ALL - América Latina Logística S.A.
and its subsidiaries
Financial Statements of
December 31, 2008 and 2007
and independent auditors report

INDEPENDENT AUDITORS REPORT

To
The Management and Shareholders of
ALL – América Latina Logística S.A.

1. We have audited the balance sheets of ALL – América Logística S.A. and the consolidated balance sheets of ALL – América Logística S.A. and subsidiaries drawn up on December 31, 2008 and 2007, and the related statements of income, changes in financial position and cash flows for the periods then ended, as well as the statement of value added corresponding to the year ended December 31, 2008, prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audits were conducted in accordance with the auditing standards applicable in Brazil and comprised: a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control system of the Company and its subsidiary; b) checking, on a test basis, the evidences and records that support the amounts and accounting information disclosed, and c) evaluating the most significant accounting practices and estimates adopted by the Company's management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 fairly represent, in all material aspects, the equity and financial position of ALL – América Logística S.A. and the consolidated equity and financial position of ALL – América Logística S.A. and subsidiaries as of December 31, 2008 and 2007, and the results of its operations, the changes in its financial position and cash flows for the years then ended, as well as the value added referring to the year ended December 31, 2008, in conformity with the Brazilian accounting practices.

4. As mentioned in Note 5 (a), on October 20, 2006, indirect subsidiaries América Latina Logística Central S.A. (“ALL Central”) and América Latina Logística – Mesopotámica S.A. (“ALL Mesopotámica”), executed, with the Argentine National State “Letters of Understanding”, as part of the renegotiation process of its concession agreements. On the issue date of this Report, the Management of the subsidiaries and its counsels understand that the renegotiation process of the agreements has not been concluded yet, due to the absence of approval by the Executive Branch of such country. The main effects of the new contractual system which is being negotiated are also described in Note 5 (a). The subsidiaries estimated the recoverable amount of its permanent assets and taxes recoverable, on December 31, 2008, based on cash flow studies which take into consideration the changes proposed in the “Letters of Understanding” previously mentioned, which the Management of the subsidiaries deem as necessary to comply with its business plans. The recoverability of the amount of permanent assets and taxes recoverable, presently, depend on the approval by the Argentine National Executive Branch of the renegotiation of the concession agreement (previously approved by the “Comisión Bicameral de Seguimiento de Privatizaciones” of such country), and the successful implementation of the business plan developed by the Management. The resolution of these matters is still pending on the date of this Report and, subsequently, the present financial statements do not comprise any adjustment and/or reclassification from the effects that could derive from said uncertainties.

5. As described in Note 7, the indirect subsidiary ALL Central has interrupted the recognition of revenues linked to tolls of “Unidad Ejecutora del Programa Ferroviário Provincial (U.E.P.F.P.)” as from January 2002. This decision is basically founded on the lack of recognition of services rendered by said Unit. In 2004, ALL Central started a demand with the Federal Contentious Administrative Court of the province of Buenos Aires, requiring the payment of toll values referring to the period between 1993 and 1996. Supported, by its legal advisors’ opinion, that the collection suit of the amounts filed against U.F.P.F.P. has a relatively high probability of success, the Management did not record provision for losses of the amount receivable recorded at ALL Argentina of approximately R$3,224 thousand (P$4,762 thousand). On the other hand, and due to the agreements executed with the previous shareholders, ALL Argentina records a liability of similar value, due to the obligation of reimbursing 50% of the recovered amounts, referring to tolls incurred in the periods preceding the acquisition date of ALL Central and ALL Mesopotámica. The financial statements described in paragraph 1 do not contemplate possible adjustments or reclassifications that could arise as a result of these discussions.

6. Our Report on the financial statements related to the year ended December 31, 2007, dated February 27, 2008, included an emphasis paragraph related to the pending matter existing as to the treatment to be given for future capital increase granted to ALL – América Latina Logística Argentina S/A, as a result of pending discussions on the instruments of Resolutions of Inspección General de Justicia ("IGJ"). In view of the evolution of discussions on the matter, including with the effective capitalization of said advances for future capital increase, we conclude that the emphasis paragraph would no longer be necessary in the issue of said financial statements.

7. As mentioned in Note 3, as a result of the changes in the accounting practices adopted in Brazil, during 2008, the financial statements referring to the previous year, presented for comparison purposes, were adjusted and are being presented as set forth in NPC 12 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors.

8. As mentioned in Note 4.d, the Company proceeded to the rectification of balances of said items of its financial statements related to the year ended December 31, 2007, which were previously disclosed.

Curitiba, February 27, 2009.

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

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

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

BALANCE SHEETS
Years ended December 31, 2008 and 2007
(In thousands of R$)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
ASSETS					
Current assets					
Cash and cash equivalents	Fonte ência não rada.	929,500	259,731	2,642,731	1,815,846
Trade accounts receivable	Fonte ência não rada.	47,111	1,076	154,347	138,318
Inventories	Fonte ência não rada.		130	93,660	62,931
Credits with congeners				2,537	16,955
Lease and concessions	Fonte ência não rada.			6,273	6,429
Recoverable taxes and contributions	Fonte ência não rada.	71,672	39,811	337,120	180,333
Deferred income tax and social contribution		14,591	4,367	41,501	23,990
Dividends and interest on own capital		109,906	33,159		
Advances and other accounts receivable		8,019	3,732	36,135	19,030
Prepaid expenses				6,237	3,773
Total current assets		1,180,799	342,006	3,320,541	2,267,605
Non-current assets					
Long-term assets					
Credits receivable from related companies	Fonte ência não rada.	204,424	184,533	5,644	8,148
Lease and concessions	9			111,877	119,404
Recoverable taxes and contributions	10	4,535	16,216	242,267	134,655
Deferred income tax and social contribution	11	44,635	60,038	123,344	98199
Refundable deposits and restricted amounts	Fonte ência não rada.	1,390	120	268,590	242,708
Temporary investments	Fonte ência não rada.	98,001	407,426	503	251,223
Advances for future investments		62,641			
Other realizable assets				15,438	16,542
Prepaid expenses			6,311	11,384	11,309
		415,626	674,644	779,047	882,188
Permanent assets					
Investments	Fonte ência não rada.	2,613,054	2,745,424	6,287	7,415
Intangible assets	Fonte ência não rada.	107,132	113,740	2,721,307	2,743,905
Fixed assets	Fonte	76,377	3,836	4,724,246	4,193,221

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

BALANCE SHEETS

Years ended December 31, 2008 and 2007

(In thousands of R$)

Deferred charges	**ência não rada. Fonte ência não rada.**			214,146	225,818
		2,796,563	2,863,000	7,665,986	7,170,359
Total non-current assets		3,212,189	3,537,644	8,445,033	8,052,547
Total assets		4,392,988	3,879,650	11,765,574	10,320,152

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

BALANCE SHEETS

Years ended December 31, 2008 and 2007

(In thousands of R$)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
LIABILITIES					
Current liabilities					
Suppliers		144,561	19,119	986,844	683,853
Loans and financings	Erro! te de ência não rada .	12,918	15,686	375,200	668,007
Debentures	Erro! te de ência não rada .	199,574	51,847	261,368	84,857
Tax liabilities		4,071	1,234	214,057	184,844
Debt with congeners				11,469	7,790
Lease and concessions	Erro! te de ência não rada .			25,268	104,565
Labor and social security liabilities				81,045	33,810
Advances from clients		32,047	36,720	78,002	63,145
Leasing	Erro! te de ência não rada .			128,817	114,300
Tax and social security installments				18,844	32,824
Real Estate Credit Advances	Erro! te de ência não rada .	14,420		63,833	
Deferred income	Erro! te de ência não rada .			2,203	
Other accounts payable			11	10,254	98,321
Dividends and interest on own capital		42,210	51,851	42,333	51,975
Total current liabilities		449,801	176,468	2,299,537	2,128,291
Non-current liabilities					
Long-term liabilities					
Suppliers					376
Loans and financing	Erro! te de ência não rada .	261,721	227,868	2,518,286	2,326,626
Debentures	Erro! te de	897,192	1,035,000	1,780,036	1,436,891

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES
BALANCE SHEETS
Years ended December 31, 2008 and 2007
(In thousands of R$)

	ência não rada .				
Debts payable from related companies	Erro! te de ência não rada .	146,783	2,703	844	896
Provision for contingencies	Erro! te de ência não rada .			297,964	404,365
Lease and concessions	Erro! te de ência não rada .			855,826	749,935
Advances from clients				8,767	10,374
Provision for unrealized profit	Erro! te de ência não rada .	14,105	14,849		
Leasing	Erro! te de ência não rada .			750,824	691,623
Tax and social security installments				109,441	99,594
Real estate credit advances	Erro! te de ência não rada .	117,761		558,709	
Other long-term liabilities				43,738	24,732
Provision for unsecured liabilities in subsidiaries	13	7,680	9,582	768	
Deferred income	Erro! te de ência não rada .			26,375	16,978
Total non-current liabilities		1,445,242	1,290,002	6,951,578	5,762,390
Minority interest in subsidiaries				18,926	20,081
Shareholders' equity	Erro! te de ência não rada .				
Capital stock		2,141,413	2,141,413	2,141,413	2,141,413
Capital reserve		(73,014)	(23,156)	(73,014)	(8,376)
Profit reserves		395,573	427,062	395,573	424,001

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

BALANCE SHEETS

Years ended December 31, 2008 and 2007

(In thousands of R$)

Accumulated profits/losses		(120,033)	(2,412)	(135,542)
Assets adjustments	25,830	(13,442)	25,830	(13,442)
Advance for future capital increase	8,143	1,336	8,143	1,336
Total shareholders' equity	2,497,945	2,413,180	2,495,533	2,409,390
Total liabilities and shareholders' equity	4,392,988	3,879,650	11,765,574	10,320,152

The notes are an integral part of the financial statements.

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

STATEMENTS OF INCOME

Years ended December 31, 2008 and 2007

(In thousands of R$)

		Parent Company		Consolidated	
	Nota	2008	2007	2008	2007
Gross revenue from services					
Provision of cargo transportation services and other	Fonte de rência não trada.	505,047	28,863	2,834,462	2,421,907
Gross revenue deductions, mainly taxes (ICMS, ISS, PIS and COFINS)		(59,936)	(2,369)	(325,236)	(271,294)
Net revenue from services		445,111	26,494	2,509,226	2,150,613
Cost of services provided		(347,653)	(21,246)	(1,407,276)	(1,294,693)
Gross profit		97,458	5,248	1,101,950	855,920
Income from shareholding					
Equity accounting	Fonte rência não trada.	200,854	18,231	(352)	18
Reversal (Provision) for unsecured liabilities in subsidiaries	Fonte rência não trada.	(8,465)	147,876		
Goodwill amortization in subsidiaries		(7,314)	(10,776)	(21,101)	(12,354)
Loss in investments	Fonte rência não trada.	(39,576)	(7,400)	(305)	(26,819)
		145,499	147,931	(21,758)	(39,155)
Other operating income (expenses)					
Selling		(2,211)	(778)	(15,398)	(13,345)
General and administrative		(12,226)	(9,100)	(114,660)	(96,412)
Other operating income (expenses), net		(4,308)	682	447	21,608
		(18,745)	(9,196)	(129,611)	(88,149)
Operating income before financial income		224,212	143,983	950,581	728,616
Financial expenses	Fonte rência não trada.	(179,429)	(142,398)	(1,027,134)	(794,933)
Financial income	Fonte rência não trada.	144,236	151,321	263,579	267,486
		(35,193)	8,923	(763,555)	(527,447)
Operating income before taxes		189,019	152,906	187,026	201,169
Provision for income tax and social contribution	Fonte rência não trada.	(8,490)		(46,820)	(47,555)
Deferred income tax and social contribution		(5,181)	8,422	35,241	9,110
Minority interest in subsidiaries				1,279	(18)
Net income for the period		175,348	161,328	176,726	162,706
Number of shares at the end of the period (in thousands)		2,884,178	2,883,482	2,884,178	2,883,482
Net income per one thousand shares at the end of the period – R$		60,7965	55,9490	61,2743	56,4269

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STATEMENTS OF INCOME
Years ended December 31, 2008 and 2007
(In thousands of R$)

The notes are an integral part of the financial statements.

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

December 31, 2008 and 2007

(In thousands of R$)

	Realized Capital Stock		Capital Reserve			Profit Reserve							
	Subscribed	**Payable**	**Treasury Shares**	**Options Granted**	**Goodwill in the issue of shares**	**Legal**	**Tax Incentives**	**For Investments**	**Retained Earnings**	**AFAC**	**Adjustment Exchange Rate Conversion**	**Adjustments to assets**	**Total**
Balance on December 31, 2006 originally disclosed	**2,136,635**	**(7,160)**			**32**	**20,567**		**295,432**	**(53,198)**	**982**			**2,393,290**
Adjustments pursuant to Law 11,638 (Note 3.2)**Erro! Fonte de referência não encontrada.**				**12,581**					(93,297)				**(80,716)**
Adjusted balance on December 31, 2006 – Law 11,638	**2,136,635**	**(7,160)**	**-**	**12,581**	**32**	**20,567**	**-**	**295,432**	**(146,495)**	**982**		**-**	**2,312,574**
Adjusted (Note d)**Erro! Fonte de referência não encontrada.**													**-**
Capital subscription and payment	16,076	(4,138)								(16,076)			**(4,138)**
Advance received										16,429			**16,429**
Purchase of own shares (Note 26b)**Erro! Fonte de referência não encontrada.Erro! Fonte de referência não encontrada.**			(27,343)										**(27,343)**
Recognition of shares granted				18,935									**18,935**
Net income for the year (adjusted by note 4d)									161,328				**161,328**
Investment foreign exchange variation									(13,442)				**(13,442)**
Allocation of net income for the year:													**-**
Reserve recording						**10,771**		**153,491**	(164,262)				**-**
Dividends proposed (Note 26c) **Erro! Fonte de referência não encontrada.Erro! Fonte de referência não encontrada.**									(51,163)				**(51,163)**
Accumulated loss absorption								**(53,198)**	53,198				
Balance on December 31, 2007 adjusted with effects of Law 11,638	**2,152,711**	**(11,298)**	**(27,343)**	**31,516**	**32**	**31,338**	**-**	**395,725**	**(160,836)**	**1,335**		**-**	**2,413,180**
Purchase of own shares (Note 26b)**Erro! Fonte de referência não encontrada.Erro! Fonte de referência não encontrada.**			(168,395)										**(168,395)**
Capital Subscription	627	(627)											**-**
Delara debt payment			71,410					**(4,355)**					**67,055**
Investment foreign exchange variation (Note 3.2)											16,141		**16,141**
Advance received										6,808			**6,808**
Equity adjustments - Law 11,638 (Nota 3,2)												3,658	**3,658**
Reflex of assets adjustments in subsidiaries				15,389			**2,434**		(2,434)		(1,368)	7,399	**21,420**
Stock options granted or recognized (Note 3.2)				4,377									**4,377**
Net income for the year									175,348				**175,348**
Allocation of net income for the year													**-**
Reserve recording						**8,767**		**(38,336)**	29,569				**-**
Dividends proposed (Note 26c)**Erro! Fonte de referência não encontrada.Erro! Fonte de referência não encontrada.**									(41,646)				**(41,646)**

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

December 31, 2008 and 2007

(In thousands of R$)

On December 31, 2008	**2,153,338**	**(11,925)**	**(124,328)**	**51,282**	**32**	**40,105**	**2,434**	**353,034**	**-**	**8,143**	**14,773**	**11,057**	**2,497,945**

The notes are an integral part of the financial statements.

