R\$10 (5<sup>th</sup> issue);
- On July 1, 2006, the Company issued 70,000 debentures non-convertible into shares at unit par value of R\$10 (6<sup>th</sup> issue).

### Subsidiary Brasil Ferrovias

- On October 31, 2001, the Company issued 71,700 debentures convertible into shares at unit par value of R\$10 (2<sup>nd</sup> issue).

### Indirect Subsidiary – Ferronorte

- On July 1, 1997, the Company issued 10,00 debentures convertible into shares at unit par value of R\$10 (1<sup>st</sup> issue);
- On April 10, 2000, the Company issued 60,000,000 debentures convertible into shares at unit par value of R\$1.00 (2<sup>nd</sup> issue);
- On January 14, 2002, the Company issued 40,000,000 debentures convertible into shares at unit par value of R\$1.00 (3<sup>rd</sup> issue);
- On December 3, 2003, the Company issued 60,000 debentures non-convertible into shares at unit par value of R\$10 (5<sup>th</sup> issue).

The issued series are as follows:

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03/31/2007

12/31/2006



# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

Series	Date	Value	Final maturity	Annual yield	Current liabilities	Long-term liabilities	Current liabilities	Long-term liabilities
<b>Parent Company</b>								
2 <sup>nd</sup> issue	02/01/03	55,000	02/16/09	TJLP + 6.25%			121,364	
3 <sup>rd</sup> issue	06/01/04	120,000	06/01/07	110% of CDI	125,412		4,570	
4 <sup>th</sup> issue	10/01/04	135,000	10/01/09	110% of CDI	9,227	135,000	9,304	135,000
5 <sup>th</sup> issue	09/01/05	200,000	09/01/12	CDI + 1.50%	2,252	200,000	52,340	200,000
6 <sup>th</sup> issue	07/01/06	700,000	07/01/11	CDI + 1.50%	23,449	700,000		700,000
					<u>160,340</u>	<u>1,035,000</u>	<u>187,578</u>	<u>1,035,000</u>
<b>Subsidiary Brasil Ferrovias</b>								
2 <sup>nd</sup> issue	10/31/01	7,170	06/20/05	105% of CDI	19,178		18,602	
<b>Indirect Subsidiary Ferronorte</b>								
1 <sup>st</sup> issue	07/01/97	100,000	06/30/06	TJLP + 1.5%		252,297	9,152	247,174
2 <sup>nd</sup> issue	04/10/00	60,000	04/10/07	TJLP + 4%		149,880		146,013
3 <sup>rd</sup> issue	01/14/02	40,000	01/14/09	TJLP + 4%		79,885		77,824
5 <sup>th</sup> issue	12/03/03	60,000	12/03/09	CDI + 1.5%	13,239	10,719	9,010	67,505
Debentures Premium	07/01/97	100,000	06/01/16	TJLP+1.5 and % of RL		54,309		
<b>Consolidated</b>					<u>192,757</u>	<u>1,582,090</u>	<u>224,342</u>	<u>1,573,516</u>

### Events in the Parent Company:

- Payment of interest of fifth issue debentures on March 1, 2006, in the amount of R\$18,583;
- Payment of interest of fourth issue debentures on April 1, 2006, in the amount of R\$12,460;
- Payment of interest of third issue debentures on June 1, 2006, in the amount of R\$10,863;
- Approval of compensation change of these fourth issue debentures on June 9, 2006, at the Debentureholders' General Meeting, from 108% to 110% of CDI. This new compensation would become effective on June 16, 2006;
- Approval of compensation change of these fifth issue debentures on June 9, 2006, at the Debentureholders' General Meeting, from CDI + 1.30% to CDI + 1.50%. This new compensation would become effective on June 16, 2006;
- Conversion of 2,750 second issue debentures on June 16, 2006, in the amount of R\$30,674;
- Payment of interest of fifth issue debentures on September 1, 2006, in the amount of R\$16,838;
- Payment of interest of fourth issue debentures on October 2, 2006, in the amount of R\$10,751;
- Payment of interest of third issue debentures on December 1, 2006, in the amount of R\$9,211;
- Payment of interest of sixth issue debentures on January 2, 2007, in the amount of R\$52,754;
- Payment of interest of fifth issue debentures on March 1, 2007, in the amount of R\$14,024;

### Events in the subsidiary – Brasil Ferrovias:

- On June 16, 2006 – conversion into shares of Brasil Ferrovias of 10,000 debentures of the first issuance in the amount of R\$330,916;

### Events in the subsidiary – Ferronorte:

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

- Approval of compensation change of these fifth issue debentures on July 26, 2006, at the Debentureholders' General Meeting, from CDI + 5% to CDI + 1.50%. This new compensation would become effective starting on June 30, 2006;
- Repurchase of 799 debentures of fifth issue on July 28, 2006, in the amount of R\$13,854;
- Payment of interest of fifth issue debentures on December 4, 2006, in the amount of R\$21,668;
- Payment of interest of fifth issue debentures on December 4, 2006, in the amount of R\$11,448;

### 17 Lease and concessions

	03/31/2007		12/31/2006	
	Current liabilities	Long-term liabilities	Current liabilities	Long-term liabilities
<b>Lease</b>				
ALL Brasil	9,152	39,401	9,104	40,152
ALL Intermodal	3,104		3,104	
Ferroban		368,802		364,909
Novoeste		261,142		243,435
<b>Concession</b>				
ALL Brasil	511	2,270	490	2,307
ALL Argentina	5,152		4,292	
Ferroban		3,956		4,190
Novoeste		3,002		9,380
	<u>17,919</u>	<u>678,573</u>	<u>16,990</u>	<u>664,373</u>

#### (a) ALL Brasil

Lease and concession amounts of subsidiary ALL do Brasil are appropriated on a straight-line basis under liabilities and results over the period of the respective agreements, accrued of IGP-DI variation and interest at agreed rates. Amounts relating to the grace period (1997 to 1999) have been restated and paid over the remaining concession period.