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOW

December 31, 2008

(In thousands of R$)

	Parent Company	Parent Company	Consolidated	Consolidated
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Operating activities				
Net income for the year	175,348	161,328	176,726	162,706
Expenses (income) that do not affect cash and cash equivalents				
Depreciation and amortization	14,252	450	339,601	302,681
Equity accounting	(200,854)	(18,232)	352	(18)
Provision for unsecured liabilities	8,465	(147,876)		
Goodwill amortization	7,314	10,776	21,101	12,354
Deferred income tax and social contribution	5,179	(9,889)	(42,655)	(11,809)
Provision for unrealized profit	(744)	(744)		
Realization of deferred income			9,397	(8,465)
Exchange variation and charges on financings and debentures	274,296	116,665	(108,149)	351,178
Unrealized swap operations	9,198	12,551	48,273	(20,218)
Financial revenue from unrealized debentures		(86,579)		
Realized swap operations		2,600		25,379
Minority interest			(1,155)	18
	292,454	41,050	443,491	813,806
Increase (decrease) in asset accounts				
Trade accounts receivable	(46,035)	(1,076)	(16,029)	(27,001)
Storehouse	130	(130)	(30,729)	8,064
Recoverable taxes	(20,180)	(19,688)	(264,399)	(117,179)
Dividends and interest on own capital	(76,747)	108,378		
Other assets	(61,888)	10,927	(30,005)	109,485
	(204,720)	98,411	(341,162)	(26,631)
Increase (decrease) in liabilities account				
Suppliers	125,442	18,036	302,991	350,351
Payroll and social charges			47,235	(27,311)
Taxes, fees and contributions	2,837	(1,181)	29,213	4,544
Lease and concession payable			294,771	122,881
Dividends and interest on own capital	(9,641)	36,009	(9,642)	36,011
Other liabilities	(15,050)	36,730	(160,071)	(26,079)
	103,588	89,594	504,497	460,397
Operating cash generation (use)	191,322	229,055	606,826	1,247,572

	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Investment activities				
Acquisition of interest	355,083	331,698	776	
Acquisition of fixed assets	(87,499)		(621,919)	(789,719)
Inventories in fixed inversion			(14,546)	(10,674)
Leasing			(165,639)	(210,960)
Cash generated by (used in) investment activities	267,584	331,698	(801,328)	(1,011,353)
Financing Activities				
Financings				
Funding	179,264	227,000	2,133,193	887,356
Amortization	(2,006)	(262,865)	(1,189,313)	(1,210,450)
Receivable from debentures		(308,624)		
Capital Increase and AFAC	6,808	12,291	6,808	12,291

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

STATEMENTS OF CASH FLOW

December 31, 2008

(In thousands of R$)

Acquisition of treasury shares	(101,340)	(27,343)	(101,340)	(27,343)
Asset Adjustments	41,221		25,832	
Stock Options	4,374	4,155	19,763	18,936
Proposed dividends and Interest on Own Capital	(41,646)	(51,163)	(41,646)	(51,163)
Leasing			165,638	210,960
Related Parties	124,188	(164,540)	2,452	
Cash generated by (used in) financing activities	210,863	(571,089)	1,021,387	(159,413)
Cash and cash equivalents increase (reduction)	669,769	(10,336)	826,885	76,806
Cash and cash equivalents initial balance	259,731	270,067	1,815,846	1,739,040
Cash and cash equivalents final balance	929,500	259,731	2,642,731	1,815,846
Cash and cash equivalents increase (reduction)	669,769	(10,336)	826,885	76,806

The notes are an integral part of the financial statements

ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES

STATEMENTS OF VALUE ADDED

December 31, 2008 and 2007

(In thousands of R$)

DESCRIPTION	Parent Company 2008	Consolidated 2008
1 – REVENUES	**450,794**	**2,751,498**
1.1 Sale of goods, products and services	446,857	2,515,948
1.2 Other revenues	4,437	243,797
1.3 Allowance for doubtful accounts – Reversal/ (Recording)	(500)	(8,247)
2 – INPUTS ACQUIRED FROM THIRD PARTIES (includes ICMS, IPI, PIS and COFINS taxes)	**(403,645)**	**(934,028)**
2.1 Cost of products, goods and services sold	(339,704)	(636,039)
2.2 Materials, energy, outsourced services and other	(16,244)	(157,758)
2.3 Assets losses/ recovery	(47,424)	(133,778)
2.4 Other (specify)	(273)	(6,453)
3 – GROSS VALUE ADDED (1-2)	**47,149**	**1,817,470**
4 – DEPRECIATION, AMORTIZATION AND DEPLETION	(6,988)	(318,738)
5 – NET VALUE ADDED PRODUCED BY THE ENTITY (3-4)	**40,161**	**1,498,732**
6 – VALUE ADDED RECEIVED IN TRANSFER	**335,354**	**257,050**
6.1 Equity accounting	192,390	(352)
6.2 Financial revenues	142,964	257,402
7 – TOTAL VALUE ADDED TO DISTRIBUTE (5+6)	**375,515**	**1,755,782**
8 – DISTRIBUTION OF VALUE ADDED		
8.1 Personnel	**6,810**	**387,783**
8.1.1 – Payroll	2,434	330,514
8.1.2 – Benefits	4,376	50,371
8.1.3 – F.G.T.S		6,898
8.2 Taxes, charges and contributions	13,743	66,412
8.2.1 – Federal	13,703	47,910
8.2.2 – State		16,909
8.2.3 – Municipal	40	1,593
8.3 Third party capital remuneration	186,614	1,122,306
8.3.1 – Interest	186,200	1,013,671
8.3.2 – Rentals	414	108,635
8.4 Own capital compensation	168.348	179,281
8.4.1 – Interest on own capital	(7,000)	3,834
8.4.2 – Dividends	41,645	41,645
8.4.2 – Retained earnings/loss for the year	133,703	135,081
8.4.3 – Minority interest in retained earnings		(1,279)
9 – TOTAL DISTRIBUTED VALUE ADDED	375,515	1,755,782

1 Operations

a) The Company

ALL - América Latina Logística S.A. (the "Company" or "Parent Company") was established on December 31, 1997 and started its operating activities in April 1999, when the shareholders of former Ferrovia Sul-Atlântica S.A. (called ALL – América Latina Logística do Brasil S.A. in the period between September 16, 1999 and June 23, 2008, when it became ALL - América Latina Logística Malha Sul S.A.) contributed all of the shares of ALL Malha Sul in exchange for all of the Company's shares.

The Company's main corporate objectives are:

- to hold interest in other companies, ventures and consortia, the purpose of which is related to transportation services, including rail transportation;
- to perform activities relating to transportation services, such as logistics, intermodal transportation, port operations, movement 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;
- multimodal transportation operator.

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.

The Company operates rail transportation in Southern Brazil through ALL Malha Sul, and in the Central West region and State of São Paulo through the concessionaires, indirect subsidiaries, ALL – América Latina Logística Malha Paulista (ALL Malha Paulista, previously called Ferrovias Bandeirantes S.A. - Ferroban), ALL – América Latina Logística Malha Norte (ALL Malha Norte, previously called Ferronorte S.A.- Ferrovias Norte Brasil) and ALL – América Latina Logística Malha Oeste S.A. (ALL Malha Oeste, previously called Ferrovias Novoeste S.A.). 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 Malha Sul 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.

The Multimodal Participações Ltda (previously called JPESPE Participações Ltda) is a holding company of the cargo rail transportation industry, the predominating activity of which being the direct control of the concessionaires ALL – Malha Paulista and holding Nova Brasil Ferrovias S.A.. It also held, up until December 27, 2007, the concessionaire ALL – Malha Norte. In July 2008, the Company incorporated subsidiaries Brasil Ferrovias S.A., Novoeste Brasil S.A. and Nova Ferroban S.A.

Nova Brasil Ferrovias is a privately-held company and holding of the cargo rail transportation industry, the predominating activity of which being the direct control of the concessionaire ALL Malha Norte. The Company was created by the spin-off of Brasil Ferrovias in 2007.

ALL Malha Paulista 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.

Portofer is a special purpose entity constituted on June 28, 2000 by ALL Malha Norte and by ALL Malha Paulista, 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 movement 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 the terminals Terminal XXXIX, TGG and TERMAG were executed on August 8, 1997 between ALL Malha Norte and CODESP. The period for the concessions is 25 years, which may be extended under agreement between the parties.

Novoeste Brasil S.A. (Novoeste Brasil), is a closely-held company and holding of the cargo rail transportation industry, resulting from the partial spin-off of Brasil Ferrovias, which occurred on May 13, 2005, and the parent company of ALL – Malha Oeste S.A. In July 2008, it was incorporated by Multimodal Participações Ltda.

ALL – Malha Oeste has the right to operate part of the Brazilian rail network, with an approximate length of 1,600 km by June 2026, a period that may be renewed by the granting authorities for an additional 30 years. ALL – Malha Oeste has interconnection with waterway terminals in Porto Esperança and Ladário, both in the State of Mato Grosso do Sul, and it interconnects with ALL – Malha Paulista, in Bauru (State of São Paulo) and the Bolivian Ferrovia Oriental in Corumbá (state of Mato Grosso do Sul).

ALL Malha Norte 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 (currently named ALL Malha Norte), by which the concession for the development of a cargo rail system was granted to ALL Malha Norte, comprising the construction, operation, exploration and preservation of the railroad 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 payment obligations at any amount while the agreement is valid.

The first segment of ALL Malha Norte 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 the state of Mate Grosso), both in broad gauge. With the continuity of the expansion project, ALL Malha Norte will reach Rondonópolis (state of Mato Grosso), and afterwards Cuiabá (state of Mato Grosso).

ALL Central has the right to operate part of the Argentine rail network, in a total length of 5,690 km, the main lines of which extend from Mendoza, on the Chilean border, to Buenos Aires, by 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, the main lines of which extend from Buenos Aires to Uruguaiana, by 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.

Santa Fé Vagões S.A., on August 11, 2005, the Company and Millinium Investmentos Ltda. ("Millinium"), subsidiary of the Indian company Besco Engineering and Services Private Limited, executed some agreements to establish Santa Fé Vagões S.A. Its corporate purpose is manufacture, maintain, sell, and trade items and services related to rolling stocks, rail systems, traction equipment, trails, signaling, 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.

ALL Participações Ltda. is a company whose main purpose is to hold stock ownership in other companies, ventures and consortia.

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.

ALL Overseas is a wholly-owned subsidiary acquired in December 1999, and its corporate purpose is to carry out any activity that is in accordance with the legislation in force in the Bahamas.

América Latina Logística Centro-Oeste Ltda: On November 1, 2004, the Company incorporated jointly with minority shareholders the company ALL - América Latina Logística Centro-Oeste Ltda. The Company has as corporate purpose the provision of cargo highway transportation contracting services in the intermunicipal, interstate and international scopes, aligned to the cargo transportation by railroad and waterway, as well as activities related to cargo transportation such as: logistics, port operation, handling and storage of merchandise and containers, cargo mediation, exploration and management of warehouses, purchase, sale and rental of containers, association with other logistics operators, and it may exercise other similar or accessory activities, or that use as basis the Company's structure. On December 1, 2008, the Company was sold to Multimodal Participações.

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 irrevocable advances for capital increases 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 enjoyment over ALL Argentina's shares was transferred from Logispar to the Company, by means of Capital Stock reduction. The purpose of this reduction was to directly concentrate the rights and obligations over issue of shares and rights over AFAC's (advances for future capital increase) made in ALL Argentina at the Company.

On September 29, 2006, the Board of Directors approved the merger of 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. As of 2008, the Company started to have commercial activities.

b) Limitations and conditions to operate the concession granted to ALL Malha Sul, ALL Malha Paulista and ALL Malha Oeste

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

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.

c) Corporate restructuring

On December 3, 2007, ALL – América Latina Logística S.A. and ALL – América Latina Logística Participações Ltda. (Company also incorporated in 2007) acquired the control of JPESPE Empreendimentos e Participações Ltda., (today called Multimodal Participações Ltda.) whose corporate purpose is to hold interest in other companies. On the same date, the partners decided to increase the capital stock, upon handling all common and preferred shares representing the capital stock of Brasil Ferrovias S.A. and Novoeste Brasil S.A., of which All – América Latina Logística S.A. was holder, based on the appraisal report of the book value of shareholders' equity, issued by independent experts.

On December 28, 2007 the shareholders of Brasil Ferrovias S.A., then a wholly-owned subsidiary of Multimodal Participações Ltda approved the Company's partial spin-off, with transfer of a portion of its shareholders' equity to a new company, called Nova Brasil Ferrovias S.A., based on the appraisal report of the book value of shareholders' equity issued by independent experts.

The partial spin-off is inserted in the corporate reorganization involving Brasil Ferrovias, its indirect parent company ALL – América Latina Logística S.A., and its subsidiaries, aiming at better organizing its activities, in view of the segmentation of investments, increase in economic efficiency, gain of synergies, and reduction in operating and financial costs.

On May 31, 2008, with the purpose of starting the second phase of the corporate restructuring, the incorporation of Brasil Ferrovias S.A., Nova Ferroban S.A. and Novoeste Brasil S.A. by Multimodal Participações Ltda. was carried out, supported by an Appraisal Report of the book value of the shareholders' equity, issued by independent experts.

On June 23, 2008, the subsidiary ALL – América Latina Logística do Brasil S.A. became ALL – América Latina Logística Malha Sul S.A.

On September 25, 2008, the subsidiary Ferrovias Novoeste S.A. changed its name to ALL – América Latina Logística Malha Oeste S.A.

On October 2, 2008, the subsidiary JPESPE Empreendimentos and Participações Ltda., changed its name to Multimodal Participações Ltda.

On October 15, 2008, the subsidiary Ferronorte – Ferrovias Norte Brasil S.A., changed its name to ALL – América Latina Logística Malha Norte S.A.

On October 15, 2008, the subsidiary Ferroban – Ferrovias Bandeirantes S.A., changed its name to ALL – América Latina Logística Malha Paulista S.A.

On December 1, 2008, the Parent Company – ALL Holding S.A., sold its interest in ALL Equipamentos Ltda., ALL Tecnologia Ltda. and ALL Centro-Oeste Ltda. to Multimodal Participações Ltda.

2 Summary of the Main Accounting Practices

2.1. Determination of Income

The selling revenues are being presented gross, that is, they include taxes and discounts levied on them, which are presented as write-down to revenues. The operations income is determined according to the accrual basis of accounting for the year. Service selling revenue is recognized in the result when its value may be reliably measured, all risks and benefits inherent to services are transferred to the borrower, the Company no longer holds any control or responsibility over the service carried out and it is likely that the economical benefits will be generated in behalf of the Company. Revenue is not recognized if there is a significant doubt regarding its realization. The input over services carried out are included in the cost of the service rendered. Interest revenues and expenses are recognized by the effective interest rate method in the item financial revenues/expenses.

2.2. Translation of balances stated in foreign currency:

2.2.1. Functional currency and financial statements presentation currency:

The Company's functional currency is the Real, the same currency for the preparation and presentation of the parent company's (Company) and consolidated financial statements. The financial statements of each subsidiary included in the Company's consolidation and those used as basis for investment evaluation by the equity method of accounting are prepared based on the functional currency of each entity. Concerning subsidiary ALL Argentina, the Management concluded that since this company is administratively, financially and operationally independent, it is not characterized as an extension of the commercial activities of the parent company in Brazil and was not treated as a Company's branch. Thus, its assets, liabilities, revenues, expenses and cash flows are not considered in Reais and are not distributed, line by line, in the financial statements of the parent company. The effects of its operations are recognized in the parent company by equity accounting. The functional currency of the aforementioned subsidiary is the Argentine Peso (P$). For the consolidation of the financial statements, the balance sheet of said subsidiary was translated using the Argentine Peso (P$) quotation on the year's closing date and the average monthly quotation of the Argentine Peso (P$) was used to translate its results, and the effects of such exchange rate variation on the initial investment of each year were allocated to the "Adjustments to currency translation" account, under Shareholders' Equity. For the subsidiaries Boswells S.A. and Overseas S.A., the Management concluded that they are not independent from the Parent Company's operations and, therefore, should adopt the Real as functional currency and should be consolidated in the Parent Company's financial statements. However, this procedure was not adopted on December 31, 2008 and 2007, since its effects were not relevant.

2.2.2. Transactions stated in foreign currency:

The monetary assets and liabilities stated in foreign currency are translated to the functional currency, using the exchange rate prevailing on the date of the respective balance sheets. The gains and losses resulting from the restatement of these assets and liabilities verified between the exchange rate prevailing on the transaction date and the end of the years are recognized as financial revenues or expenses in the result.

2.3. Financial instruments

Financial instruments are only recognized as from the date in which the Company becomes part of the contractual provisions of the financial instruments. Once recognized, they are initially recorded at their fair value plus the transaction costs that are directly attributable to their acquisition or issue, except in cases of financial assets and liabilities classified in the category at fair value through the result, in which such costs are directly recorded in the year's result. Its subsequent measurement occurs on each balance sheet date, according to the rules established for each classification type of financial assets and liabilities.

2.3.1. Financial Assets

Financial Assets are classified among the categories below, according to the purpose to which they were acquired or issued:

a) Financial assets measured at fair value through the result: they include held-for- trading financial assets and assets stated in the initial recognition at fair value through the result. They are classified as held-for-trading if originated with the purpose of selling or repurchasing in the short-term. Derivatives are also classified as held-for-trading, except for those set as hedge instruments. On each balance sheet date they are measured at their fair value. Interests, monetary restatement, exchange rate variation and variations from fair value valuation are recognized in the result when included in line of financial revenues or expenses.

b) Held-to-maturity investments: non-derivative financial assets with fixed or determinate payment with defined maturities to which the Company has the intention and the ability to hold to maturity. After initial recognition they are measured by the amortized cost by the effective interest rate method. This method uses a discount rate that, when applied to estimated future receivables, throughout the expected effectiveness of the financial instrument, results in the net book value. Interests, monetary restatement, exchange rate variation, less impairment, when applicable, are recognized in the result when incurred in the line of financial revenues or expenses.

c) Loans (granted) and receivables: non-derivative financial assets with fixed or determinable payment but not quoted in active market. After the initial recognition, they are measured by the amortized cost by the effective interest rate method. Interests, monetary restatement, exchange rate variation, less impairment, when applicable, are recognized in the result when incurred in the line of financial revenues or expenses.

d) Available-for-sale: Financial assets that are not qualified in the categories 3a to 3c above. On each balance sheet date they are measured by their fair value. Interests, monetary restatement, exchange rate variation, less impairment, when applicable, are recognized in the result when incurred, and the variations arising from the difference between the investment value restated by the contractual terms and the valuation to fair value are recognized in shareholders' equity in the account of adjustment to asset valuation while the asset is not realized, being reclassified to the result after the realization, net of tax effects.

Main financial assets recognized by the Company are: cash and cash equivalents, financial investments, securities and trade accounts receivable.

2.3.2. Financial liabilities

Financial Liabilities are classified among the categories below, according to the nature of the contracted or issued financial instruments:

a) Financial liabilities measured at fair value through the result: they include financial liabilities usually traded before maturity, liabilities set in the initial recognition at fair value through the result and derivatives, except for those set as hedge instruments. On each balance sheet date, they are measured by their fair value. Interests, monetary restatement, exchange rate variation and fair value valuation variation, when applicable, are recognized in the result when incurred.

b) Financial liabilities not measured at fair value: non-derivative financial liabilities that are not usually traded before maturity. After the initial recognition, they are measured by the amortized cost by the effective interest rate method. Interests, monetary restatement, exchange rate variation, when applicable, are recognized in the result when incurred.

The main financial liabilities recognized by the Company are: accounts payable to suppliers, unrealized gains and losses in transactions with derivatives, loans and financing and debentures.

2.3.3. Market Value

The market value of financial instruments actively traded on organized markets is determined based on the values quoted in the markets on the balance sheet closing date. If there is no active market, the market value is determined by means of evaluation techniques. These techniques include the use of recent market transactions between independent parties, reference to similar financial instruments market value, analysis of the discounted cash flows and other evaluation models.

2.4. Cash and cash equivalents

They include cash, positive balances in checking account, financial investments redeemable within 90 days and with risk of change of its market value only in the application with pre-fixed rates. Most of the financial investments included in cash equivalents are classified in the category “available for sale”. The profitability conditions of these investments are presented in Note 6.

2.5. Trade Accounts Receivable

They are presented at realization values, and trade accounts receivable in the foreign market are restated based on the exchange rate effective on the financial statement date. A provision was recorded in an amount deemed sufficient by the Management for doubtful credits and takes into account the client portfolio profile, the economic scenario and specific risks. Information related to accounts receivable and provision for doubtful accounts are stated in Note 7.

2.6. Inventories

Assessed at acquisition average cost, not exceeding their market value. Provisions for low turnover or obsolete inventories are recorded by the Management when deemed necessary.

2.7. Lease and concessions

Investments in subsidiaries and affiliated companies (in which the Company has significant influence) are evaluated by the equity accounting method (note 13). Investments in subsidiaries that represent a branch of the Company abroad, when relevant, were included, line by line, in the individual and consolidated financial statements. Other permanent investments are recorded by the cost of acquisition minus the provision for depreciation, when applicable.

2.8. Investments

Investments in subsidiaries and direct and affiliated companies (in which the Company has material influence) are evaluated by the equity accounting method (Note 13). Investments in subsidiaries that represent, in the essence, a Company’s extension abroad, when material, were included, line by line, in the individual and consolidated statements. The other permanent investments are recorded at acquisition cost less provision for depreciation, when applicable.

2.9. Fixed Assets

Recorded at the acquisition, formation or construction cost (including interest and other financial charges linked to projects or constructions). The asset depreciation is calculated based on the straight-line method to the rates mentioned in note 15 and considers the estimated economic useful life of the assets. The capitalized financial charges are depreciated considering the same criteria and useful life determined for the fixed item which were incorporated. The fixed assets are net of PIS/COFINS and ICMS credits and the counter-entry is recorded under recoverable taxes.

Expenses incurred with maintenance and repair are only accounted for if the economic benefits associated to these items are probable and the values reliably measured, whereas other expenses are directly registered in the result when incurred.

2.10. Leasing

The financial leasing contracts are recognized in fixed assets and in leasing liabilities, by the lowest between the present value of the contracted minimum mandatory installments and the assets fair value, plus, when applicable, direct initial costs incurred in the transaction. The amounts recorded in fixed assets are depreciated by the lowest term between the estimated economic useful life of the assets and the estimated term of the leasing contract. Implicit interest in liabilities recognized from loans and financings are appropriated to result according to the contract’s effectiveness according to the effective interest rate method. Operating leasing contracts are recognized as expenses under a systematic basis that represents the period in which the benefits over leasing assets are obtained, even if such payments are not made under this same basis.

2.11. Intangible Assets

Intangible assets separately acquired are measured in the initial recognition at acquisition cost and, after that, less accrued amortization and impairment, when applicable.

The goodwill recorded upon the acquisition of subsidiaries until December 31, 2008 and that has as economic fundament expectations of future profitability, is amortized on a straight-line basis over the remaining concession term and based on the curve of future economic benefits generation. As from January 9, 2009, they will no longer be amortized, but will be subject to annual impairment tests (see Note 14).

Intangible assets with defined useful life are amortized according to their estimated economic useful life and, when impairment indicators are identified, they are submitted to an impairment test. Intangible assets with undefined useful life are not amortized, however, are submitted to an annual impairment test.

2.12. Provision for assets recovery

(In thousands of Reais, except when stated otherwise)

The Management annually revises the net book value of the assets aiming at evaluating events or changes in economic, operating or technological circumstances that can indicate impairment. When such evidences are identified, and the net book value exceeds the recoverable value, it is created a provision for deterioration, adjusting the net book value to the recoverable value. These losses, if recognized, would be classified under other operating expenses.

2.13. 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 27), in shareholders' equity account, considering the control and expectation that the Company has for resolution on conversion of advances in capital increase.

2.14. Other assets and liabilities

A liability is recognized in the balance sheet when the Company has a legal liability or recorded as a result of a past event, and it is probable that an economical resource be required for its settlement. The provisions are recorded considering the best estimated of the risk involved.

The indirect subsidiary ALL Malha Oeste sponsors a private pension plan with the company HSBC Pension Fund (Note 33). The plan is annually revised by an independent actuary, the last version was completed on October 31, 2008.

An Asset is recognized in the balance sheet when it is probable that its future economical benefits will be generated in behalf of the Company and its cost or value can be safely measured.

The assets and liabilities are classified as current when their realization or settlement is probable to occur in the next twelve-month period. If not, they will be stated as non-current.

2.15. Taxation

Selling revenues from operations performed in Brazil are subject to the following taxes and contributions, at the following basic rates:

Taxes/ Contributions			Rates (%)
PIS	-	Social Integration Program	1.65
COFINS	-	Tax for Social Security Financing	7.60
ICMS	-	Value Added Tax on Sales and Services	From 7 to 17

These charges are presented as sales deductions in the statement of income. The credits deriving from the non-cumulativity of PIS/COFINS are presented deductively of the cost of services rendered in the statement of income. Debts deriving from the financial revenues and the credits from financial expenses are presented deductively in these lines of the statement of income.

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

Certain subsidiaries record the provision for income tax and social contribution on net income, adopting the taxable income 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 the 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 only recognized to the extend in which is probable that there is a positive tax basis to which the temporary differences can be used. 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, which are only recognized when their benefits are used. The potential tax credit unrecognized in the financial statements is disclosed in Note 11.

2.16. Governmental subsidies and assistances

Governmental subsidies and assistances are recognized when there is reasonable assurance that the conditions set forth by the authority were complied with and that they will be obtained. These subventions are recorded as revenue in income for the period necessary to compare with the expenses the governmental subsidies or assistance intend to offset and subsequently, these are allocated to the tax incentive reserve in shareholders' equity.

2.17. Share-based payments

The Company's main executives and managers receive a portion of their compensation as share-based payment settled upon the delivery of shares. The costs of these transactions are initially recognized in the result during the period in which the services were received in return of the "Options granted recorded in the Shareholders' equity" account, and measured by its fair value in the moment when the compensation programs are granted.

2.18. Adjustment to present value of assets and liabilities.

The long-term monetary assets and liabilities are adjusted to its present value, and the short-term ones, when their effect is deemed material regarding the financial statements considered together. The adjustment to present value is calculated considering the contractual cash flows and the express interest rate, and in certain cases implied, of the respective assets and liabilities. Thus, the interests implicit in revenues, expenses and costs associated to these assets and liabilities are discounted aiming at recognizing them according to the accrual basis of accounting. Later, these interests will be reallocated to the lines of financial expenses and revenues in the result through the use of the effective interest rate method in relation to contractual cash flows. The implied interest rates applied were determined based on assumptions and are considered accounting estimates.

2.19. Accounting Estimates

They are used for measuring and recognizing certain assets and liabilities of the Company's and its subsidiaries' financial statements. To determine theses estimates were considered experiences from past and current events, assumptions related to future events and other objective and subjective factors. Relevant items subject to estimates include: the selection of the useful lives of fixed and intangible assets; provision for doubtful accounts; provision for inventory losses; provision for investment losses; fixed and intangible assets value recovery analysis; deferred income tax and social contributions; rates and terms applied for determining the adjustment to present value of certain assets and liabilities; provision for contingencies; measuring the fair value of share-based compensation and of financial instruments; the considerations on the recognition and measurement of the development costs capitalized as intangible assets; estimates for disclosing the sensitivity analysis chart of financial instruments deriving pursuant to CVM Rule n° 475/08. The settlement of the transactions involving these estimates may result in amounts significantly conflicting with those recorded in the financial statements due to inaccuracies inherent to the process of its determination. The Company revises its estimates and assumptions at least quarterly.

2.20. Statements of cash flow and value added

The statements of cash flow were prepared and are presented according to CVM Resolution 547 of August 13, 2008, which approved the accounting pronouncement CPC 03 – Statement of Cash Flows, issued by the Accounting Pronouncement Committee (CPC). The statements of value added were prepared and are presented according to CVM Resolution 557 of November 12, 2008 which approved the accounting pronouncement CPC 09 – Statement of Value Added, issued by the CPC.

3 Preparation and Presentation Basis of the Financial Statements and Initial Adoption of Law 11.638/07 and of Provisional Measure 449/08

The authorization for completing the preparation of these financial statements took place at the board of executive officers' meeting held on February 20, 2009.

The financial statements were prepared based on the accounting practices adopted in Brazil and on the Brazilian Securities and Exchange Commission rules (CVM), complying with the accounting guidelines from the corporate law (Law 6404/76) which include the new provisions introduced, amended and revoked by Law 11.638 of December 28, 2007 and by Provisional Measure 449 of December 03, 2008.

Pursuant to CVM Resolution 565 of December 17, 2008, which approved the accounting pronouncement CPC 13 – Initial Adoption of Law 11.638/07 and Provisional Measure 449/08 and in view of the requirements established by CVM Resolution 506 of June 19, 2006, the Company established the *transition date* for adopting the new accounting practices on January 1, 2007. The *transition date* is defined as being the starting point for adopting the changes in the accounting practices adopted in Brazil, and represent the reference date in which the Company prepared its initial balance sheet adjusted by these new accounting provisions of 2008.

According to CPC 13 it is no longer mandatory that companies apply the provisions of NPC 12 and CVM Resolution 506/06 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors, in the initial adoption of Law 11,638/07 and Provisional Measure 449/08. This resolution requires that, besides discriminating the effects of adopting the new accounting practices in the account of accumulated profits or losses, the companies must show the opening balance sheet for accounting or group of accounts related to the oldest period for comparison purposes, as well as other comparative values presented, as if the new accounting practice was not effective. However, the Company opted for not adopting the exemption allowed by CPC 13, and its financial statements of 2007 and 2008 are presented following the same accounting practices, being, hence, comparable.

The aforementioned changes in the accounting practices that affected the preparation or presentation of the financial statements for the year ended December 31, 2008, of the initial balance sheet prepared for January 1, 2007 (not presented) and of the financial year of the comparative year ended December 31, 2007, were measured and recorded by the Company, based on the following accounting pronouncements issued by the Accounting Pronouncements Committee and approved by the Brazilian Securities and Exchange Commission and Federal Accounting Council:

- Conceptual Structure for Preparing and Presenting of the Accounting Statements, approved by CVM Resolution 539, of March 14, 2008;
- CPC 01 Impairment, approved by CVM Resolution 527, of November 01, 2007;
- CPC 02 Effects of the Changes in Exchange Rates and Translation of Accounting Statements, approved by CVM Resolution 534, of January 29, 2008;
- CPC 03 Statements of Cash Flows, approved by CVM Resolution 547, of August 13, 2008;
- CPC 04 Intangible Assets, approved by CVM Resolution 553, of November 12, 2008;
- CPC 05 Disclosure on Related Parties, approved by CVM Resolution 560, of December 11, 2008.
- CPC 06 Leasing, approved by CVM Resolution 554, of November 12, 2008;
- CPC 07 Governmental Subsidies and Assistances, approved by CVM Resolution 555, of November 12, 2008.
- CPC 08 Transactions Costs and Premiums in the Issue of Securities, approved by CVM Resolution 556, of November 11, 2008;
- CPC 09 Statement of Value Added, approved by CVM Resolution 557, of November 12, 2008;

- CPC 10 Share-Based Payment, approved by CVM Resolution 562, of December 17, 2008;
- CPC 12 Adjustment to Present Value, approved by CVM Resolution 564, of December 17, 2008.
- CPC 13 Initial Adoption of Law 11,638/07 and Provisional Measure 449/08, approved by CVM Resolution 565, of December 17, 2008;
- CPC 14 Financial Instruments: Recognition, Measurement and Presentation, approved by CVM Resolution 566, of December 17, 2008.

3.1 The initial balance sheet of January 1, 2007 *(transition date)* was prepared considering the required exceptions and some of the optional exemptions allowed by the accounting pronouncement CPC 13, as follows:

a) Exemption from presenting comparative financial statements:

The financial statements of 2008 and 2007 are prepared based on the accounting basis in force in 2008. The CPC 13 option to not adjust the 2007 financial statements to the 2008 accounting standards was not adopted by the Company.

b) Exemption from classifying financial instruments on the original date of their record:

Despite CPC 14 determines that financial instruments must be classified at their original record moment, for first adoption purposes, the CPC 13 allowed that they were classified on the *transaction date*. The Company opted to do so.

c) Exemption from maintaining deferred asset balances until their realization:

The Company opted to hold the recognized deferred assets balances until their complete amortization. As required by CPC 13, the Company has analyzed the recovery of such balances, pursuant to CPC 01 - Impairment, and has not identified any impairment indicator.

d) Exemption from the calculation considerations of adjustment to present value:

The Company calculated and accounted the adjustment to present value based on contractual data of each transaction generating monetary assets or liabilities, as well as, it used the discount rates as basis in the market assumptions existing on the *transition date*.

e) Exemption from determining the goodwill amount in investments that are now evaluated by the equity accounting method:

The Company opted not to retroactively calculate the goodwill amount on investment acquired before the *transition date*.

Received dividends are recognized by the equity accounting method and were accounted for as counter-entry of the investment cost.

f) Exemption from holding revaluation reserve balance:

The Company and its subsidiaries do not have any revaluation reserve balance.

g) Exemption from share-based payment recognition:

Share-based Payment plans disclosed in note 27 that were outstanding on December 31, 2008, were measured and recognized by the Company according to the accounting pronouncement CPC 10, and their effect were retroactively recorded from the beginning of the year in which they were granted, up to the limit of the transition date.

h) Exemption from presenting statements of cash flow and of value added without indication of the year's corresponding values:

The Company already discloses, on a quarterly basis, the statement of cash flow. In order to allow comparability, the Company opted to bring the amounts of the statements of cash flow related to the year ended December 31, 2007, in line with the provisions for preparing and presenting financial statements pursuant to CPC 03.

The Company opted for reporting the statement of value added exclusively for the year ended December 31, 2008, and it also opted for no longer reporting the statements of changes in financial position for the years ended as of January 1, 2008.

i) Neutrality for taxation purposes of the initial application of Law 11,638/07 and of Provisional Measure 449/08:

The company has opted for the Transition Tax Regime (RTT) created by Provisional Measure 449/08, through which the determination of income tax (IRPJ), social contribution on net income (CSLL), PIS and COFINS contributions for the years 2008-2009, continue to be determined according to accounting methods and criteria defined by Law 6,404, of December 15, 1976, effective on December 31, 2007. Thus, deferred income tax and social contribution, calculated over the adjustments deriving from the adoption of new accounting practices from Law 11,638/08 and Provisional Measure 449/08 were recorded in the Company's financial statements, when applicable, in compliance with CVM Rule 371. The company will consign said option in the 2009 Corporate Income Tax Return (DIPJ).

j) Exemption from recognizing financial leasing effective before the transition date and over the initial contracting costs capitalization directly associated to such leasing:

For agreements effective on transition date and that are of financial leasing type, the Company recorded under fixed assets, in a specific account, the leased property at fair value or, if lower, at the present value of the minimum financial leasing payments, on the initial agreement date, adjusted by the accrued depreciation calculated as of the agreement's date up to the transition date. Direct initial costs, incurred upon contracting such leasing, were not capitalized.

k) Exemption from amortization of goodwill based on future profitability and retroactive e recognition of intangible assets:

Intangible assets development cost, incurred at and up to the *transition date*, that were not recognized by the Company as an intangible assets, and that in line with accounting pronouncement CPC 04 are now suitable to the recognition criteria, were not recorded by the Company as intangible assets in the opening balance sheet. The costs subsequent to the transition date were recognized as intangible assets, when complied with the criteria.

Goodwill grounded in future profitability recorded by the Company was amortized according to the straight-line method up to December 31, 2008.

l) Exemption from treating premiums received upon the issue of debentures:

The Company and its subsidiaries do not have premiums received upon the issue of debentures.

m) Exemption from applying the first periodical evaluation of the economic useful life of fixed assets:

Until December 31, 2009, the Company shall reevaluate the economic useful life of its fixed assets used to determine its depreciation rates. Possible changes in the economic useful life estimates of the assets, resulting from this reevaluation, if material, will be treated as change in accounting estimates to be recognized in a prospective manner.

(In thousands of Reais, except when stated otherwise)

3.2 The adjustments carried out in the balance sheet and initial statement of income on the transition date on January 1, 2007, as well as December 31, 2007 and 2008, as a result of the application of Law 11,638/07 and Provisional Measure 449/08 are described and classified below:

	Parent Company			Consolidated		
	01/01/07	12/31/07	12/31/08	01/01/07	12/31/07	12/31/08
Shareholders' Equity before the amendments introduced by Law 11,638/07 and MP 449/08	**2,393,290**	**2,511,983**	**2,598,873**	**2,388,122**	**2,508,193**	**2,596,461**
Recognition of financial leasing contracts				(77,325)	(97,314)	(115,205)
Measurement at fair value of derivatives		(513)			(5,672)	(4,647)
Measurement at fair value of financial investments classified under available for sale						11,057
Adjustment to present value of qualifiable monetary assets and liabilities			(533)			(2,435)
Non-qualifiable intangible and deferred assets write-off				(3,391)	(6,452)	(7,124)
Deferred income tax and social contribution		174	181		10,635	17,426
Effect of equity accounting calculation	(80,716)	(98,464)	(100,576)			
Net Effects from the full application of Law 11,638/07 and MP 449/08 in the year	**(80,176)**	**(98,803)**	**(100,928)**	**(80,716)**	**(98,803)**	**(100,928)**
Shareholders' Equity with the full application of Law 11,638/07 and PM449/08	**2,312,574**	**2,413,180**	**2,497,945**	**2,307,406**	**2,409,390**	**2,495,533**

	Year ended on December 31			
	Parent Company		Consolidated	
	2007	2008	2007	2008
Net income for the year before the amendments introduced by Law 11,638/07 and MP 449/08	**184,908**	**220,631**	**186,286**	**222,009**
Recognition of financial leasing contracts			(19,988)	(17,892)
Measurement at fair value of derivatives	(513)	513	(5,673)	1,026
Measurement at fair value of share-based payments.	(4,155)	(4,375)	(18,935)	(19,763)
Adjustment to present value of qualifiable monetary assets and liabilities		(533)		(2,435)
Non qualifiable intangible assets write-off			(3,061)	(672)
Effects from the translation of the subsidiaries' currency to the presentation functional currency	13,442	(14,772)	13,442	(14,772)
Deferred income tax and social contribution	174	7	10,635	6,791
Recognition of Governmental subsidy - Ferronorte				2,434
Equity accounting effects	(32,528)	(26,123)		
Net Effects from the full application of Law 11,638/07 and MP 449/08	**(23,550)**	**(45,283)**	**(23,580)**	**(45,283)**
Net income for the year with the full application of Law 11,638/07 and PM449/08	**161,328**	**175,348**	**162,706**	**176,726**

(In thousands of Reais, except when stated otherwise)

Additionally, as a result of the exclusion introduced by Provisional Measure 449/08 from the non-operating income line, the Company reclassified under consolidated R$9,140 in the financial statements for the year ended on December 31, 2008 and (R$2,077 on December 31, 2007) to other operating revenues (expenses) line, as discloses in note.