#### (b) ALL Intermodal

On July 23, 2001, subsidiary ALL Intermodal and Delara Brasil Ltda. executed a lease agreement regarding the assets and rights of Delara, including real estate, facilities, machinery, equipment and vehicles, expired in July 2006. At the end of the agreement, the Company still has the obligation of tendering to Delara Brasil Ltda. 18,625,800 shares, of which 7,006,800 are common shares and 11,619,000 are preferred shares, issued by the Company at R\$0.1043 per unit. On July 31, 2006, the parties executed a term extending the performance of this obligation to July 2007. On March 31, 2007, the share quotation at market value is R\$5.00.

This capital dilution event is disclosed in the prospectuses of public issuance of debentures and shares of the Company.

#### (c) Ferroban

**Partial spin-off to Ferrovia Centro Atlântica (FCA).**

# **ALL-América Latina Logística S.A. and Subsidiaries**

## **Notes to the financial statements**

**Periods ended March 31, 2007, 2006 and December 31 2006.**

**(in thousands of reais, except when otherwise indicated)**

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On August 29, 2005, the partial spin-off between Ferrobán and Ferrovia Centro Atlântica S.A. (FCA) was carried out, and FCA started being responsible for 35.6% of the total concession and lease amounts.

### **Payments of the concession and lease agreements**

Indirect subsidiary Ferrobán cancelled the payment of the amounts related to the lease agreement to RFFSA - in settlement, judicially protected, by an injunction granted on April 7, 2005, and subsequently postponed on July 8, 2005. On September 28, 2005, these injunctions were cancelled by judicial decision pronounced by the Federal Regional Court (TRF) of Rio de Janeiro, becoming mandatory, thus, that Ferrobán made the judicial deposit of the outstanding lease amounts, as a way to guarantee the Court and ensure the continuity of the judicial discussion, as well as the regularity and payment of its concession before ANTT and before the National Treasury Secretariat (STN).

The payments are being made by means of judicial deposits in the amount of the debt.

Considering that Ferronorte depends on Ferrobán's lines for the continuity of its transportation operations started in the States of Mato Grosso and Mato Grosso do Sul and ended in Santos (SP), Ferronorte entered with Ferrobán, on January 10, 2006, into a Private Instrument of Guarantee Agreement, by which it made the judicial deposit in favor of Ferrobán, in the amount of R\$22,177.

Considering that Brasil Ferrovias holds 83.66% of Ferrobán's capital, directly and indirectly, Brasil Ferrovias entered, on January 10, 2006, into a Private Instrument of Guarantee Agreement, by which it made the judicial deposit in favor of Ferrobán, in the amount of R\$184,517.

Thus the quarterly installments are being paid by means of judicial deposits made by Ferronorte and comprised by the Private Instruments of Guarantee Agreement with Ferrobán.

The term of the guarantee rendered both by Brasil Ferrovias and Ferronorte in favor of Ferrobán started on the date on which the judicial deposit was made and will end on the date on which the Federal Court decides its destination. For the rendering of this guarantee, Ferrobán will pay Brasil Ferrovias and Ferronorte the equivalent to the positive difference between the 100% CDI rate and the 100% TR rate.

In case the judicial decision determines the conversion into income of the Federal Government, total or partial, of the judicial deposit, Ferrobán will become, as from this date, debtor of Brasil Ferrovias and Ferronorte, respectively, in the exact amount of the judicial deposit, with all the additions it receives. Ferrobán must pay its overdue debits to Brasil Ferrovias and Ferronorte, in the maximum term of 90 days, counted from the finding of the judicial deposits, and Ferronorte may use at any time, and as long as resolved at the Extraordinary General Meeting of the Companies, the guarantee amount for capital payment in Ferrobán, or give it away so that its parent company, Brasil Ferrovias, does it. Thus, Brasil Ferrovias may use the amounts rather as capital payment in Ferrobán.

### **De-merger of the operations of the Bauru-Mairinque segment**

To comply with the Investment Agreement, entered into on May 5, 2005, which aims at the conduction of the restructuring, the de-merger of the operations of the Bauru-Mairinque segment was set forth in the

## **ALL-América Latina Logística S.A. and Subsidiaries**

### **Notes to the financial statements**

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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2005 and 2006 Business Plan of the subsidiary, and this operation starts being made by Novoeste as from October 1, 2005, in view of the Memorandum of Understanding dated September 23, 2005.

ANTT approved the de-merger of the operations by means of Resolution 1,010, published in the Official Gazette of the Federal Government on July 28, 2005. The final implementation of this operation will be ratified by ANTT.

#### **(d) Ferronorte**

On May 19, 1989, indirect subsidiary Ferronorte entered with the Federal Government into a Concession Agreement for the establishment of a cargo rail transportation system, comprising the construction, operation, exploration and conservation of a railroad between Cuiabá (Mato Grosso) and: a) Uberaba/Uberlândia (Minas Gerais), b) Santa Fé do Sul (Sao Paulo), c) Porto Velho (Rondônia) and d) Santarém (Pará). The term of this concession is 90 years, renewable for the same period, and up to 10 years may be granted before the end of the contractual term.

The Agreement does not provide for payment obligations on the account of the Concession, however, it sets forth certain responsibilities on the account of the Company, such as: a) not make sub-concession, b) permanently report to Federal Government inspection, c) comply with rules, technical specifications and national standards of the Ministry of Transportation, and d) comply with all the legal provisions applicable to the granted services, specially those related to environment protection.

The concession extinguishment and the consequent termination of the Concession Agreement may take place due to the following factors: a) amicable covenant of the parties, antedated of negotiations and financial adjustments owed by one party to another; b) end of the contractual term; c) expropriation or redemption, by public interest in connection with the Concession, by means of the proper indemnification; d) annulment for illegality of the Concession or agreement; e) severe and continued infractions made by one of the parties, which cause damages to the quality and efficiency of the services; f) expropriation by the Federal Government of the granted services or by a Law that makes the agreement, formally or materially, impossible. In the event of expropriation the Company's shareholders will be indemnified by the fair amount of the assets linked to the concession, determined at the time of the expropriation.

#### **(e) Novoeste**

Due to a judicial discussion, this indirect subsidiary suspended the concession and lease payment.

As described in note 11, the indirect subsidiary acquired Treasury Financial Bills (LFTs) and National Treasury Bills (LNTs) as guarantee to pledge the concession and lease amounts owed to RFFSA – in settlement and to the Federal Government, resulting from a judicial pleading related to the economic unbalance process of Novoeste which is under judicial discussion. Thus, for the amounts referring to the quarterly installments of the concession and lease agreements new additional LFTs are being acquired at sufficient amounts for the coverage of those amounts.

### **18 Judicial deposits and provisions for contingencies**



## **ALL-América Latina Logística S.A. and Subsidiaries**

### **Notes to the financial statements**

**Periods ended March 31, 2007, 2006 and December 31 2006.**

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The subsidiaries discuss various labor claims, and on March 31, 2007, the Company recorded a provision of R\$356,280, in the consolidated, to deal with those cases which its attorneys deem as probable losses.

Among the subject-matters of the labor claims, there are: salary parity, overtime, additional payment for hazardous conditions, additional payment for unhealthy conditions, transfer additional, among others.

#### **(b) Civil and regulatory contingencies**

The subsidiaries are parties in various civil actions involving petitions, action for damages in general, such as: collisions in level crossings, rail running over, traffic accident, possessory actions in general, execution suit of extrajudicial bonds, and others. Based on the opinion of its legal advisors and the courts status, they keep records for the probable losses in the amount of R\$37,220.

Among the relevant actions, although with a remote chance of loss, on behalf of ALL Brasil, there is an indemnification action being handled in the State of Rio de Janeiro, under the number 2003.51.01.023238-1, in which RFFSA pleads abandonment of public property and rail segments, requiring the restoration of various stations and the maintenance of the right of way. It is worth pointing out that ALL, in strict compliance with the Concession and Lease Agreements, is performing the maintenance of many rail segments and also the restoration of stations which are being returned to RFFSA in perfect condition of conservation and use.

The civil liabilities deemed possible or remote in Brasil Ferrovias are mainly caused by judicial actions resulting from popular action, questioning the voluntary redundancy plans promoted by Ferroban, which require the payment of indemnifying differences, calculated as the difference between the amount effectively paid by PABI's and the amount due for the utilization of the unilateral indemnification criterion, established in Clause 4.49 of the Collective Bargaining Agreement, under penalty of invalidation of the privatization process and actions related to indemnification for accidents and expropriations of the right of way of the railway bed.

Currently, both Ferroban and Novoeste question in court the economic and financial unbalance of the Lease and Concession Agreements. In July 2000, Ferroban filed a Declaratory Action in the 20<sup>th</sup> Federal District Court of Rio de Janeiro questioning the economic and financial unbalance of the Lease and Concession Agreements, due to the high disbursement incurred by the Company for the payment of labor judicial proceedings and other expenses involved.

Ferroban required an expert inspection for determination of the new value of the lease and concession installments, as well as discontinuance of the payment of due and falling due installments until the effective expert inspection for determination of the adequate value. In July 2005, the injunction was granted, but in September 2005, it was reversed by the Regional Federal Court of Rio de Janeiro. The claim has not been judged yet, and awaits the execution of an expert report. The total value related to the lease installments, in the amount of R\$293,646, is being deposited in court.

The aforementioned situation is also applicable to Novoeste, however, its proceeding is in progress in the 16<sup>th</sup> Federal District Court of Rio de Janeiro. The amount related to the due installments represents R\$214,931 and Novoeste is posting bond through the issue of government bonds (Treasury Financial Bills – LFT). This LFT is recorded under long-term investments.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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### (c) Tax contingencies

Main tax issues under discussion are those derived from lawsuits having as plaintiff or defendant ALL group and to which chances of losses are deemed possible or remote. Therefore, no provision was made for such issues. For those considered probable losses, a total of R\$49,423 has been recorded as provision.

In April 2005, ALL Brasil obtained a favorable decision at the Court of Justice of the State of Rio Grande do Sul in relation to the tax deficiency notice of Rio Grande do Sul State Department, which charged the Company as a result of use of ICMS credit over the acquisition of assets and equipment destined to the recovery and renovation of fixed assets. The assessment amount under discussion is approximately R\$16,800, and ALL has already collected the amount of R\$11,192 to the State of Rio Grande do Sul's public coffers (treasury?), and it interrupted the payment of the remaining balance of R\$5,670, due to a favorable decision of the Court of Justice of the State of Rio Grande do Sul, already confirmed by the Superior Court of Justice – STJ. Currently, the proceeding is awaiting a court decision by the Supreme Federal Court – STF. The Company's chance of loss in the proceeding under discussion is remote, according to understanding already rendered by the courts (annulment action 110660892). In addition, the Supplementary Law 87/96 authorized the full use of right to the credit in the acquisition of assets destined to the permanent assets.