4 Consolidated Financial Statements

a) Ownership in subsidiaries

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

	Ownership %	
	2008	**2007**
Direct Subsidiaries		
ALL-América Latina Logística Intermodal S.A. (ALL Intermodal)	100.00	100.00
ALL-América Latina Logística Malha Sul S.A. (ALL Malha Sul)	100.00	100.00
ALL-América Latina Logística Overseas Ltda. (ALL Overseas)	100.00	100.00
Boswells S.A.	100.00	100.00
Multimodal Participações Ltda (Multimodal)	100.00	100.00
ALL-América Latina Logística Participações S.A. (ALL Participações)	99.99	99.99
BLL SPE Ltda	99.99	-
ALL-América Latina Logística Argentina S.A. (ALL Argentina)	90.96	90.96
ALL – América Latina Logística Rail Tec (ALL Rail Tec)	51.00	-
ALL-América Latina Logística Servicios Integrales S.A. (Sisa)	51.00	-
Santa Fé Vagões S.A. (Santa Fé)	39.99	39.99
ALL - América Latina Logística Malha Oeste S.A. (Malha Oeste)	11.74	13.59
ALL-América Latina Logística Centro-Oeste Ltda. (ALL Centro-Oeste)	-	99.99
ALL-América Latina Logística Tecnologia Ltda. (ALL Tecnologia)	-	99.99
ALL-América Latina Logística Equipamentos Ltda.(ALL Equipamentos)	-	95.83
Indirect Subsidiaries		
ALL Intermodal's Investee		
ALL - América Latina Logística Armazéns Gerais Ltda. (ALL Armazéns Gerais)	99.99	99.99
ALL - América Latina Logística Equipamentos Ltda. (ALL Equipamentos)	-	4.17
Rhall Terminais Ltda	30.00	-
Armazéns Gerais's Investee		
PGT Grains Terminal S.A. (PGT)	99.99	99.99
Multimodal Participações Ltda's Investee		
Nova Brasil Ferrovias S.A	100.00	-
ALL – América Latina Logística Centro-Oeste Ltda (ALL Centro Oeste)	99.99	-
ALL – América Latina Logística Equipamentos Ltda (ALL Equipamentos)	99.99	-
ALL – América Latina Logística Tecnologia Ltda (ALL Tecnologia)	99.90	-
ALL – América Latina Logística Malha Paulista S.A. (Malha Paulista)	99.72	-
ALL - América Latina Logística Malha Oeste S.A. (Malha Oeste)	88.26	-
Ferronorte Locadora de Vagões S.A. (Ferronorte Locadora)	100.0	100.0
Nova Brasil Ferrovias's Investee		
ALL – América Latina Logística Malha Norte S.A. (Malha Norte)	100.0	97.55
Malha Paulista's Investee		
Portofer Transporte Ferroviário Ltda. (Portofer)	50.00	50.00

(In thousands of Reais, except when stated otherwise)

Malha Norte's Investee		
Tenorte S.A.	100.00	100.00
Terminal XXXIX de Santos S.A (Terminal XXXIX)	50.00	50.00
Portofer Transporte Ferroviário Ltda. (Portofer)	50.00	50.00
ALL Argentina's Investee		
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 Participações' Investee		
ALL-América Latina Logística Servicios Integrales S.A. (Sisa)	49.00	-
ALL-América Latina Logística Argentina S.A. (ALL Argentina)	9.04	9.04
ALL – América Latina Logística Tecnologia (ALL Tecnologia)	0.10	-
ALL – América Latina logística Centro Oeste Ltda (ALL Centro Oeste)	0.01	-
ALL – América Latina Logística Equipamentos Ltda (ALL Equipamentos)	0.01	-
BLL SPE Ltda	0.20	-

ALL Central and ALL Mesopotámica have the following minority interest breakdown on December 31, 2008:

	% ownership	
	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 consolidation are coincident with the parent company's and the accounting practices were 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 trading 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, Overseas 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 the 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 and which did not generate a significant effect in the Company's financial statements (parent company and consolidated), no other differences in accounting practices were identified.

For the 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

(In thousands of Reais, except when stated otherwise)

Capital Stock of those investees. For the other subsidiaries, direct and indirect ones, their total 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 correspondent to its shareholders' equity were eliminated in the consolidation, as well as asset and liability balances, revenues and expenses resulting from transactions carried out among consolidated companies, as indicated in Notes 12, 13 and 22.

The Financial Statements of indirect subsidiaries based on Argentina, used for consolidation purposes, consider as a whole the inflationary effects of such country up to August 31, 1995 and for the period as of January 1, 2002 to February 28, 2003.

On December 28, 2007, Brasil Ferrovias S.A. purchased all shares that Laif XV held at Nova Ferroban S.A. and Ferroban – Ferrovias Bandeirantes S.A. (currently named ALL – América Latina Logística Malha Paulista S.A.), increasing its interest in the equity of these companies to 100% and 33.30%, respectively,. In May 2008, with the incorporation of Brasil Ferrovias S.A., Multimodal Participações Ltda. holds such shares.

b) The main consolidation procedures are:

- Exclusion of assets and liabilities accounts balances among consolidated companies;
- Exclusion of interest in the capital, reserve and accumulated profits of consolidated companies;
- Exclusion of revenues and expenses balances, as well as of unrealized profits, resulting from intercompany transactions;
- Determination of taxes over the installment of unrealized profits, presented as deferred taxes in the consolidated balance sheet.

c) The conciliation of shareholders' equity and profit (net between the parent company and the consolidated) is summarized as follows:

	Shareholder's equity		Net profit (loss) for the year	
	2008	**2007**	**2008**	**2007**
Parent Company	2,497,945	2,413,180	175,348	161,328
Gain on the variation of shareholding	(2,412)	(3,790)		
Realization on the year of gain on the variation of shareholding			1,378	1,378
Consolidated	2,495,533	2,409,390	176,726	162,706

The gain of interest refers to the subscription and payment, on August 22, 2000, by ALL - América Latina Logística Malha Sul S.A. of 16,573,431 shares of Itacaiú nas 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 referred goodwill, have been depreciated.

(In thousands of Reais, except when stated otherwise)

For subsidiaries located abroad, their assets, liabilities and result regarding the period ended December 31, 2008 were translated into reais by the exchange rate at the closing balance sheet date, R$0.677391 into P$1.00 (Argentine Peso) (on December 31, 2007 – R$0.562496 into P$1.00) and on December 31, 2006 – R$0.699839 into P$1.00) for the Companies headquartered in Argentina and R$2.3370 for US$1.00 (North American dollar) (on December 31, 2007 – R$1.7713 into US$1.00 and on December 31, 2006 – R$2.138 into US$1.00), for the other subsidiaries located abroad. The exchange gains (losses) of the investments denominated in foreign currency are recorded in the Parent Company’s equity accounting and under financial revenues (expenses) in the Consolidated

d) Correction of Accounting Error of equity accounting related to the investments in ALL Intermodal.

The Company has identified and corrected, during the first quarter of 2008, a miscalculation in the equity accounting investment in ALL Intermodal assessed on December 31, 2007. The effect of this adjustment was R$30,517, recognized retroactively, deposited in the Accrued Profits and Losses account of December 31, 2007.

Considering that this error correction implies a change of certain balance sheets balances, statement of income and other information of December 31, 2007, included in the annual financial statements related to the year then ended, prepared on February 22, 2008, certain items of that balance sheet considered along with the financial statements of the year ended on December 31, 2007 were modified in the current Financial Statements:

Items	Values initially presented	Adjustment deriving from error correction	Adjusted values on 12/31/2007 (i)
Parent Company			
Investments	2,874,806	(30,517)	2,844,289
Accumulated income	-	(30,517)	(30,517)
Net income for the year ended on December 31, 2007	215,425	(30,517)	184,908
Equity Accounting	81,274	(30,517)	50,757
Shareholders’ Equity	2,542,500	(30,517)	2,511,983
Consolidated			
Investments	2,605,821	(10,454)	2,595,367
Minority Interests – Liability	18	20,063	20,081
Accumulated Income	(3,790)	(30,517)	(34,307)
Net income for the year ended on December 31, 2007.	216,803	(30,517)	186,286
Investment losses	(24,683)	(2,136)	(26,819)
Financial Expense – Exchange variation on investments	(679,244)	(28,381)	(707,625)
Shareholders’ Equity	2,538,710	(30,517)	2,508,193

(i) Balances adjusted before amendments introduced by Law 11,638.

The adjustment above mentioned has not affected the balance sheet and statement of income for the year ended on December 31, 2008.

5 Argentinean 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, and there were various discussions and analysis resulting in the proposal of an addendum, which was 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 through which the process was reinitiated.

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.

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, relative to the Letter of Understanding resulting from renegotiations for commitments to 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 these are reflected in the Financial Statements, even considering that the referred Letters shall be approved by the President of the Republic of Argentina. The referred Letters mainly establish the following:

(i) Annual investment plan

As of 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 year. In 2008, these Companies made investments at the amount of R$22,537 (R$20,299 in 2007) and R$9,100 (R$13,471 in 2007), 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 year of 2008, these Companies recorded expenses of

R$3,686 (R$2,688 in 2007) and R$1,237 (R$1,036 in 2007) respectively, having as counter-entry the lease and concession payable account.

The concession fees 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 Argentine Government and concessionaries, such as: investments not complied with by concessionaries, amounts related to concession fees of previous periods and losses incurred by concessionaires by 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 are being fully complied with by concessionaries, up to the moment.

b) Approval for transfer of shares

On May 26, 1999, the direct subsidiary ALL Argentina entered into an agreement with Poconé Participações S.A., Judori Administração, Empreendimentos e Participações S.A., Interférrea S.A. - Serviços Ferroviários e Intermodais, GP Capital Partners II L.P. and Emerging Markets Capital Investments ("the five 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 five 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 five 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 five 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 for the transaction. Should authorization be denied by the Government, the five 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 1a), 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 5c), recorded in that investee, by means of capital stock reduction in Logispar (assignor of such rights and obligations). This transaction was supported by an Appraisal Report issued by independent experts and approved at 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, the direct subsidiary ALL - América Latina Logística Argentina S.A. should have paid the advances for future capital increase ("*aportes irrevocables*" in the amount of P$118,683,607.00) granted by its former parent company Logispar, which are recorded in its shareholders' equity at the approximate amount of R$80,395 on December 31, 2008 (R$66.759 on December 31, 2007), for a term which expired on February 21, 2006 and which was not extended.

Pursuant to Administrative Resolution applicable to the subsidiary, changes 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 said approval. The subsidiary's Management issued a request of waiver to the application of said 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 Financial Statement, no definitive answer was obtained; and it opted for reclassifying said advance from Long-term Liabilities to Shareholders' Equity.

In addition, the indirect subsidiaries ALL Central and ALL Mesopotámica recorded R$109.354 (P$161,433 thousand) and R$66,981 (P$98,938 thousand), respectively, related to advances for capital increase (AFAC) received from their subsidiary ALL Argentina. In April 2004, at Shareholders' Meetings of these companies, the Argentine Government (minority shareholder) proposed that such AFACs were capitalized without its interest being changed and it would not contribute with capital. On the occasion, this proposal was not accepted by ALL Argentina, in a way that the Government filed a lawsuit attempting to plea this decision.

In December 2007, the shareholders of ALL Central and ALL Mesopotámica approved the capitalization of advances for future capital increase ("*aportes irrevocables*") carried out by ALL Argentina in both companies, defining how these capitalizations will occur and the resignation by the

(In thousands of Reais, except when stated otherwise)

Argentine Government of the judicial measure previously mentioned for the Annual General Meetings.

The capitalization of the "*aportes irrevocables*" in both companies implies, according to the concession agreement, the assignment of the 16% of the stake held by the Argentine Government in each company, due to the obligation of ALL Argentina of not diluting the share of the Argentine Government in view of possible capital increases. On the other hand, ALL Argentina, as the investor, had assigned 4% of interest in each company to employees, by means of the Participative Property Program. The Company also considered that the rest of the minority shareholders will not exercise their preemptive right, reason why it recalculated its share in the companies.

After the decisions made, ALL Argentina started to recognize in its investments only 80% of the value of the "*aportes irrevocables*" and the percentage of its share in the capital of the companies on the other accounts of the shareholders' equity. As a consequence, it recorded during 2007 a loss in the amount of its investments in ALL Central and ALL Mesopotámica, of nearly R$17,204 - P$30,727, corresponding to the increase of the minority interest, under the item "Loss in Investments" of the statement of income

6 Cash and Cash Equivalents

		Parent Company		Consolidated	
		2008	**2007**	**2008**	**2007**
Cash and Banks		821	795	23,882	49,312
Financial Investments available for sale					
CDBs	(i)	804,023	120,701	2,063,429	1,589,121
Pre Rate	(ii)	109,225		439,283	
FAQ Exclusive	(iii)	2,292	138,235	35,280	177,413
FI Exclusive	(iv)	13,139		80,857	
		928,679	258,936	2,618,849	1,766,534
		929,500	259,731	2,642,731	1,815,846

The financial investments are represented by:

(i) investments in Bank Deposit Certificates (CDBs) with rates indexed to the variation of the Interbank Deposit Certificate – CDI (average rates of 102.00% of the CDI) and daily liquidity;

(ii) investments in CDBs with pre-fixed rate – CDI (average rates of 15.1% p.a.);

(iii) investments in Exclusive FAQ; and

(iv) investments in Exclusive FI with assets pegged to CDI and LFTs

(In thousands of Reais, except when stated otherwise)

On August 4, 2008, the balance of investments pegged to Austrian Notes in the amount of R$365,774 (R$346,744 on December 31, 2007), was redeemed due to a Company's decision.

The indirect subsidiary ALL Malha Oeste held LFTs (Financial Treasury Bills), under custody of Banco do Brasil S.A. The amount of these LFTs was classified under Long-Term Liabilities in the account of Temporary Investments, as described in Note 12.

In May 2008 the amount of R$266.904 (R$ 252.223 on December 31, 2007) was redeemed and allocated to short-term financial investment.

7 Trade Accounts Receivable – Consolidated

Subsidiaries	**2008**	**2007**
Trade accounts receivable		
ALL S.A. (Parent Company)	42,147	1,886
ALL Argentina	36,370	28,424
ALL Armazéns Gerais	104	12,267
ALL Centro Oeste		600
ALL Intermodal	19,207	16,198
ALL Malha Norte	13,745	30,101
ALL Malha Oeste	12,471	5,597
ALL Malha Paulista	9,706	20,817
ALL Malha Sul	43,272	48,062
ALL Tecnologia		3,118
Santa Fé	137	131
Terminal XXXIX	43	
Rail Tec	344	
	177,546	167,201
(-) Provision for doubtful accounts		
ALL S.A (Parent Company)	(677)	(810)
ALL Argentina	(14,583)	(13,137)
ALL Intermodal	(1,019)	(528)
ALL Malha Norte	(5,154)	(3,804)
ALL Malha Oeste	(257)	(3,631)
ALL Malha Paulista	(1,468)	(4,456)
ALL Malha Sul	(41)	(2,517)
	(23,199)	(28,883)
Consolidated	154,347	138,138

Trade accounts receivable balances include transactions with related parties resulting from the sale of maintenance supplies and service provision.

The Management's practices on realization values of trade accounts receivable, as well as the recording of provision for doubtful accounts are described in Note 2.5.

(In thousands of Reais, except when stated otherwise)

ALL Central and ALL Mesopotámica maintain, among others, provision on amounts receivable referring to toll revenue in the amount of R$10,049 on December 31, 2008 (R$8.345 on December 31, 2007).

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.") at the amount of R$3,671 (P$5,420 thousand). The probability of success in the realization of such asset was classified as probable by our legal advisors; therefore, there is no record of provision, even though the counterparty does not recognize the service provisions. As mentioned above, for those amounts resulting from toll revenue, the chances of losses of which were classified as probable, provisions for doubtful accounts were recorded.

8 Inventories - Consolidated

	2008	2007
Maintenance supplies	75,269	50,088
Materials in transit and others	18,391	12,843
	93,660	62,931

9 Lease and Concessions - Consolidated

	2008		2007	
	Current Assets	Long-Term Assets	Current Assets	Long-Term Assets
Lease				
ALL Malha Oeste	166	2,719	314	4,080
ALL Malha Paulista	1,848	35,104	1,848	36,952
ALL Malha Sul	2,734	46,941	2,734	49,676
Prepaid right of way				
ALL Malha Sul	1,261	22,466	1,261	23,727
Concessions				
ALL Malha Oeste	17	218	25	294
ALL Malha Paulista	97	1,848	97	1,945
ALL Malha Sul	150	2,581	150	2,730
	6,273	111,877	6,429	119,404

The lease of RFFSA's assets, for a 30-year period, was contracted by ALL Malha Sul on February 27, 1997, for R$202,112, R$82,032 of which was paid in cash. The balance of R$120,080 has been paid since January 15, 1999 in 112 quarterly installments, including restatement by the General Price Index – Internal Availability (IGP-DI). The Company records provisions for this liability as described in Note 20.