The State Treasury Department of Paraná and São Paulo drawn up tax deficiency notices against ALL Brasil, whose current amounts total approximately R\$38,000, due to non-payment of ICMS referring to the rendering of goods freight transportation services destined to exports and use of ICMS credits supposedly not authorized by laws. ALL already has favorable decisions as the matter under discussion and courts already positioned about the non-levy of ICMS over goods exports. In April 2006, ALL Brasil obtained a favorable decision at the Taxpayers Council of Paraná, confirmed by the Public Finance Court of the State of Paraná in relation to the tax assessments existing in the State of Paraná (administrative proceedings 6146502-2 and 6146495-6), establishing that in operations destined to exports there is immunity, as mentioned in Article 155, Paragraph 2, X, "a" of CF/88. In view of this, there was a decrease in liabilities exposed to risk related to ICMS – exports at approximately R\$18,000, recorded as extemporaneous credits under the item "taxes recoverable".

ALL Brasil has approximately R\$6,500 and Ferroban approximately R\$2,900 in IPTU (building and territorial urban tax) debts referring to the real properties over which rail passes through, owned by the federal government, which, in view of concession granted, are under the possession of the federal government for the execution of rail transportation public services. Nevertheless, the Brazilian Federal Constitution provides that there is no levy of taxes over assets owned by the federal government; reason that the possibility of loss in such proceedings is remote.

Ferroban was sued for not paying PIS and COFINS on mutual traffic and right of way revenues, in the amount of R\$21,000, in the period from 1999 to 2002 (cumulative PIS and COFINS). The company understands that the chance of loss is remote, once the amounts under discussion have already been paid, previously, by the concessionaries responsible for the transportation in the origin.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

Ferronorte filed an Action for Annulment of tax debit, taking into consideration that the company was sued for not paying ICMS in the transportation of goods destined abroad. The amount involved in this claim was R\$9,800 thousand, and possibility of loss is deemed remote.

### (d) Environmental contingencies

Considering the notices of infraction with imposition of fine penalty, the environmental contingencies of ALL Brasil amount to R\$3,547; Ferrobán, R\$10,265; Ferronorte, R\$3,188; Novoeste, R\$282; and Portofer, R\$20.8, totaling R\$17,303.

Such values result from notices from FEPAM (Rio Grande do Sul), CETESB (Sao Paulo) and IBAMA, in great majority due to the implementation/extension of marshalling yards without the respective environmental license, contamination of the soil and water due to the overflow of products, and non-compliance with the conditions imposed by such operating license. In all the situations, the companies involved are executing Terms of Conduct Adjustment, with a view to reducing the applied penalties by 90%, pursuant to legal disposition, as well as adopting all the prevention and reparation actions regarding the environment. The provision for the environmental area is recorded along with the civil provision of concessionaires, in an amount equivalent to 10% of the value of the notices of infraction.

## 19 Credits, debts, and transactions from related companies

	Long-term assets		Long-term liabilities		Parent Company Service revenue	
	03/31/2007	12/31/2006	03/31/2007	12/31/2006	03/31/2007	03/31/2006
	ALL Argentina	528	529		2,684	
ALL Central						
ALL Brasil	9,214	1,314	3,829	4,611	240	240
ALL Intermodal	24	24	2,067	2,067		
ALL Tecnologia	54	54	4,573			
ALL Armazéns Gerais			5,887	807		
Ferronorte			1,860	1,860		
Santa Fé Vagões S.A.	365	364				
Geodex						
Communications do Brasil S.A.	1	1				
Boswells	27,033	27,033				
	<u>37,219</u>	<u>29,319</u>	<u>18,216</u>	<u>12,029</u>	<u>240</u>	<u>240</u>

**Consolidated**



## ALL-América Latina Logística S.A. and Subsidiaries

### Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

	Long-term assets		Long-term liabilities	
	03/31/2007	12/31/2006	03/31/2007	12/31/2006
Terminal XXXIX			610	627
Santa Fé Vagões S.A.	5,797	6,098		
Geodex Communications do Brasil S.A.	1	1		
Rhall Terminais			24	23
	<u>5,798</u>	<u>6,099</u>	<u>634</u>	<u>650</u>

The related-party transactions are performed under usual market conditions.

As part of the restructuring process of Brasil Ferrovias and Novoeste Brasil, ALL – América Latina Logística S.A. (“ALL”) transferred funds to its indirect subsidiaries Ferronorte, Nova Ferroban and Novoeste, as Advances for Future Capital Increase (AFAC), pursuant to “Private Instrument of Advances for Future Capital Increase” executed on May 29, 2006. Until June 30, 2006, a R\$226,690 amount had been transferred to Ferronorte and to Nova Ferroban, and R\$18,450 to Novoeste, by ALL.

Also on May 29, 2006, Brasil Ferrovias and Novoeste entered into another “Private Instrument of Advances for Future Capital Increase” with their direct subsidiaries Ferronorte, Nova Ferroban and Novoeste, transferring the responsibility for the advances received from the Company to Brasil Ferrovias and Novoeste Brasil.

On July 3, 2006, an addendum to the “Private Instrument of Advances for Future Capital Increase” was entered into, under the denomination of “Advances for Future Subscription and Payment of Debentures”, with a view to converting the advances recorded in Brasil Ferrovias and Novoeste Brasil, into debt with parent company ALL. This agreement established that the managers of Brasil Ferrovias, Novoeste Brasil and ALL undertake to carry out the issue, subscription and payment of the debentures until December 31, 2006. The interest rate was established at 100% of the Interbank Deposits (DI) daily average rates, plus 4% p.a. as surcharge.