The lease of RFFSA's assets, for a 30-year period, was contracted by ALL Malha Paulista on December 30, 1998 for R$230,160, R$52,793 of which was paid in cash. The balance of R$177,367 has been paid as from December 15, 2000, in 112 quarterly installments, restated by the General Price Index – Internal Availability (IGP-DI) variation. The Company records provisions for this liability as described in Note 20.

The lease of RFFSA's assets, for a 30-year period, was contracted by ALL Malha Oeste. On June 26, 1996 for R$56,440, R$4,969 of which was paid in cash. The balance of R$51,471 has been paid as from January 15, 1998, in 112 quarterly installments, restated by the General Price Index – Internal Availability (IGP-DI) variation. The Company records provisions for this liability as described in Note 20.

Prepaid right of way refers to the amount paid by ALL Malha Sul to ALL Malha Paulista as a consideration for the use of the segment from Presidente Epitácio to Rubião Júnior and from Pinhalzinho/Apiaí to Iperó (SP), in accordance with the agreement to operate these segments for 30 years, which is also the accounting amortization period.

The 30-year concession for rail freight transportation services was obtained by ALL Malha Sul for R$10,830, R$4,510 of which was paid in cash. The remaining R$6,320 has been paid since January 15, 1999, in 112 quarterly, restated by the IGP-DI variation. The Company also records provisions for this liability as described in Note 20.

The 30-year concession for rail freight transportation services was obtained by ALL Malha Paulista for R$12,252, R$2,917 of which was paid in cash. The remaining R$9,335 has been paid since December 15, 2000, in 112 quarterly installments, restated by the IGP-DI. The Company also records provisions for this liability as described in Note 20.

The 30-year concession for rail freight transportation services was obtained by ALL Malha Oeste for R$3,118, R$409 of which was paid in cash. The remaining R$2,709 has been paid since January 15, 1998, in 112 quarterly restated by the IGP-DI variation. The Company records provisions for this liability as described in Note 20.

Both asset lease agreements and transportation service concession agreements are recognized in the result on a straight-line basis throughout the concession period, and do not represent financial leasing.

(In thousands of Reais, except when stated otherwise)

10 Recoverable Taxes and Contributions

	2008		2007	
	Current Assets	**Long-term Assets**	**Current Assets**	**Long-term Assets**
Parent Company				
Withholding income tax - IRRF	64,729	4,535	35,541	16,216
Recoverable IR and CS – prepayment	6,541		4,270	
Other	402			
	71,672	4,535	39,811	16,216
Subsidiaries				
Value added Tax on Sales and Services – ICMS	60,150	55,545	48,379	50,249
Tax on Value Added – IVA	4,496	6,269	2,262	
Withholding income tax - IRRF	140,700	4,999	14,549	4,753
Recoverable IR and CS - prepayment	24,896	2,620	19,415	14,894
COFINS – rate increase	7,154		44,563	
Federal Tax Credits to offset PIS/COFINS/IPI	21,767	167,461		47,612
Other	6,285	838	11,354	931
	265,448	237,732	140,522	118,439
Consolidated	337,120	242,267	180,333	134,655

Under the item "federal credits to offset," federal tax credits of IPI acquired by ALL Malha Sul and ALL Intermodal are recorded to offset with debits 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 December 31, 2008 totals R$52,115. The Company's Management negotiated the refund of federal credits recorded by ALL Malha Sul in the amount of R$46,648 and by ALL Intermodal in the amount of R$17,203 on December 31, 2006, and the provision for losses was recorded in the amount of R$16,240, related to the difference between the amount of credits to be refunded and liabilities owed to the company which had originally sold to it such credits.

On December 3, 2007 ALL Malha Sul obtained a favorable decision which became final and unappealable related to the proceeding 1999.61.0024508-0 through which the Company discussed the illegality of Law 9,718/98. With the decision the Company recognized under the item "Deduction from gross revenue" and "Financial revenues" in the result of December 2007 the total amount of R$44,563, against the item COFINS – Rate Increase, of which R$37,409 was already offset with due taxes in the year ended December 31, 2008.

By means of a study carried-out on 2008, the Company opted for reclassifying Pis and Cofins credits levied on fixed assets depreciation charges, transferring the contributions amounts to item Recoverable Taxes. It also opted for accelerating the allocation of credits ascertained on the acquisition of machinery, equipment and buildings intended for the provision of services, changing the manner of taking advantage of said contributions from the depreciation method to the cost of acquisition method according to the legislation in force. Credits are at the ratio of 1/48 on the acquisition of machinery and equipment, allocated to fixed assets acquired as of May 1, 2004 (Law 10833/2004) and credits calculated at the ratio of 1/24 on the amount of acquisition or building construction incorporated to fixed assets as of January 1, 2007 (article 6 of Law 11488/2004). The reclassification amount was R$129,990 million.

(In thousands of Reais, except when stated otherwise)

11 Deferred Income Tax and Social Contribution

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

	2008		2007	
	Current Assets	**Long-term Assets**	**Current Assets**	**Long-term Assets**
Income tax credits				
On tax losses	8,202	28,363	1,855	37,397
On temporary differences	2,527	4,455	1,356	6,750
	10,729	32,818	3,211	44,147
Social contribution credits				
On negative bases	2,953	10,213	668	13,461
On temporary differences	909	1,604	488	2,430
	3,862	11,817	1,156	15,891
	14,591	44,635	4,367	60,038

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 grounded on the occurrence of future events, which is estimated to be obtained in a close period.

(In thousands of Reais, except when stated otherwise)

Deferred income tax and social contribution credits recorded in the parent company and its subsidiaries are as follows:

	2008		2007	
	Current Assets	**Long-Term Assets**	**Current Assets**	**Long-Term Assets**
Income Tax Credits				
On tax losses	19,342	56,705	6,253	45,515
On temporary differences	11,137	35,915	11,454	26,729
	30,479	92,620	17,707	72,244
Social Contribution Credits				
On negative basis	7,014	20,172	2,160	16,326
On temporary differences	4,008	10,552	4,123	9,629
	11,022	30,724	6,283	25,955
	41,501	123,344	23,990	98,199

Tax losses, negative basis and temporary differences held by consolidated companies are shown as follows:

	Consolidated			
	2008		**2007**	
	IR	**CS**	**IR**	**CS**
Tax losses and negative basis				
ALL S.A. (parent company)	146,261	146,288	157,006	156,980
ALL Argentina – consolidated	2,242			
ALL Intermodal	9,662	10,020	27,146	27,146
ALL Malha Norte	1,051,553	1,051,894	1,072,409	1,072,423
ALL Malha Oeste	357,782	356,293	361,792	364,698
ALL Malha Paulista	960,318	961,093	1,184,009	1,184,009
ALL Malha Sul	140,607	141,050	21,239	21,275
Brasil Ferrovias			221,113	221,113
Ferronorte Locadora de Vagões	1,105	1,105	1,318	1,318
Novoeste Brasil			12,171	12,171
Temporary differences				
ALL S.A. (Parent Company)	27,925	27,925	32,431	32,431
ALL Argentina – consolidated	18,848		20,105	
ALL Intermodal	14,359	14,359	4,790	4,790
ALL Malha Norte	139,551	139,551	105,763	105,763
ALL Malha Oeste	61,154	61,154	68,547	68,547
ALL Malha Paulista	331,304	331,304	406,673	406,673
ALL Malha Sul	98,322	98,322	105,763	100,602
Brasil Ferrovias			13,151	13,151

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

(In thousands of Reais, except when stated otherwise)

	Parent Company	Consolidated
2009	14,591	41,501
2010	14,423	38,745
2011	14,687	42,463
2012	11,425	38,034
2013	653	653
2014 onwards	3,447	3,449
Total	59,226	164,845

The indirect subsidiaries ALL Central and ALL Mesopotámica, based on the generation expectation of future results and by the accounting practices adopted in Brazil, acknowledged deferred income tax credits which amount to R$7,382 on December 31, 2008 (R$7,037 on December 31, 2008). Tax losses, according to the Argentine tax legislation, prescribe in 5 years, period considered enough by the management for the full recovery of the deferred income tax.

In the subsidiaries Brasil Ferrovias and Novoeste Brasil, incorporated by Multimodal Participações Ltda. on May 31, 2008, and its subsidiaries, such tax credits were not recognized, in view of the history of tax losses recorded during the last years.

Annually, the Management prepares a technical feasibility study and submits to the approval of the Board of Directors, which presents future taxable income, in accordance with CVM Rule 371, to serve as basis for the tax credits recorded.

Tax losses and social contribution negative basis 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.

12 Long-term Investments

Parent Company - Debentures

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, relative to 1st tranche of 2nd issue, through the private issue of ALL – Malha Sul. These debentures were settled in December 2008.

On October 2, 2006, the subsidiary Novoeste Brasil (incorporated by Multimodal Participações Ltda.) approved a private issue of up to 15,000 registered debentures, non-convertible into book-entry shares (1st issue), at unit par value of R$10, of subordinated type, 5,350 of which were issued.

						Long-term Assets	
Tranche	Issue Date	Amount	Final Maturity	Annual Yield	Effective rate	2008	2007

1st issue	06/17/2005	274,590	06/01/2015	CDI + 4%	18.16%	-	330,869
1st issue	10/02/2006	53,501	10/02/2016	CDI + 4%	18.16%	98,001	76,557
						98,001	407,426

Consolidated - Financial Investments and Securities

The indirect subsidiary ALL Malha Oeste held LFTs (Financial Treasury Bills), with compensation interests of 100% of CDI linked to bank guarantee contract in the fixed amount of R$147,572, which targeted to guarantee the concession and leasing-related installments owed by ALL Malha Oeste to RFFSA – under settlement and to the federal government.

On November 28, 2005 they were redeemed and replaced by other 63,100 LFTs and on January 19, 2006 were acquired more 1,917 LFTs held in custody by Banco do Brasil S.A.

In May 2008 the amount of R$266,904 (R$ 251,223on December 31, 2007) was redeemed and allocated to short-term financial investments.

The guarantee of the concession and leasing overdue installments value was replaced by bank guarantee agreements with the banks: Santanader, Votorantin, Unibanco and Bradesco.

13 Investments

a) Chart of interest in subsidiaries and affiliated companies

	Number of shares/ quotas held				% Interest			
	Common/quotas		Preferred		Total		Voting	
	2008	2007	2008	2007	2008	2007	2008	2007
ALL Malha Sul	12,581,336,962	9,914,626,262	19,141,176,667	15,084,057,716	100.00	100.00	100.00	100.00
Multimodal Part. Ltda	2,186,474,844	2,512,083,580			100.00	100.00	100.00	100.00
ALL Intermodal	63,844,232	63,844,232			100.00	100.00	100.00	100.00
Boswells S.A.	1,865,000	60,000			100.00	100.00	100.00	100.00
ALL Overseas	12,000	12,000			100.00	100.00	100.00	100.00
ALL Participações	11,878,448	11,878,448			99.99	99.99	99.99	99.99
BLL SPE	499				99.99	-	99.99	-
ALL Argentina	3,000,288	3,298,470	5,825,560	6,404,530	90.96	100.00	90.96	100.00
ALL Sisa	10,200	12,000			51.00	51.00	51.00	51.00
ALL Rail Tec	5,100	10,000			51.00	100.00	51.00	100.00
Santa Fé	50,000	50,000	29,996	29,996	39.99	39.99	39.99	39.99
ALL Malha Oeste	53,894,164	413,259,686	2,277,836		11.74	13,59	11.74	13,59
ALL Centro-Oeste		499,999			-	99.99	99.99	99.99
ALL Equipamentos		24,192,631		1,052,118	-	95.83	95.83	95.83
ALL Tecnologia		999			-	99.99	99.99	99.99

(In thousands of Reais, except when stated otherwise)

13 Investments – Continued

		Subsidiaries/Affiliated Companies			Parent Company				
					Equity Accounting		Value of Investments		
		Shareholder's Equity	Income for the Year	Distributed Dividends	2008	2007	2008	2007	Received Dividends
Direct Subsidiaries									
ALL Malha Sul		149,256	(49,505)		(49,505)	26,156	146,195	364,406	
ALL Intermodal		127,688	67,113	39,776	67,113	40,748	127,688	114,104	
ALL Overseas	(ii)	6,763	(85)		(85)	(1,266)	6,763	5,190	
ALL Tecnologia	(v)		1,913	1,913	1,751	1,801		1,784	1,913
ALL Centro-Oeste	(v)		1,428	1,428	1,431	2,809		3,310	1,428
ALL Equipamentos	(v)		31,474	28,831	27,662	29,701		53,898	28,831
ALL Argentina	(i)	91,927	(6,111)		(5,558)	(39,109)	99,561	75,741	
ALL Participações			(13,783)		(7,535)	(4,343)		7,535	
Santa Fé						(831)		2,155	
Multimodal Part.		2,204,594	168,442	100,254	168,442	(36,927)	2,204,594	2,117,803	
Boswels	(iii)	21,805	(5,005)		(5,005)		21,805		
ALL – Sisa		11	(1)		(1)		6		
Rail Tec		1	251	251	128		1		
ALL Malha Oeste	(iv)	54,862	13,811		2,016	(508)	6,441	(502)	
					200,854	18,231	2,613,054	2,745,424	

(i) ALL Argentina has an Advance for Future Capital Increase (AFAC) recorded in its Shareholders' Equity, at the amount of R$176,373 (R$79,699 on December 31, 2007) carried out by ALL Holding, which fully recognizes the AFAC in its investment until it is paid-up.

(ii) In the first quarter of 2008, there was a transfer of Advance for Future Capital Increase to the shareholders' equity of the subsidiary, in the amount of R$27,033, and R$9,583 was absorbed by unsecured liabilities.

(iii) On October 10, 2008, ALL Malha Oeste increased its Capital Stock with the Advance for Future Capital Increase (AFAC) recorded in its Shareholders' Equity in the amount of R$65,200 by Multimodal Participações Ltda. As a result, the direct interest of ALL Holding was reduced from 13.59% to 11.74%.

(iv) On December 1, 2008, the parent company – ALL Holding S.A. sold its interest in ALL Equipamentos Ltda., ALL Tecnologia Ltda., and ALL Centro-Oeste Ltda. to Multimodal Participações Ltda. The equity accounting of these subsidiaries was proportionally calculated up to the selling date.

With the adoption of the accounting practices described in note 2.2.1, exchange rate variations on investments are not part of the equity accounting result.

(In thousands of Reais, except when stated otherwise)

b) Subsidiaries with Negative Shareholders' Equity

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

	Subsidiaries		Parent Company			
			Reversion of (Provision for) Unsecured Liabilities		Provision for Unsecured Liabilities	
	Unsecured Liabilities	Income for the Period	2008	2007	2008	2007
Indirect Subsidiaries						
Brasil Ferrovias				197,283		
Novoeste Brasil				(45,801)		
Direct Subsidiaries						
ALL Participações	(7,616)	(13,783)	(6,248)		7,616	
ALL Malha Oeste						
Santa Fé Vagões	(159)	(5,545)	(2,217)		64	
Novoeste Brasil						
Boswells				(3,607)		9,582
			(8,465)	147,875	7,680	9,582

c) Investment Losses

Investee	Loss/Gain
ALL Malha Oeste	(52,813)
ALL Argentina	13,237
	(39,576)

ALL Argentina has recorded in its Shareholders' Equity an Advance for Future Capital Increase (AFAC), carried out by ALL Holding, which on December 31, 2007 was equivalent to R$146,427. Until that date this AFAC was considered for calculation of investments of investors: ALL Holding and ALL Participações. As of January 2008, the Company started to fully recognize this advance in its investment until it is paid up, which generated a gain of investments in the amount of R$13,237 related to the interest of 9.04% of ALL Participações.

On January 2, 2008 ALL Holding invested R$56,172 in ALL Malha Oeste, starting to hold 13.59% of its capital stock. As the investee had unsecured liabilities, the Company recognized a loss of investment in the amount of R$(52,813).

(In thousands of Reais, except when stated otherwise)

In the consolidated balance sheet, investments breakdown as follows:

	Consolidated	
	Book value of investments	
	2008	2007
Appraised by the equity accounting method		
Rhall Terminais		1,436
TGG	1,546	5,861
Other	4,741	118
	6,287	7,415

14 Intangible Assets – Consolidated

Description		2008			2007	Depreciation
		Cost	Accumulated Depreciation	Net	Net	annual weighted average rates (%)
Goodwill in investment acquisition	(i)					
ALL Argentina		45,830	(18,127)	27,703	24,582	6.81
ALL-Malha Oeste		131,218	(2,971)	128,247	131,218	2.57
ALL-Malha Paulista		61,499	(11,242)	50,257	50,888	1.03
Multimodal Participações		2,516,713	(144,410)	2,372,303	2,380,865	0.43
Goodwill – Logispar	(ii)	122,283	(16,345)	105,938	113,203	5.94
Santa Fé		462	(112)	350	400	10.0
		2,878,005	(193, 207)	2,684,798	2,701,156	
Application Systems – Software		50,643	(14,271)	36,372	15,796	20
Brands and Patents		137		137	26,816	Undefined
Other						
		2,928,785	(207,478))	2,721,307	2,743,905	

(i) Goodwill in investment acquisition is based on the expectation of future profitability and were amortized on a straight-line basis up to December 31, 2008. As of the fiscal year started on January 1, 2009, this goodwill is not amortized according to Technical Pronouncement – CPC 01 – item 50.

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. The original amount recorded in Argentine pesos is P$67,657.

Brasil Ferrovias and Novoeste Brasil (incorporated by Multimodal Participações Ltda. on May 31, 2008): 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 Brasil. On May 10, 2006, BNDESPAR, which originally had the tag-along right in a Shareholders' Agreement executed 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 ALL Malha Paulista, ALL Malha Norte and ALL Malha Oeste.

On June 16, 2006, the General Shareholders' Meetings of the Company, of Brasil Ferrovias and of Novoeste Brasil approved the merger of shares, as well as further related acts necessary to the implementation of the referred 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 of the Issuer.

The term for the exercise of the right to withdraw 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 Brasil. After the term expiration, the former shareholders of Brasil Ferrovias and of Novoeste Brasil who did not exercise the right to withdraw became shareholders of the Company, which became holder of all shares issued by Brasil Ferrovias and by Novoeste Brasil.

The documents related to the merger of shares were presented to the authorities of Brazilian Competition Defense System on May 29, 2006, approved with the imposition of some legal obligations.

The merger of shares of Brasil Ferrovias and of Novoeste Brasil caused an increase in ALL's capital stock, through the conference of shares held by shareholders of those corporations, excepting the ones who have exercised their right to withdraw, in accordance with the economic values verified in the appraisal reports of Brasil Ferrovias and of Novoeste Brasil. The increase in ALL's capital and the conference of shares carried out on June 16, 2006 totaled 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.

On May 31, 2008, Brasil Ferrovias and Novoeste Brasil were merged by Multimodal Participações Ltda. starting the later to record all the goodwill paid by the share control of the railway concessionaires ALL Malha Paulista, ALL Malha Norte and ALL Malha Oeste.

During the second quarter of 2007, the Company was aware of a Debt Settlement and Acknowledgement Term executed by the indirect subsidiary ALL Malha Paulista's former management with the congener company FCA, resulting from a number of accounts payable as accident reimbursement, right of way, etc.. The debt amount is R$19.9 million, which was acknowledged by ALL Malha Paulista during the quarter ended June 30, 2007, applying CVM Resolution 506, which approved NPC 12 – Accounting Practices, Changes in Accounting Estimates and Error Correction. With the purpose of better defining the accounting treatment to be given to this adjustment, in order to prepare the Company's (parent company) Quarterly Information, the Management considered appropriate to apply the International Financial Reporting Standards (IFRS) no. 3. This ruling establishes that the effects resulting from correction of errors of previous periods may be directly adjusted against the goodwill initially recorded by the Company upon the business acquisition. Thus, total goodwill primarily recorded due to the purchase of Brasil Ferrovias and Novoeste Brasil mentioned above of R$2,496,807 was R$2,516,713.

On December 28, 2007 Brasil Ferrovias S.A. purchased the total shares that the Company Laif XV held in Companies Nova Ferroban S.A. and ALL Malha Paulista, having an interest of 100% and 33.30% respectively in the shareholders' equity of these companies. In this transaction the amount of R$50,888 was recorded as goodwill by Brasil Ferrovias.

On May 31, 2008, with the merging of Brasil Ferrovias by Multimodal Participações Ltda., the later started to record the goodwill paid by the share control of railway concessionaries Nova Ferroban and ALL Paulista.

Santa Fé Vagões S.A.: On August 11, 2005, the Company and Millinium Investimentos Ltda. ("Millinium"), subsidiary of the Indian company Besco Engineering and Services Private Limited, entered into agreements aiming at the incorporation of Santa Fé Vagões S.A. According to the agreements mentioned above, Millinium has undertaken to provide Santa Fé Vagões with complete technical support and the know-how necessary 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. This operation generated goodwill in the parent company totaling R$462.

Multimodal Participações Ltda.: On December 3, 2007 ALL – América Latina Logística S.A and ALL – América Latina Logística Participações Ltda. acquired the share control of J.P.E.S.P.E. Empreendimentos e Participações Ltda. (currently called Multimodal Participações Ltda.) whose corporate purpose is to hold interest in other companies. On the same date the partners decided to increase the capital stock, upon the delivery of all common and preferred shares representing the capital stock of Brasil Ferrovias S.A. and of Novoeste Brasil S.A. from which ALL – América Latina Logística S.A. is the holder, based on the appraisal report of the accounting shareholders' equity, issued by independent experts.

(ii) On August 31, 2006, based on an appraisal report, ALL S.A. merged the assets and liabilities of the subsidiary Logispar Logística e Participações S.A.

The purpose of the merger of the assets and liabilities which were recorded in Logispar was to promote a corporate reorganization, resulting in the simplification of the current corporate structure and in the compliance with certain corporate requirements of Argentina, which determine that the investment in ALL Argentina should be registered in ALL S.A. and not in Logispar.

On September 11, 2006, the Protocol and Justification of Merger of Logispar into ALL S.A. (Holding) was entered into, having as bases of the merger: a) the transfer of the net assets of Logispar, appraised by their book value, to ALL S.A., which will succeed it universally; b) the credit and debit balances were included in the accounting records of the merging company.

The goodwill coming from Logispar was amortized up to December 31, 2008. As of January 1, 2009 it will no longer be amortized and shall only be submitted to the annual impairment test.

Other intangible assets with defined useful life are amortized on a straight-line basis.

Intangible assets items classified under undefined useful life are not amortized, as there was no loss compared to their accounting value. (Technical Pronouncement CPC 04 – Items 107 and 108).

The accounting practices adopted for the Intangible Assets are described in Note 2.11.

(In thousands of Reais, except when stated otherwise)

15 Fixed Assets – Consolidated

	2008			2007	
	Cost	Accumulated Depreciation	Net	Net	Depreciation annual weighted average rates (%)
Improvements in third parties' assets					
Locomotives	725,404	(235,493)	489,911	377,425	4.49
Railcars	384,032	(134,811)	249,221	205,177	15
Track	1,052,739	(197,934)	854,805	735,080	8.5
Other	160,180	(44,812)	115,368	117,880	10
	2,322,355	(613,050)	1,709,305	1,435,562	
Own fixed assets in use					
Track	1,009,056	(116,283)	892,773	867,259	3.33
Locomotives	638,530	(133,745)	504,785	425,322	4.49
Railcars	320,132	(70,422)	249,710	246,401	10
Assets in use supplies	45,174		45,174	30,299	
Land	19,921		19,921	19,833	
Buildings	59,049	(17,471)	41,578	48,894	3,5
Furniture and fixtures	12,318	(9,279)	3,039	3,809	15
Road vehicles	59,306	(32,209)	27,097	35,312	15
Data processing equipment	51,501	(42,747)	8,754	38,443	20
Telecommunications and signaling equipment	52,844	(31,597)	21,247	26,321	10
Equipment for track maintenance and rail transportation	115,420	(20,365)	95,055	31,702	11
Aircraft	12,714	(1,235)	11,479		
Machinery and equipment	2,375	(1,139)	1,236		
Other	164,390	(39,978)	124,412	52,441	Sundry
	2,526,730	(516,470)	2,046,260	1,826,036	
Leasing	986,399	(326,097)	660,302	681,292	4.49
Locomotives	123,745	(32,446)	91,299	20,278	10
Railcars	1,110,144	(358,543)	751,601	701,570	
Fixed Assets in course					
Locomotives	92,753		92,753	113,486	
Railcars	34,765		34,765	20,686	
Permanent Tracks	76,411		76,411	72,023	
Advances from Suppliers				3,435	
Road Vehicles	488		488	576	
Other	12,663		12,663	19,847	
	217,080		217,080	230,053	
	6,212,309	(1,488,063)	4,724,246	4,193,221	

(In thousands of Reais, except when stated otherwise)

During the year ended December 31, 2008, the amount of R$26,186 (R$21,497 in 2007) was capitalized to the accounts of fixed assets in course, related to financial charges created by loans that financed such fixed assets.

On December 31, 2008, the Systems and Applications – Software account balance was reclassified to Intangible Assets.

As described in note 19.1, financial leasing was classified under fixed assets and have been consistently depreciated according to criteria applicable to other fixed assets.

By means of a study carried out in 2008, the Company opted for reclassifying PIS and Cofins credits on fixed assets depreciation charges, transferring the amount of contributions to the Recoverable Taxes group. It also opted for accelerating the appropriation of credits verified over the acquisition of machinery, equipment and buildings aiming at providing services, changing the way how to utilize referred contributions from the depreciation method to the acquisition cost method according to the Law in force. Credits at the ratio of 1/48 over the acquisition of machinery and equipment, allocated to fixed assets acquired as of May 1, 2004 (Law 10833/2044) and credits calculated at the ratio of 1/24 over the acquisition or construction value incorporated into fixed assets as of January 1, 2007 (article 6, Law 11,488/2007). The reclassification value was R$129,990.

16 Deferred charges - Consolidated

The Company and its subsidiaries opted to held pre-operating expenses under Deferred Assets until its full amortization.

		Consolidated			
				2008	2007
		Cost	Accumulated Amortization	Net	Net
Pre-operating Expenses					
ALL Central	(i)	10,470	(1,060)	9,410	8,350
ALL Malha Norte	(ii)	645,296	(460,815)	184,481	214,958
ALL Mesopotámica	(i)	2,196	(30)	2,166	2,196
ALL Malha Sul	(iii)	24,736	(6,880)	17,856	
PGT Ltda.		160	(37)	123	160
Santa Fé Vagões S.A.		174	(64)	110	154
		683,032	(468,886)	214,146	225,818

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

(ii) The pre-operating expenses of the indirect subsidiary ALL Malha Norte 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 road rail bridge on Paraná River and Alto Taquari (state of Mato Grosso), ended in March 2001 and expenditures coming from Phase II, which comprise the segment 1, of 96 Km between Alto Taquari (state of Mato Grosso) and Alto Araguaia (state of Mato Grosso), ended in March 2003. Such expenses have been amortized on the straight-line basis, by the remaining term of the concession.

(In thousands of Reais, except when stated otherwise)

(iii) The subsidiary ALL Malha Sul adopts as a basic criterion to amortize concession and lease expenses on the 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, concluded in December 1998, management reviewed the estimate of such amortization absorption until the subsidiary reaches its operational break-even. 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 operational break-even, estimated at 14 billion RTK. With the attainment of the operational break-even, deferred concession and lease expenses have been amortized on a straight-line basis for the agreements' remaining term

17 Loans and Financing

	Annual Charges	Effective rate	Maturity	2008	2007
Parent Company in Domestic Currency					
Commercial Banks	107.5% of CDI	14.81%	July 2015	211,846	212,311
Investments			Quarterly/Monthly		
BNDES	TJLP + 1.8%	8.17%	Until June 2017	62,887	27,752
In foreign currency (exchange variation linked to the US$)					
Hedge - Term	USD x Real			(94)	3,491
Parent Company total				274,639	243,554
Subsidiaries					
In Domestic Currency					
• **ALL Malha Sul**					
CCB	108% of CDI	15.09%	July 2010	116,569	107,222
	106.3% of CDI	-	August 2008	-	382,456
	CDI + 1.25%	15.40%	October 2015	85,800	76,128
	CDI + 1.25%	15.34%	September 2015	328,429	329,897
Investments			Quarterly/Monthly		
BNDES	TJLP + 5.25%	13.20%	Until April 2010	27,770	43,659
	TJLP + 6.25%	-	Quarterly/ Monthly		
			Until February 2008	-	7,536
	TJLP + 6.63%	13.37%	Quarterly/Monthly		
			Until April 2012	66,641	85,073
	TJLP + 2.5%	8.75%	Quarterly/Monthly		
			Until June 2017	326,521	186,289
	TJLP + 1.5%	7.75%	Quarterly/Monthly		
			Until June 2022	8,041	-
	TJLP + 1.8%	8.05%	Quarterly/Monthly		
			Until June 2017	58,207	-
NCC	105.9% of CDI	15.01%	July 2015	62,388	62,730
	107,0% of CDI	14.98%	March 2013	205,374	205,625
Investments BNDES - FINAME					
• **ALL Intermodal**	TJLP + 3.75%	10.00%	January 2017	1,610	1,804
			Quarterly/Monthly		
Investments BNDES - FINAME	TJLP + 3.6%	9.85%	Until April 2012	32,477	36,735
• **Nova Brasil Ferrovias**					
Commercial banks	IGPM	9.81%	March 2011	19,079	17,955

(In thousands of Reais, except when stated otherwise)

Investments BNDES	TJLP + 2.5%	8.89%	October 2017	108,379	-
	TJLP + 1.5%	8.22%	October 2022	4,933	-
• **ALL Malha Paulista**					
Investments BNDES	TJLP + 1.5% p.a.	7.75%	Quarterly/Monthly March 2016	144,763	166,210
	Umbndes + 6%	10.46%	Quarterly/Monthly January 2016	7,014	6,033
• **ALL Malha Norte**					
Investments BNDES	TJLP + 1.5% p.a.	7.75%	Quarterly/Monthly February 2015	676,940	729,783
	TJLP + 3%	9.25%	Quarterly/Monthly October 2015	222,735	190,488

	Annual Charges	**Effective rate**	**Maturity**	**2008**	**2007**
FINAME	TJLP + 4%	10,25%	Quarterly/Monthly March 2009	4,801	20,062
Commercial banks	CDI + 1.5% p.a.	15,04%	March 2011	16,402	23,216
					-
• **Terminal XXXIX**					
Investments BNDES	TJLP + 6%	12,25%	Quarterly/Monthly December 2010	3,887	5,071
• **Santa Fé Vagões**					
Commercial banks			Until March 2009	6,057	-
					-
					-
					-
				2,534,817	2,638,972
Foreign currency (exchange variation linked to US$, with swap to CDI)					
• **ALL Malha Sul**					
Swap transactions				(7,431)	14,198
• **ALL Malha Norte**					
Swap transactions				3,826	-
• **ALL Intermodal**					
Swap Transactions				(52)	-
• **Boswells**					
Itaú BBA				4,887	3,584
				1,230	17,782
Foreign currency (exchange variation linked to Argentine Peso - P$)					
• **ALL Argentina**					
Commercial banks	19.5%	19,5%	June 2009	12,940	5,024
CMF (Contribution on Financial Transactions) – Debt 3	16.55%	16,55%	June 2008	-	1,589
Itaú Argentina – Debt 6	29. 0%	29, 0%	May 2011	51,456	31,884
Itaú London – Debt 2	10.95%	10,95%	January 2009	2,217	7,815
Working capital	29.0%	29,0%	January 2009	3,291	-
• **ALL Central**					
BST	CER + 8%	8%	August 2008	-	646
				82,800	49,395
Total Subsidiaries				2,618,842	2,751,149
Total Consolidated				2,893,486	2,994,703

(In thousands of Reais, except when stated otherwise)

Portion in the current liabilities	(375,200)	(668,077)
Portion in the long-term liabilities	2,518,286	2,326,626

Composition by maturity year of long-term liabilities:

	2008
2010	(311,864)
2011	(275,376)
2012	(258,380)
2013	(496,010)
As from 2014	(1,176,656)
Total	2,518,286

Abbreviations:

BNDES	-	National Bank for Economic and Social Development
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, financing and debenture balances are stated at their net value, i.e., recognized as transactions initial expenses.

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 guarantee the financing.

When the Company contracts foreign currency financing in Brazil, there are swaps protecting the Brazilian real against the US dollar, being translated at the average rate of 100% of CDI.

The loans obtained from BNDES, as shown above, allocated to investments, are subject to the compliance with certain financial liquidity ratios related to the net debt and financial results.

For the subsidiaries of Multimodal Participações Ltda, in guarantees of loans and financings the following items were granted: (i) Pledge of the total shares issued of ALL Malha Norte held by the parent company Multimodal Participações Ltda, (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 ALL Malha Norte, (iii) Linkage of the revenue of service agreements, and (iv) Promissory notes.

(In thousands of Reais, except when stated otherwise)

Some agreements have restrictive covenants establishing financial limits quarterly determined in each publication of the consolidated Quarterly Information of the issuer as follows:

The index corresponds to the ratio of the Net debt by the consolidated EBITDA of the last 12 months, in the maximum limit of:

Year	2007	2008	2009	2010	2011
Consolidated net debt/consolidated EBITDA	3.5	3.0	2.5	2.5	2.5

Minimum limit 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. For purposes of financial income determination, in this covenant only interest on debentures, loans/financings, hedge operations and exchange rate variation of subsidiary abroad “ALL Argentina” are considered as follows:

Year	2007	2008	2009	2010	2011
Consolidated EBITDA/financial income	1.75	1.75	2.0	2.0	2.0

18 Debentures

Parent Company

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

Indirect Subsidiary – ALL Malha Norte

- On July 1, 1997, the Company issued 10,000 debentures convertible into shares at unit par value of R$10 (1st issue);
- On April 10, 2000, the Company issued 60,000,000 debentures convertible into shares at unit par value of R$1 (2nd issue);
- On January 14, 2002, the Company issued 40,000,000 debentures convertible into shares at unit par value of R$1 (3rd issue);
- On December 3, 2003, the Company issued 60,000 debentures non-convertible into shares at unit par value of R$10 (5th issue).
- On September 8, 2008 – 6th issue of ALL Malha Norte, 1 debenture in the amount of R$166,667;

Indirect Subsidiary – ALL Malha Paulista

- On September 10, 2008 – 1st issue of ALL Malha Paulista, 1 debenture in the amount of 166,667;

(In thousands of Reais, except when stated otherwise)

Indirect Subsidiary – ALL Malha Sul:

- On September 8, 2008 – 3rd issue of ALL Malha Sul, 1 debenture in the amount of R$166,667;

The issued tranches are as follows:

Tranche	Date	Amount	Final Maturity	Annual Yield	Current Liabilities	2008 Long-term Liabilities	2008 Current Liabilities	2007 Long-term Liabilities	2007 Date
Parent Company									
4th issue	10/01/04	135,000	10/01/09	110% of CDI	15.24%	137,912	-	3,841	135,000
5th issue	09/01/05	200,000	09/01/12	CDI + 1.50%	15.51%	9,861	182,695	7,788	200,000
6th issue	07/01/06	700,000	07/01/11	CDI + 1.50%	15.58%	51,801	700,000	40,218	700,000
						199,574	882,695	51,847	1,035,000
Direct Subsidiary ALL Malha Sul									
3rd issue	09/08/08	166,666	07/31/18	108% CDI	15.51%	7,480	166,667	-	-
						7,480	166,667		
Indirect Subsidiaries ALL Malha Norte									
1st issue	07/01/97	100,000	06/30/16	TJLP + 1.5%	7.75%	9,312	248,683	10,661	242,706
2nd issue	04/10/00	60,000	05/01/15	TJLP + 4%	10.25%	9,652	46,796	9,411	54,595
3ard issue	01/14/02	40,000	01/14/09	TJLP + 4%	10.25%	5,122	30,000	6,034	35,000
5th issue	12/03/03	60,000	12/03/09	CDI + 1.5%	7.75%	2,706	-	6,903	7,745
6th issue	09/08/08	166,666	07/31/18	108% CDI	18.82%	7,480	166,667	-	-
Debenture Premiums	07/01/97	100,000	06/30/16	TJLP+1.5 and % da RL		12,743	71,861		61,845
						47,015	564,007	33,009	401,891
ALL Malha Paulista									
1st issue	09/10/08	166,666	07/31/18	108% CDI	18.38%	7,299	166,667	-	-
						7,299	166,667		
Consolidated						261,368	1,780,036	84,856	1,436,891