Thus, in the third quarter of 2006, the advances recorded in Brasil Ferrovias and Novoeste Brasil until June 30, 2006, in the amount of R\$226,690 and R\$18,450 were reclassified to debts with related parties, restated by the aforementioned rates. The balance of the debt on March 31, 2007, represents R\$726,065 in Brasil Ferrovias, and R\$69,752 in Novoeste Brasil, according to note 11.

Regarding other balances with related parties, there is no interest levy in the transactions, which reflect, besides the normal operations, financial coverage transactions.

The parent company’s service rendering revenues against subsidiary ALL Brasil in the amount of R\$240, refer to consulting services rendered.

## 20 Provision for unrealized profit

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

On September 30, 2001, the parent company sold to subsidiary ALL Brasil the right to use the lines from Presidente Epitácio to Rubião Junior and from Pinhalzinho/Apiaí to Iperó at the market value of R\$22,387, supported by an appraisal report prepared by independent experts as of that date. On December 31, 2001, the parent company established a provision of R\$19,312 for unrealized profit from this operation, recorded in long-term liabilities. In the quarters ended March 31, 2007 and 2006, the amount of R\$186 was realized.

## 21 Deferred income

	<u>03/31/2007</u>	<u>12/31/2006</u>
<b>Subsidiaries</b>		
ALL Brasil	7,642	7,642
ALL Intermodal	631	640
Ferroban	<u>16,964</u>	<u>17,161</u>
	<u>25,237</u>	<u>25,443</u>

ALL Brasil: this refers to an assignment agreement of the right of way for optical fibers alongside the track granted in the form of capital contribution to associated company Geodex Communications do Brasil S.A., at the contractual amount of R\$10,000, which has not been appropriated to results since December 31, 2006, as the Management intends to dispose of the investment in Geodex.

ALL Intermodal: this refers to the deferred revenue originated in the capital stock payment by means of land granted under loan for use by ALL Intermodal to Rhall Terminais Ltda., appropriated on a straight-line basis over the remaining concession period.

Ferroban: this results from agreements entered into with communication companies, whose purpose is the assignment of the right of way of the track for the passage of optical fiber cables for the effectiveness period of the Concession Agreement of the Public Service of Cargo Rail Transportation (until 2028), linearly appropriated to the result for the remaining term of the assignment of right.

## 22 Shareholders' equity

### (a) Capital stock

The Company's subscribed and paid-up capital stock is represented as follows:

	<u>03/31/2007</u>	<u>12/31/2006</u>
Common	988,074,422	986,120,805
Preferred	<u>1,892,288,988</u>	<u>1,884,474,520</u>
	<u>2,880,363,410</u>	<u>2,870,595,325</u>

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

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The Company's authorized capital is R\$3,000,000, and the Board of Directors is the appropriate body to resolve on the Capital increase within the referred limit, and there are no other limitations or conditions to make the capital increase within the authorized capital limit.

All the Company's shareholders have a preemptive right, in equal conditions, to the subscription of new shares issued by the Company, except for the issuance of shares in paragraph 3 of Article 171 of Law 6,404/76.

### (b) Distribution of dividends and interest on net equity

Shareholders are assured a minimum mandatory dividend of 25% on the adjusted net income in accordance with Article 202 of Law 6,404/76.

As a result of commitments undertaken pursuant to financing agreements, the parent company may not distribute dividends in excess of the minimum mandatory ones up to 2011.

### (c) Profit reserve

Pursuant to Brazil's corporate law, the legal reserve is established at 5% of net income for the year, prior to any other appropriations, and shall not exceed 20% of capital stock.

The investment reserve is based on statutory provisions, which are supported by the Company's investment plan by means of use and sources subject to the Board of Directors, and pursuant to Article 194 of Law 6,404/76, which determines that this reserve shall not exceed subscribed capital stock, at an amount not less than twenty-five percent (25%) and not exceeding seventy-five per cent (75%) of the net income for the year adjusted in accordance with Article 202 of Law 6,404/76, with a view to financing the expansion of the Company's and its subsidiaries' activities, also through the subscription of capital increases or the development of new ventures.

### (d) Advances for future capital increase

The amounts received as advances for future capital increase, resulting from contributions to the Stock Option Plan, described in Note 23, are presented in the Shareholders' Equity account.

### (e) Managers' compensation

In the minutes of a General Meeting held on April 2, 2007, the amount of R\$360 was determined as annual global compensation for the members of the Fiscal Council, and as annual global amount for the Managers' compensation the amount of up to R\$20,000, these compensations are valid until the next Annual General Meeting.

## 23 Stock option plan

At an Extraordinary General Meeting held on April 1, 1999, the shareholders approved the Company's Stock Option Plan ("Plan"), targeted at board members, executive officers, top managers and outsourced

## ALL-América Latina Logística S.A. and Subsidiaries

### Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

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service providers of the Company ("Beneficiaries"). The plan is managed by the Company's Board of Directors, or at its discretion, by a Committee specially made up for this purpose, which may, periodically, create stock option programs defined by a pre-determined period, as well as to set forth, within the qualified individuals, those to whom options will be granted, and the specific applicable rules, in line with the general rules of the Plan ("Program").

The volume of stock acquisition options is limited to 8% of the shares representing the Company's capital stock existing on the date of approval of each Program.

The stock acquisition option is established under an individual agreement between the Company and each Beneficiary. As a condition for the acquisition of the right to the option to acquire shares, the Beneficiary has to make a payment of 10% of the share amount, at the moment of the execution of the agreement, acquiring, consequently, the right to make acquisitions of 18% of the total share number every year, so that the Beneficiary will, by the end of the fifth year, have incorporated to his/her equity the right to make contributions for the acquisition of 100% of the shares. The price of the shares is restated by the variation of the General Price Index (IGP-M).

The shares will not be delivered to the Beneficiary until after the course of the terms and contributions set forth in the agreement. In case the Beneficiary is dismissed "without cause" (as established by the labor law), retires, deceases, or becomes permanently disabled, the Company can advance the delivery of the shares which the Beneficiary has the right to.

On March 7, 2005, the Plan's Committee created by the Board of Directors approved the creation of its fifth program, which is different from the others in two aspects: a) it sets forth the use by the Beneficiaries of at least 50% of the amounts received by means of the variable compensation program, net of taxes and social charges, for the payment of the contributions for the acquisition of payable shares, under the penalty of proportional reduction of the number of shares, and b) possibility of early issue of shares as from the second reference date of the options contract, since the Beneficiary has already made the payment of at least 30% of his/her contributions. The Company does not have the obligation to buyback, at any moment, the shares acquired in the referred Plan.

On March 1, 2006, the Committee approved the creation of the 2006 Stock Option Program ("2006 Program") and established that (i) the number of shares integrating the 2006 Program is 4,500,000 shares: 900,000 common shares and 3,600,000 preferred shares, corresponding to 2.0% of the Company's capital stock on that date, and (ii) the price per share is R\$23.00. With the stock split approved by the Extraordinary General Meeting on September 5, 2006, to the proportion of 10 shares to each share, the number of shares in the 2006 Program since then corresponds to 45,000,000 shares (9,000,000 common shares and 36,000,000 preferred shares), worth R\$2.30 each (or, having the Company's Units as a reference, 9,000,000 Units worth R\$11.50 each). The 2006 Program comprises two groups of Beneficiaries, with different types of agreement, referred herein as "Agreement A" and "Agreement B". Agreement A has the same characteristics established for the 2005 Program, as described above. Agreement B is different from Agreement A in two main aspects:

(i) the acquisition of the right to make the contributions for the acquisition of shares changes from 10% in the first year and 18% in the following years, as in Agreement A, to 5% in the first year, 10% in the second, 15% in the third, 25% in the fourth, and 35% in the fifth and last year. In case the Beneficiary of

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

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Agreement B is dismissed without cause, the Committee may, at its discretion, change the schedule for the acquisition of the right to make contributions for the acquisition of shares, to 18% per year, such as the schedule of Agreement A.

(ii) the right to make contributions for the acquisition of shares is subject to the decision of the Beneficiary as to the sale of shares resulting from the Stock Option Programs of the previous years. In case on March 1, 2006, the Beneficiary has, among merged and non-merged shares referring to the Programs of previous years, a number of shares higher than the one attributed to him/her on the 2006 Program, the Beneficiary may sell a number of shares equivalent to the difference between (a) the balance of the shares related to the previous Programs and (b) the total shares whose acquisition option was granted to the Beneficiary within the scope of the 2006 Program, without losing the right to the exercise of making contributions for acquisition of shares of the 2006 Program. For each share sold beyond the limit indicated above, the Beneficiary will lose the right to make the contribution for the acquisition of 1 (one) share related to the 2006 Program. In case on March 1, 2006 the Beneficiary has, among merged and non-merged shares referring to previous Programs, a number of shares lower than or equal to the one attributed to him/her in the 2006 Program, for each share sold related to previous Programs, the Beneficiary will lose the right to make the contribution for the acquisition of 1 (one) share related to the 2006 Program.

On March 1, 2007, the Committee approved the creation of the 2007 Stock Option Program ("2007 Program") and established that (i) the number of shares integrating the 2007 Program is 5,500,000 shares: 1,100,000 common shares and 4,400,000 preferred shares, corresponding to 0.19% of the Company's capital stock on that date, and (ii) the price per share is R\$4.20 (or, having the Company's Units as a reference, 1,100,000 Units worth R\$21.00 each). As well as in the 2006 Program, the 2007 Program contemplates two groups of Beneficiaries, with different types of agreements, which are "mutatis mutandis", substantially identical to the "A Agreements" and "B Agreements" mentioned above.

The conditions, nature, amounts, and prices presented below are in conformity with CVM Deliberation 371/2000.

The summary of the movement of the stock options for the period ended March 31, 2007 is shown as follows:

	<b>Number of shares</b>
Shares to be exercised on December 31, 2006	89,761,115
Grants on March 1, 2006	5,500,000
Grants cancelled in the year	(143,049)
Grants exercised in the year	(6,969,980)
Shares to be exercised on March 31, 2007	88,148,086
Weighted average price per share to be exercised	1.78

## **ALL-América Latina Logística S.A. and Subsidiaries**

### **Notes to the financial statements**

**Periods ended March 31, 2007, 2006 and December 31 2006.**

**(in thousands of reais, except when otherwise indicated)**

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The Company accounts for the contributions, based on the individual controls of each beneficiary, as advance for future capital increase, composing the shareholders' equity and after the duly deliberation at a General Meeting, the due amount is recorded as capital stock.