Events in the Parent Company:

- Payment of interest of fifth issue debentures on March 1, 2006 at the amount of R$18,583;
- Payment of interest of fourth issue debentures on April 1, 2006, at the amount of R$12,460;
- Payment of interest of third issue debentures on June 1, 2006, at the amount of R$10,863;
- Approval of compensation change of these forth issue debentures on June 9, 2006, at the General Debenture holders' Meeting, from 108% to 110% of CDI. This new compensation would become effective starting on June 16, 2006;
- Approval of compensation change of these fifth issue debentures on June 9, 2006, at the General Debenture holders' Meeting, from CDI + 1.30% to CDI + 1.50%. This new compensation would become effective starting on June 16, 2006;
- Conversion of 2,750 second issue debentures on June 16, 2006, at the amount of R$30,674;
- Payment of interest of fifth issue debentures on September 1, 2006, at the amount of R$16,838;
- Payment of interest of forth issue debentures on October 2, 2006, at the amount of R$10,751;
- Payment of interest of third issue debentures on December 1, 2006, at the amount of R$9,211;
- Payment of interest of sixth issue debentures on January 2, 2007, at the amount of R$52,754;
- Payment of interest of fifth issue debentures on March 1, 2007, at the amount of R$14,024;
- Amortization of third issue debentures on June 1, 2007, at the amount of R$120,000. Also on this date, there was the payment of interest of the same issue at the amount of R$8,066;

- Payment of interest of sixth issue debentures on July 2, 2007, at the amount of R$47,496;
- Payment of interest of fifth issue debentures on September 3, 2007, at the amount of R$13,650;
- Payment of interest of sixth issue debentures on January 2, 2008, at the amount of R$43,883;
- Payment of interest of fifth issue debentures on March 3, 2008, at the amount of R$11,984;
- Payment of interest of fourth issue debentures on April 1, 2008, at the amount of R$7,848;
- Payment of interest of sixth issue debentures on July 1, 2008, at the amount of R$43,110;
- Payment of interest of fifth issue debentures on September 1, 2008, at the amount of R$13,114.
- Payment of interest of fourth issue debentures on October 1, 2008, at the amount of 8,995

Events in the subsidiary – ALL Malha Norte:

- Approval of compensation change of these fifth issue debentures on July 26, 2006, at the General Debenture holders' 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, at the amount of R$13,854;
- Payment of interest of fifth issue debentures on December 4, 2006, at the amount of R$21,668;
- Payment of interest of fifth issue debentures on December 4, 2006, at the amount of R$11,448;
- Payment of interest of fifth issue debentures on April 2, 2007, at the amount of R$9,302;
- Payment of interest of fifth issue debentures on June 5, 2007, at the amount of R$1,596;
- Payment of interest of first issue debentures on July 2, 2007, at the amount of R$9,175;
- Payment of interest of fifth issue debentures on December 3, 2007, at the amount of R$1,459 and amortization of fifth issue at the amount of R$7,745;
- Payment of interest of first issue debentures on January 2, 2008, at the amount of R$9,341;
- Payment of interest of second issue debentures on January 31, 2008, at the amount of R$126, amortization of second issue at the amount of R$3,899, payment of interest of third issue debentures, at the amount of R$81, and amortization at the amount of R$2,500;
- Payment of interest of fifth issue debentures on June 1, 2008, at the amount of R$943;
- Payment of interest of first issue debentures on July 1, 2008, at the amount of R$9,250;
- Payment of interest of second issue debentures on July 31, 2008, at the amount of R$335, amortization of second issue in the amount of R$3,900, payment of interest of third issue debentures at the amount of R$215 and amortization in the amount of R$2,500;
- Sixth issue of ALL Malha Norte on September 8, 2008, 1 debenture at the amount of R$166,667.
- Payment of interest of fifth issue debentures on December 2, 2008, at the amount of R$1,138 and amortization at the amount of R$7,745.

(In thousands of Reais, except when stated otherwise)

19 Leasing

19.1 Financial Leasing

The Company and its subsidiaries have lease agreements, mainly railcars and locomotives that, in the Management's opinion, are considered financial leasing:

To comply with the new registry requirements of this kind of transactions, the Company and its subsidiaries merged to the fixed assets the rights that have as purpose the assets aimed at the maintenance of the entity's activities, or that are exercised with this purpose, including those deriving from transactions that transfer to the entity the benefits, risks and control of these assets, regardless their ownership:

a) recorded under the fixed assets, in specific account, by the present value of the minimum leasing payments, on the initial contract date, adjusted by the accumulated depreciation calculated since the contract date up to January 1, 2007.

b) recorded, in specific account, the liability by financial leasing at the present value of the counter entry outstanding on January 1, 2007;

c) recorded the difference assessed in (a) and (b) above, net in the fiscal effects, against accumulated profits or losses on January 1, 2007;

On January 1, 2007, this change in accounting practices resulted in the recording of increases of R$590,593 in fixed assets and R$667,918 in liabilities, with an effect of R$77,325 recorded in retained earnings.

On December 31, 2008 and 2007, balance of liabilities related to financial leasing contracts is:

	Current Liabilities		Long-term Liabilities	
Assets	**2008**	**2007**	**2008**	**2007**
ALL Malha Sul				
Rail Cars	60,062	51,212	426,348	400,044
ALL Malha Norte				
Locomotives and rail cars	68,098	62,457	323,819	290,316
ALL Paulista				
Locomotives	657	631	657	1,263
	128,817	114,300	750,824	691,623

(In thousands of Reais, except when stated otherwise)

The balance payable, equivalent to the present value of minimum future payments considering the implicit interest rate of each contract, has the following maturity Schedule:

Assets	Net book value on 12/31/2008	Total future payments		
		Up to 1	From 1 to 5	More than 5
ALL Malha Sul				
Rail cars	486,410	91,669	356,256	264,450
ALL Malha Norte				
Locomotives	107,475	8,103	30,861	3,544
Rail cars	284,442	74,186	282,273	137,185
ALL Malha Paulista				
Locomotives	1,314	657	657	
	879,641	174,615	670,047	405,179

In the second quarter of 2006, the subsidiary ALL Malha Norte altered its accounting practice, by recording the total debt balance, impacting R$9,435 in current liabilities and R$30,049 in long-term liabilities, a counter entry to the fixed assets. The difference recorded in the Fixed Assets between the original amount and the balance in the agreement, at the amount of R$29,259, was recorded in the shareholders' equity as accumulated losses and the accumulated depreciation of the year was recognized.

The incurred financial charges in the year were accounted for as financial expense. There were no initial costs to be capitalized, as well a contingent payments and subleases.

19.2 Operating Leasing

Payment of operating leasing (rentals) installments was recognized as expenses on a straight-line basis corresponding to the period of validity of the respective contracts. On December 31, 2008, the Company and its subsidiaries do not have any contingent payment or sublease of the contracts executed.

The Company and its subsidiaries were counter-parties in operating leasing transactions, with the following minimum payment amounts:

Asset Category		Future Minimum Payments Total		
		Up to 1 year	From 1 to 5 years	More than 5 years
Vehicles	(i)	2,876	719	-
Application Systems	(ii)	1,360	-	-
Locomotives	(iii)	758	-	-
Rail Cars	(iii)	5,499	786	
Real estate	(iv)	622	-	-

(i) Vehicle lease agreements mature within 2 years (starting on April 1, 2008) and may be renewed for an equal period according to the parties' interests. Prices are annually restated by the IGP-M variation.

(In thousands of Reais, except when stated otherwise)

(ii) Contract for the use of application systems are effective for and indeterminate term and may be annually renewed

(iii) 1,004 rail cars lease agreements are effective until December 2010 restated by the IGP-M variation.

(iv) Property agreements are valid for 1 year.

20 Leasing and Concession

As mentioned in note 2.7, the Company and its subsidiaries record their Concession and Leasing agreements liabilities on a straight-line basis by their maturity. Such liabilities were written-off upon their payment. The long-term amounts refer to amounts not paid due to discussions regarding the contract conditions and/or installments allocated during their grace period.

	2008		**2007**	
	Current Liabilities	**Long-term Liabilities**	**Current Liabilities**	**Long-term Liabilities**
Leasing				
ALL Malha Sul	11,126	40,061	10,443	44,101
ALL Argentina	13,543			
ALL Malha Paulista		450,698		377,304
ALL Malha Oeste		322,365		307,976
ALL Intermodal			86,947	
Concession				
ALL Malha Sul	599	2,337		2,510
ALL Argentina			7,175	
ALL Malha Paulista		23,721		5,361
ALL Malha Oeste		16,644		12,683
	25,268	855,826	104,565	749,935

ALL Malha Sul - Lease and concession amounts of the subsidiary ALL Malha Sul 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.

ALL Intermodal – On July 23, 2001, the subsidiary ALL Intermodal and Delara Brasil Ltda., executed an lease agreement of the assets and the rights of Delara, including properties, facilities, machinery, equipment and vehicles , which matured on July 2006. By the end of the agreement, the Company still had the obligation of delivering to Delara Brasil Ltda. 18,625,800 shares, 3,725,160 of which common shares and 14,900,640 preferred shares, issued by the Company. On March 31, 2008, the liability was settled by the Company upon the delivery of 3,725,160 Units, at the market value on this date (R$65,935 or 17.70 per Unit).

ALL Malha Paulista - On August 29, 2005, a partial spin-off between ALL – Malha Paulista 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.

The indirect subsidiary ALL Malha Paulista 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 not extendable, thus, that ALL Malha Paulista 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 started being made by means of judicial deposits at the amount of the debt.

Considering that ALL Malha Norte depends on ALL Malha Paulista's lines, to the continuity of its transportation operations, started in the states of Mato Grosso and Mato Grosso do Sul and ended in Santos (SP), ALL Malha Norte entered with ALL Malha Paulista, on January 10, 2006, into a Private Instrument of Guarantee Agreement, by which it made the judicial deposit in favor of ALL Malha Paulista, in the amount of R$75,222 (R$66,794 on December 31, 2007).

Considering that Brasil Ferrovias held 99.71% of All Malha Paulista's capital, directly and indirectly, Brasil Ferrovias entered, on January 10, 2006, into a Private Instrument of Guarantee Agreement, by which it made the court deposit in favor of ALL Malha Paulista, in the amount of R$184,517. This amount was transferred to Multimodal Participações Ltda. with the incorporation of Brasil Ferrovias on May 31, 2008.

From then on, the payment or deposit of the quarterly installments started being made to the granting body and its representatives.

The term of the guarantee rendered both by Brasil Ferrovias and ALL Malha Norte in favor of ALL Malha Paulista started on the date on which the court deposit was made and will be ended on the date on which the Federal Court decides its destination. For the rendering of this guarantee, ALL Malha Paulista will pay Multimodal Participações Ltda. and ALL Malha Norte the equivalent to the positive difference between the 100% CDI variation and the 100% TR rate.

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

Thus, Multimodal Participações Ltda may use the amounts rather as capital payment in ALL Malha Paulista.

On November 29, 2007, upon judicial authorization, the court deposits performed by Brasil Ferrovias in favor of ALL – Malha Paulista were replaced by banking surety, at the amount of R$245,549. Thus the subsequent quarterly installments were guaranteed by means of the contracting of new banking sureties.

To comply with the Investment Agreement with shareholders, entered into on May 5, 2005, the demerger of the ALL Malha Paulista operations in the Bauru-Mairinque segment was set forth, and this operation starts being made by ALL Malha Oeste as from October 1, 2005, in view of the Memorandum of Understanding dated September 23, 2005.

ANTT approved the demerger 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.

ALL Malha Norte - On May 19, 1989, the indirect subsidiary ALL Malha Norte 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 (state of Mato Grosso) and: a) Uberaba/Uberlândia (state of Minas Gerais), b) Santa Fé do Sul (State of São Paulo), c) Porto Velho (state of Rondônia) and d) Santarém (state of Pará). The term of this concession lasts 90 years, renewable for the same period and 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 to make sub-concession, b) to submit to the permanent inspection of the Federal Government, c) compliance with rules, technical specifications and national standards of the Ministry of Transportation and d) to comply with all the legal provisions applicable to the granted services, especially 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 due 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; and f) by 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 value of the assets linked to the concession, determined at the time of the expropriation.

(In thousands of Reais, except when stated otherwise)

ALL Malha Oeste - Due to a judicial discussion, this indirect subsidiary cancelled the concession and lease payment.

The indirect subsidiary acquired Financial Treasury Bills (LFTs) as collateral for Grant and leasing values due to RFFSA (Rede Ferroviária Federal S.A.) – overdue and to the Union, resulting from the court plead related to the economic distress process of ALL Malha Oeste, which is under litigation.

In March 2008, the Company was authorized to release applications LFTs, replacing them by bank guarantees at the amount of R$264,210. LTFs redemption took place in May 2008. For future installments, the guarantee is complemented at the maturity of each installment.

The Company's Management amended the accounting estimate used to appreciate the liabilities. Represented by legal opinions from the quarter ended June 30, 2008, it restates the balance by SELIC, index which restates the guarantee letters that assure the liabilities. This amendment resulted a reversal of approximately R$54,000 in 2008.

21 Court Deposits and Provision for Contingencies - Consolidated

			Contingencies			
	Court Deposits		Probable		Possible and Remote	
	2008	2007	2008	2007	2008	2007
Labor Claims						
ALL Holding	1,390	120				
ALL Argentina				3,553		
ALL Intermodal	7,423	5,294	4,029	2,775	73,714	59,389
ALL Malha Norte	3,380	507	1,168	2,870	32,432	2,950
ALL Malha Oeste	3,153	300	4,602	14,898	16,569	4,895
ALL Malha Paulista	46,887	39,704	179,988	261,834	469,265	276,624
ALL Malha Sul	67,563	57,956	9,121	15,956	279,789	69,862
Multimodal Participações	216	232				
Portofer	142	115		392	45,628	3,091
Terminal XXXIX			18			
Civil, regulatory and environmental claims						
ALL Holding					1,069	3,788
ALL Argentina			8,824			
ALL Intermodal			850	850	1,018	15,928
ALL Malha Norte			1,304	1,304	6,649	102
ALL Malha Oeste	11,909	11,834	1,735	1,735	84,482	63,065
ALL Malha Paulista	115,059	113,423	10,252	10,252	98,050	108,346
ALL Malha Sul			3,270	3,270	199,648	104,480
Multimodal Participações	6,500	6,500	5,575	5,575	6,865	11,703
Portofer			17	17	284	423
Tax Claims						
ALL Armazéns						
ALL Holding					1,464	1,395
ALL Intermodal					6,157	6,157
ALL Malha Norte		1,755	10,619	10,000	38,076	33,110
ALL Malha Oeste			25,272	24,067	13,144	11,235
ALL Malha Paulista			24,337	38,243	77,709	70,645
ALL Malha Sul	3,953	3,953			78,728	74,272
Multimodal Participações	1,015	1,015	4,652	4,443		
Portofer			2,331	2,331	2,038	2,038
	268,590	**242,708**	**297,964**	**404,365**	**1,532,778**	**923,498**

The subsidiaries are involved in various proceedings incurred in the normal course of their businesses. The Company's management believes that the solution of such issues shall not produce an effect significantly different from the amount provisioned, which corresponds to the amounts of lawsuits considered "probable losses".

a) Labor contingencies

The subsidiaries discuss several labor claims, and on December 31, 2008 the Company recorded a provision of R$198,926 (R$302,278 in 2007), in the consolidated, to deal with those cases in which its attorneys deem as probable losses. The provisioned amount reduction in 2008, in relation to 2007, was basically due to Agreements executed by the Company during the year.
From the lawsuits in progress, major claims refer to overtime, recognition of nonstop work shift, standby hours, salary differences, differences in FGTS 40% fine deriving from understated inflation, risk premium, health hazard allowance, allowance for relocation, differences of variable compensation, additional payment of retirement and others, severance pay differences, differences in program of voluntary dismissals, parity of benefits granted in specific bargaining collective agreements of subsidiaries, among others.

b) Civil, regulatory and environmental contingencies

The subsidiaries are parties in various civil lawsuits 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 advisers and the courts standing, they keep records for the probable losses at the amount of R$31,827 (R$23,003 in 2007).

Among the relevant lawsuits, although with a remote chance of loss, on behalf of ALL Malha Sul, 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, when necessary, in perfect condition of conservation and use.

Currently, both ALL Malha Paulista and ALL Malha Oeste question in court the economic and financial unbalance of the Lease and Concession Agreements. In July 2000, ALL Malha Paulista filed a Declaratory Action in the 20th 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.

ALL Malha Paulista 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 proceeding still has no judgment and awaits for the conclusion of expert report and its presentation. The value related to the lease installments was being deposited in court until September 2007, when the Company obtained a judicial authorization to replace the judicial deposits for a banking guarantee letter. On December 31, 2008, R$115,059 (R$113,280 on December 31, 2007) remained deposited.

The aforementioned situation is also applicable to ALL Malha Oeste; however, its proceeding is in progress in the 16th Federal District Court of Rio de Janeiro. The amount related to the due installments of ALL Malha Oeste is posting bond through the issue of government bonds (Treasury Financial Bills – LFT). The referred LFT's are recorded under long-term investments. In March 2008, the Company was authorized to replace the collateral by bank guarantee and, in May 2008, the Company redeemed such investment.

The liabilities related to concession agreements are recorded in the lease and concession account, as disclosed in Note 20.