For the specific case of contributions of 30% made for the acquisition of options, the Company accounts for the capital increase as from the second reference date, in compliance with Law 6,404/76.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

### 24 Determination of the income tax and social contribution – parent company

	<b>Income tax</b>		<b>Social contribution</b>	
	<u>03/31/2007</u>	<u>03/31/2006</u>	<u>03/31/2007</u>	<u>03/31/2006</u>
Earnings before income tax and social contribution on income	(10,798 )	21,774	(10,798 )	21,774
(+) Additions				
· Equity accounting and provision for unsecured liabilities	27,059	6,534	27,059	6,534
· Goodwill amortization in subsidiary	1,022	1,817	1,022	1,817
	<u>28,081</u>	<u>8,351</u>	<u>28,081</u>	<u>8,351</u>
(-) Exclusions				
· Hedge operations	(9,356 )	(15,250 )	(9,356 )	(15,250 )
· Other	(483 )	(187 )	(483 )	(187 )
	<u>(9,839 )</u>	<u>(15,437 )</u>	<u>(9,839 )</u>	<u>(15,437 )</u>
Calculation basis for purposes of IR and CS	7,444	14,688	7,444	14,688
Tax losses and offset negative bases	<u>(2,233 )</u>	<u>(4,406 )</u>	<u>(2,233 )</u>	<u>(4,406 )</u>
Final calculation basis	5,211	10,282	5,211	10,282
Rate	<u>25%</u>	<u>25%</u>	<u>9%</u>	<u>9%</u>
Charges for the period	<u>1,297</u>	<u>2,568</u>	<u>469</u>	<u>925</u>

The reconciliation of the effective income tax and social contribution rate on the income before taxes with the provision for income tax and social contribution has not been shown for purposes of these consolidated financial statements, as the parent Company and its domestic and foreign subsidiaries are subject to different taxes and rates.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

### 25 Net Financial Result

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>03/31/2007</u>	<u>03/31/2006</u>	<u>03/31/2007</u>	<u>03/31/2006</u>
Interest on debentures	(35,435 )	(4,259 )	(60,916 )	(23,109)
Interest on indebtedness			(78,714 )	(29,861)
Hedge	9,107	1,094	9,107	3,455
Financial taxes (CPMF / IOF)			(3,595 )	(1,364)
	(360 )	(43 )		
Interest on lease and concession			(16,350 )	(2,652)
Exchange variation on subsidiaries abroad			(7,440 )	(2,862)
Other	(7,545 )	(906 )	(29,485 )	(11,147)
Total financial expenses	<u>(34,233 )</u>	<u>(4,114 )</u>	<u>(187,393 )</u>	<u>(67,540)</u>
Revenue on financial investment	4,553	2,440	56,705	39,783
Compensation on debentures	47,429	25,415		
Total financial expenses	<u>51,982</u>	<u>27,855</u>	<u>56,705</u>	<u>39,783</u>
Net Financial Result	<u>17,749</u>	<u>23,741</u>	<u>(130,688)</u>	<u>(27,757)</u>

### 26 Insurance – consolidated (Unaudited)

The Companies maintain insurance policies in amounts deemed sufficient by management to cover possible losses, as follows:

<b>Line of business</b>	<b>Coverage by event</b>	<b>Sum insured</b>
Rail operating risks	Property – property damage and loss of profits	150,000
Civil liability - rail operations	Operations, pollution, employer, vehicles (contingencies) and port	25,500
Insurance for rail freight	Civil liability of the rail freight carrier (RCTF-C); rail risk (RF)	30,000
Civil liability – trucks	Damages to third parties on domestic and international routes	500
Insurance for road freight	Civil liability of the road freight carrier (RCTR-C) – accidents and (RCF-DC) theft; international road transportation	1,500



# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

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Total coverage of the policies above on March 31, 2007, was R\$ 207,500.

### 27 Financial instruments

On March 31, 2007, the Company and its subsidiaries had the following main financial instruments:

Financial Investments: evaluated at cost, accrued of interest until the balance sheet date, whose rates were compatible with market conditions prevailing on that date.

Investments: as described in Note 12, these refer to investments in closely-held subsidiaries and/or investments appraised at the equity method, representing strategic significance to the Company's operations.

Significant balances with related parties: as described in Note 19, they are realized in normal market conditions.

Loans and financings: as described in Note 15, these include agreed charges and exchange swap effects, commented as follows, when applicable.

Debentures: the market value of the debentures issued by the Company and its subsidiaries approximates their face value on March 31, 2007.

The main risk factors affecting the Company's and its subsidiaries' businesses are as follows:

#### (a) Credit risk

The Company and its subsidiaries are potentially subject to credit risks arising from their trade accounts receivable, and the procedures adopted to minimize commercial risks include the selection of customers through adequate credit analyses, the definition of sales limits and short-term maturity of trade notes. Estimated losses with these debtors are fully provisioned.

#### (b) Exchange rate risk

The Company and its subsidiaries are subject to the effects of exchange rate fluctuations in their foreign currency transactions.

Considering they have foreign currency-denominated debts, the Company and its subsidiaries, in order to protect its equity position in relation to fluctuations of the Brazilian currency, they contract currency swap operations (US\$ x CDI - between 85% and 105%) for the total consolidated foreign currency-denominated debt (Note 16). The losses verified in such operations amounted to R\$3,818 for the period ended on March 31, 2007 (on March 31, 2006 – losses of R\$8,557); additionally, the parent company contracted hedge operation to protect investments in Argentina against fluctuations of Peso against Real. The gain verified in the period amounts to R\$10,588 (gains of R\$15,250 on March 31, 2006), which was recognized as financial result.

# ALL-América Latina Logística S.A. and Subsidiaries

## Notes to the financial statements

**Periods ended March 31, 2007, 2006 and December 31 2006.**

(in thousands of reais, except when otherwise indicated)

### 28 Lease

Indirect subsidiary Ferronorte is a leaseholder with purchase option, by means of lease agreements.

These agreements' position on March 31, 2007, is as follows:

Assets	Current Liabilities		Long-term Liabilities		Charges (p.a.)	Remaining term
	03/31/2007	12/31/2006	03/31/2007	12/31/2006		
Locomotives Dash 9	18,303	18,380	6,777	7,066	9% + dollar variation	7 quarters

### 29 Private social security

Indirect subsidiary Ferrovia Novoeste sponsors a private pension plan with HSBC Fundo de Pensão. The plan has prevailing characteristics in the defined contribution modality during the funds accumulation period. The only defined benefit, in the accumulation stage, is a benefit equivalent to six salaries, paid in the event of death, disability and retirement process, calculated according to formulas and conditions established in the plan's regulation.

The contributions are made on average, in the proportion of 80% by the sponsor and 20% by the active participants, as established in actuarial technical note.

The plan is reviewed by an independent actuary, annually, and the last version was concluded in December 2006.

	<u>12/31/2006</u>		<u>12/31/2006</u>
Participants	273	Sponsor contributions:	
Net assets	8,096	Participation payroll	4,148
		Normal contribution	0.98%

The plan also has a defined benefit portion in the concession phase, whose actuarial liability refers to life annuities granted to its participants. The present value of the actuarial liability, calculated based on mortality table AT-83 and on a financial discount rate of 6%, amounts to R\$1,020 on December 31, 2006, totally covered by financial assets.

In addition to the total financial coverage of actuarial liabilities, the plan has a surplus with which a pension fund that amounts to R\$1,059 on December 31, 2006, was made. The Fund is established by remaining balances of contributions from the sponsor, coming from withdrawals of participants who made a partial redemption.

### 30 Supplementary information - statement of cash flow

	<b>Parent Company</b>		<b>Consolidated</b>	
	<u>03/31/2007</u>	<u>03/31/2006</u>	<u>03/31/2007</u>	<u>03/31/2006</u>
<b>Operating activities</b>				
Net income for the period	(16,473 )	17,486	(16,128 )	17,831
Expenses (revenues) not affecting cash and cash equivalents				
Depreciation and amortization	2,065		53,689	16,002
Lease and concessions			30,995	17,220
Equity accounting	(1,411 )	6,534	(45 )	(167 )
Provision for unsecured liabilities	28,887			
Goodwill amortization	1,022	1,817	1,486	2,311
Exchange variation on subsidiaries abroad			7,440	12,273
Deferred income tax and social contribution				
	3,492	795	(9,553 )	1,775
Provision for unrealized profit	(186 )	(186 )		
Realization of deferred income			(206 )	(102 )
Provision for contingencies			2,493	1,800
Exchange variation and charges on financing and debentures	39,123	21,900	77,006	45,682
Result of unrealized swap activities				
		(15,250 )	3,818	(6,693 )
Unrealized debentures financial expenses	(40,148 )	(15,883 )		
Minority interest			4	5
	<u>16,371</u>	<u>17,213</u>	<u>150,999</u>	<u>107,937</u>
Increase (decrease) in assets				
Trade accounts receivable	(7,964 )		(27,499 )	(10,887 )
Supplies			8,011	(10,176 )
Taxes recoverable	(1,568 )	(2,579 )	(8,092 )	10,168
Dividends and interest on net equity	30,237	(12,365 )		
Other assets	(9,310 )	(667 )	(38,363 )	(9,459 )
	<u>11,395</u>	<u>(15,611)</u>	<u>(65,943)</u>	<u>(20,354)</u>
Increase (decrease) in liabilities				
Suppliers	5,454		(4,602 )	(40,913 )
Payroll and related charges			(18,553 )	(12,232 )
Taxes, charges, and contributions	(1,675 )	(1,466 )	5,764	(10,906 )
Lease and concessions payable			(13,764 )	(13,039 )
Dividends and interest on net equity	(12,425 )	(17,088 )	(12,547 )	(17,088 )
Other liabilities	2,840	38	(4,750 )	(1,826 )
	<u>(5,806 )</u>	<u>(18,516)</u>	<u>(48,452)</u>	<u>(96,004)</u>
<b>Cash generated (used) by operating activities</b>	<u>21,960</u>	<u>(16,914)</u>	<u>36,604</u>	<u>(8,421)</u>

	Parent Company		Consolidated	
	<u>03/31/2007</u>	<u>03/31/2006</u>	<u>03/31/2007</u>	<u>03/31/2006</u>
<b>Investing activities</b>				
Acquisition of interest		11,340		
Acquisition of fixed assets		(4,189 )	(173,579 )	(88,382 )
<b>Cash generated (used) in investing activities</b>		<u>7,151</u>	<u>(173,579 )</u>	<u>(88,382 )</u>
<b>Financing activities</b>				
Financing				
Fundraising			31,997	221,594
Amortization	(67,575 )	(23,669 )	(159,174 )	(60,935 )
Acquisition of debentures	(93,521 )	(20,621 )		
Capital increase and AFAC	9,499	7,936	9,499	7,936
Proposed dividends and interest on net equity				
Realized swap transactions			(947 )	
Related parties	(1,713 )	(13,722 )	(245 )	(2,089 )
<b>Cash generated (used) in financing activities</b>	<u>(153,310 )</u>	<u>(50,076 )</u>	<u>(118,870 )</u>	<u>166,506</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(131,350 )</u>	<u>(59,839 )</u>	<u>(255,845 )</u>	<u>69,703</u>
Opening balance of cash and cash equivalents	270,067	250,282	1,739,040	1,006,282
Closing balance of cash and cash equivalents	<u>138,717</u>	<u>190,443</u>	<u>1,483,195</u>	<u>1,075,985</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<u>(131,350)</u>	<u>(59,839 )</u>	<u>(255,845 )</u>	<u>69,703</u>