Considering the notices of infraction with imposition of fine penalty, the environmental contingencies of ALL Malha Sul totaled R$2,325; of ALL Malha Paulista, R$533; of ALL Malha Norte, of R$1,304, of ALL Malha Oeste, of R$1,735; and there is no notice of infraction on behalf of Portofer and ALL Intermodal, totaling R$8,521.

Such values result from notices from FEPAM (RS), IAP (PR), CETESB (SP), IBAMA, and Municipal Offices for Environment in great majority due to the 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%, as per legal provision, as well as adopting all amend and prevention measures related to the environment. The environmental area provision is accounted for along with the civil provision of concessionaires, in an amount equivalent to 10% of the notices of infraction value.

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 as possible or remote. Therefore, no provision was made for such issues. For those considered as probable losses, a provision at the amount of R$67,211 (R$79,084 on December 31, 2008) was recorded.

In April 2005, ALL Malha Sul obtained a favorable decision at the Court of Justice of the State of Rio Grande do Sul in relation to the notice of infraction 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, 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 – 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 São Paulo drawn up notices of infractions against ALL Malha Sul, current amounts of which total approximately R$37,000, 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 law.

This subject was purpose of notice in ALL Malha Oeste, at the approximate amount of R$10,000. Both the notices of infractions drawn up against ALL Malha Sul (3067137-1, 3029191-4 and 3080034-1) as well against ALL Malha Oeste (3080732-3 and 3069577-6), are being under administrative discussion in the State of São Paulo, and pending a final decision, and the chance of success of the companies is probable. We stress that Notice of Infraction 3.067.137-1 was canceled, in the term of the judgment occurred in 12/05/2008, whose final court decision awaits drawing up and it is still eligible for appeal by the Tax Administration.

ALL Malha Sul has approximately R$6,500 and ALL Malha Paulista approximately R$600 in IPTU (building and territorial urban tax) debts in relation 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.

ALL Malha Paulista was sued for not paying PIS and COFINS in relation to the mutual traffic and right of way revenues, at the amount of R$59,800, in the period from 1999 to 2006 (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 Malha Norte filed an Action for Annulment of tax debit, taking into consideration that the company was sued for not paying ICSM on the transportation of goods destined abroad, considering the amount involved of R$9,800 thousand. In 2007, ALL Malha Norte obtained a judicial decision in the first court canceling the notice of infraction and declaring that ICSM is not due in the transportation of merchandise for export, upon delivery in the ports. The risk of loss is classified as remote.

The City Hall of Guarujá – SP drawn up notices of infraction against Portofer, at the amount of R$2,038, requiring ISS on supposed intermunicipal transportation services carried out by Portofer within Port of Santos. As Portofer is a special purpose entity where there is not provision of services, only apportionment of expenses, the Company understands that the notices of infraction are undue and filed a Writ of Mandamus aiming at its cancellation. Portofer has already obtained a favorable judgment and currently the processing awaits judgment of appeal proposed by the contrary party. The risk of loss is considered possible.

(In thousands of Reais, except when stated otherwise)

22 Related-party transactions

Companies considered related parties are disclosed in note 4.

a) Credits and Debits with associated companies

	Parent Company							
	Long-term assets		Long-term liabilities		Revenues		Expenses/Costs	
	2008	2007	2008	2007	2008	2007	2008	2007
Subsidiaries								
ALL Argentina	854	893	6,023	2,684				
ALL Armazéns Gerais		2	31,802					
ALL Centro Oeste			1,933					
ALL Equipamentos			10,366		27,390			
ALL Intermodal			32,126					
ALL Malha Norte	27,515			19				
ALL Malha Oeste		9,246	42,076					
ALL Malha Paulista	79,697				45,451		4,312	
ALL Malha Sul	84,125				11,916		120,264	
ALL Tecnologia		3			8,789		4,614	
Boswells		27,033						
Brasil Ferrovias		120,310						
Multimodal Particip.								
Nova Brasil Ferrovias			21,767					
Overseas	245	185						
Associated companies								
PGT			80					
Portofer	9,084	111						
Shared control								
Santa Fé Vagões	2,904	364						
	204,424	158,147	146,172	2,703	93,456		129,190	

Associated companies transactions derive from rentals of terminals, rolling stock (locomotives and rail cars), machinery and equipment, storages, freight sharing, right-of-way and also funds.

The Company held investment in debentures with the wholly-owned subsidiary ALL Malha Sul until December 2008 and holds with the wholly-owned subsidiary Multimodal Participações Ltda., as described in note 12. The financial income from these investments in the year ended December 31, 2008 was R$81,274 (R$122,225).

(In thousands of Reais, except when stated otherwise)

	Consolidated			
	Long-term Assets		Long-term Liabilities	
	2008	2007	2008	2007
Terminal XXXIX		526	844	873
ALL Argentina	364			
Santa Fé Vagões	5,280	7,622		
Rhall Terminais				23
	5,644	8,148	844	896

Terms and conditions for related-party transactions.

Outstanding balances in the end of the year are interests free and the settlement occurs in one type or through the realization of restructuring of accounts.

There are some guarantees granted or received between related-parties, debtor or creditor, namely:

	SECURED						
GUARANTEEING	ALL S.A.	ALL MALHA SUL	ALL INTERMODAL	ALL MALHA PAULISTA	ALL MALHA NORTE	MULTIMODAL PARTICIPAÇÕES	TOTAL
ALL HOLDING	-	1,440,794	6,374	278,871	974,753	114,241	2,815,033
DEBENTURES		174,147	-	173,966	174,147	-	522,260
BNDES		460,150	-	104,905	711,549	114,241	1,390,845
CCB		806,497	-	-	-	-	806,497
OTHER		-	6,374	-	89,057	-	95,431
ALL MALHA SUL	1,101,517	-	-	-	-	-	1,101,517
DEBENTURES	1,101,517	-	-	-	-	-	**1,101,517**
ALL NTERMODAL	1,101,517	399,762	-	-	-	-	1,501,278
DEBENTURES	1,101,517	-	-	-	-	-	1,101,517
BNDES	-	67,381	-	-	-	-	67,381
CCB	-	332,381	-	-	-	-	332,380
TOTAL	2,203,034	1,840,555	6,374	278,871	974,753	114,241	5,417,828

In the year ended on December 31, 2008, there was no contingency with accounts receivable related to debts with related-parties. This assessment is carried out on each fiscal year, considering the financial position of the related-parties and the operation market of each of them.

(In thousands of Reais, except when stated otherwise)

Related-parties transactions

Compensation of key management personnel:

	2008	**2007**
Compensation	6,822	17,584
Share-based remuneration	6,259	4,439
	13,081	22,023

The total management compensation is disclosed in note 26f. And the terms are described in Note 27.

23 Provision for Unrealized Profit

On December 31, 2001, the parent company sold to the subsidiary ALL Brasil the right to use the segments 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. Up to December 31, 2008 the amount of R$5,207 (R$4,463 up to December 31, 2007) was realized.

24 Advances on Real Estate Credits

The Company and the subsidiary ALL Malha Norte executed agreements assigning credits from the lease of terminals, whose balances are:

	Current Liabilities		**Long-term liabilities**	
	2008	**2007**	**2008**	**2007**
ALL S.A.	14,420	-	117,761	-
ALL Malha Norte	49,413	-	440,948	-
	63,833	-	558,3709	-

ALL S.A.: On February 29, 2008, the Parent Company executed an agreement with the Brazilian Securitization Company (CIBRASEC) assigning credits resulting from rental of Terminal Intermodal de Tatuí (Tatuí Intermodal Terminal). CIBRASEC, in its turn, issued Real Estate Receivables Certificates (CRIs), which bear compensatory interest of 12.38% per annum, from the issue date up to the date of maturity of each CRI. The terms and maturity dates are fixed; the first CRI matures in March 2009, and the last one matures in 2018. The operation’s financial charges are being apportioned monthly to income.

(i) ALL Malha Norte: On November 28, 2008, ALL Malha Norte executed with CIBRASEC – Securitization Brazilian Company – an agreement assigning credits deriving from the lease of Alto Araguaia Terminal– state of Mato Grosso. CISBRASEC, on its turn, issued Real Estate

(In thousands of Reais, except when stated otherwise)

Receivable Certificates (CRIs) which will bear compensatory interests based on CDI+1.5% p.a., as of the issue date up to the maturity date of each CRI. The terms and maturity dates are fixed, and the first one matures in November 2009 and the last one will mature in 2018. Financial charges of the operation are monthly appropriated to income.

25 Deferred Income

	Current Liabilities		**Non-current liabilities**	
	2008	**2007**	**2008**	**2007**
Subsidiaries				
ALL Intermodal	34	34	539	572
ALL Malha Paulista	2,169	789	25,836	16,406
	2,203	823	26,375	16,978

ALL Intermodal: this refers to the deferred income 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.

ALL Malha Paulista: 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), appropriated on a straight-line basis to the result for the remaining term of the assignment of right.

26 Shareholders' Equity

a) Capital stock

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

	2008	**2007**
Common	988,837,255	988,698,162
Preferred	1,895,340,320	1,894,783,948
	2,884,177,575	2,883,482,110

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 not 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.

On September 5, 2006 the split of the total shares issued by the Company was approved at a General Meeting so that each share started being represented by 10 shares of the same type.

b) Treasury Shares

The Board of Directors approved on March 2, 2007 the buyback of the Company's shares, traded on the São Paulo Stock Exchange, without decreasing the Capital Stock, in order to comply with the Company's obligations resulting from the stock option plans in the maximum amount of 1,100,000 Units, ratified by the Board of Directors on August 17, 2007 to 5,000,000 Units. With the end of the share buyback program mentioned above, the Company obtained an authorization to acquire more 5,000,000 Units, pursuant to the Board of Directors meeting of March 7, 2008.

On January 22, 2008 the Company also obtained an authorization from CVM to acquire, on an exceptional basis, 3,725,160 Units composed of shares issued by it to settle the liability with Mr. Wilson De Lara.

During the year of 2008, the Company repurchased 9,205,000 Units by the amount of R$168,394, at an average weighted cost of R$18.12per Unit. The minimum cost of R$9.50 and the maximum cost of R$22.00 per Unit was recorded in the acquisitions of the period.

In the year of 2008, 118,468 Units were used to settle stock options performed in the period. The transfer was registered at the average weighted cost of treasury shares (R$19.04), resulting in losses of R$1,366 to the Company, registered in the Reserve for Investments account.

On December 31, 2008 the Company had 10,000,000 Units held in Treasury, at the cost of R$190,423.

c) Distribution of dividends and interest on own capital

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.

d) 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 with the Company's investment plan by means of uses and sources subject to the Board of Directors, and pursuant to Article 194 of Law 6,404/76, which determine 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.

e) 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 27, are presented in a Shareholders' Equity account.

f) Managers' compensation

In the minutes of the General Meeting held on April 28, 2008, the amount of R$360 was established as annual overall compensation for the members of the Fiscal Council, and as annual overall Managers' compensation the amount of up to R$25,000. These compensations are valid until the next Annual General Meeting.

g) Tax incentives– SUDAM

On September 26, 2007, ALL - América Latina Logística Malha Norte S/A filed with the Superintendence for the Development of the Amazon – SUDAM a lawsuit claiming the right to reduce the corporate income tax – IRPJ and non-refundable surcharges verified over the exploration income, since it is located in the area which comprises the Legal Amazon and its transportation sector considered as a priority for the regional development according to Item I, article 2 of Decree 4,212 of April 26, 2002.
The benefit was granted the Internal Revenue Service through Executive Declaratory Act 504 of November 28, 2008, after SUDAM having issued the report 135/2008, in which ALL – América Latina Logística Malha Norte S/A was granted the tax benefit of 75% reduction over IRPJ – Corporate Income Tax and non-refundable surcharges over the exploration income for a 10-year term, as of 2008 and expiring in 2017.
The legal basis for the recognition of the benefit was enacted by Provisional Measure 2,199-14 in its article 1, of August 24, 2001 and wording of Law 11,196 of November 21, 2005.
In 2008 the effect of the 75% reduction over IRPJ and non-refundable surcharges calculated over the exploration income was R$2,434 accounted as write-down to Income Tax and Social Contribution expenses according to CPC 07 of the Accounting Pronouncements Committee approved by CVM Resolution 555 of November 12, 2008.

27 Stock Option Plan

Expenses from services received from employees in the years, arising from share-based payments to be settled upon the delivery of equity instruments were R$19,763 in 2008 and R$18,935 in 2007.

There were no cancellations or changes in the programs granted during 2008 and 2007.

Description of the share-based payment plan:

At an Extraordinary General Meeting held on April 1, 1999, the shareholders approved the Company's Stock Option Plan ("Plan"), targeted at managers, employees and service providers of the Company ("Beneficiaries"). The Plan provides for general parameters among which we highlight:

The Plan is managed by the Board of Directors, or at its discretion, by a Committee made up for this purpose. It is incumbent upon the management body of the Plan, periodically, to create stock option programs, establishing, within the qualified individuals, those to whom options will be granted and the specific applicable rules, considering the general rules of the Plan ("Program").

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

The option of acquisition of shares is formalized under an individual agreement between the Company and each Beneficiary.

The shares are delivered to the Beneficiary only after the course of the terms and contributions set forth in the agreement. In case of withdrawal of the Beneficiary from the Company "without cause" (as set forth in the labor legislation), retirement, decease or permanent disability, the Company may anticipate the delivery of the shares which the Beneficiary is entitled to.

As from the creation of the Plan, 10 Programs were granted in 1998, 1999, 2000, 2001, 2002, 2003, 2005, 2006, 2007 and 2008.

The Programs may comprise two groups of Beneficiaries, with different types of agreement, referred herein as "Agreement A" (equal for all programs) and "Agreement B" (included as from the 2006 Program).

In "Agreement A", the Beneficiary must pay 10% of the share amount, at the moment of the execution of the agreement, as a condition to acquire, therefore, the right to make every year contributions for the acquisition of 18% of the total number of shares, so at the end of the 5th year, the Beneficiary will have incorporated to his/her assets the right to make contributions for the acquisition of 100% of shares. The contribution amount (option price) is restated by the IGP-M variation.

As from 2005, the Programs provide the use by the Beneficiaries of at least 50% of the amounts received in the variable compensation program scope, net of taxes and social charges, for the payment of the contributions for the acquisition of shares, already due and still unpaid, under penalty of reduction proportional to the number of shares, and the possibility of pre-issue of shares, as from the second reference date of the option agreement, since the Beneficiary has already made the payment of at least 30% of his/her respective contributions. The Company does not have the obligation to buyback, at any moment, the shares acquired by the Beneficiaries.

(In thousands of Reais, except when stated otherwise)

Agreement B is different from Agreement A mainly in the following point:

(i) the acquisition of the right to make the contributions for the acquisition of shares changes from 10% on the grant date and 18% in the following years, as in the Agreement A, to 10% on the grant date, 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 the Agreement B withdraws from the Company without cause, the Committee may, at its discretion, change the acquisition schedule of the right to make contributions for the acquisition of shares, to 18% per year, such as the schedule of the Agreement A.

The call price is defined by the Committee based on the stock market price. The options granted have a limitation period of ten years as of the vesting right date.

The plan neither provides for the assumption of settlement of options in cash, nor there is history of such practice by the Company, so that the options fair value is estimated on the grant date, by means of the be Black & Scholes option pricing model, considering the relevant terms and conditions in which the options were granted.

Transactions in the year:

The chart below shows the number and weighted average of strike price (MPPE) of the stock options and respective transactions during the year:

	2008		**2007**	
	Number	MPPE	**Number**	MPPE
Shares to be exercised on January 1	79,226,908	2.01	89,761,115	1.68
Grants during the year	10,000,000	4.00	5,500,000	4.20
Lost during the year	(5,278,743)	1.65	(3,439,922)	2.95
Exercised during the year [1]	(8,919,605)	1.74	(12,594,285)	1.40
Options to be exercised on December 31	75,028,560	2.56	79,226,908	2.01
Exercisable on December 31	27,717,310	-	25,021,970	-

[1] The weighted average price of shares on the options exercise date was R$2.46 in 2008 (R$ 4.09 in 2007).

The weighted average of remaining contractual term of options to be exercised at the end of the year is 8.8 years in 2008 (8.9 years in 2007). The call price has a maximum and a minimum amount of R$4.91 and R$0.75 in 2008 (R$4.49 and R$0.66 in 2007).

(In thousands of Reais, except when stated otherwise)

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 deliberation at a General Meeting, the amount is recorded as capital stock. For the specific case of contributions of 30% made for the acquisitions of options, the Company accounts for the capital increase as from the second reference date, in compliance with Law 6,404/76.

The chart below shows the assumptions included in the model used to estimate the fair value of the options granted in 2008 and 2007:

	2008	2007
Expected volatility (%)	38%	36%
Risk-free interest rate (%)	6%+ IGPM	6% + IGPM
Option expected life term (years)	10	10
Weighted average price of shares (R$)	20.00	21.00
Pricing model used	Black & Scholes	Black & Scholes

The expected life term of options is based on historical data and it is not necessarily an indicator of the exercise standard that must occur. The expected volatility reflects the assumption that the historic volatility of the 5 years previous to the grant date indicates a future trend, which cannot also be the actual result.

In the preliminary adoption of the accounting practices enacted by CPC 10, the Company recorded the amount of R$12,581 as opening balance of the account "Recognized Options Granted", representing the fair value of options invested in years prior to January 1, 2007.

(In thousands of Reais, except when stated otherwise)

28 Determination of the Income Tax and Social Contribution on Profit – Parent Company

a) Determination of the income tax and social contribution on profit – parent company

	Income Tax		Social Contribution	
	2008	**2007**	**2008**	**2007**
Earnings before income tax and social contribution on profit	189,019	115,658	189,019	115,658
(+) Additions				
· Interests on own capital	7,000		7,000	
· Hedge Operations	43,555	44,073	43,555	44,073
· Goodwill amortization in subsidiary	50	3,512	50	3,512
· Provision for investment losses	39,576	9,536	39,576	9,536
· Exchange variation		20,158		20,158
· Stock Option Effect CPC -10	4,376	4,274	4,376	4,274
· AVP Effect – Law 11,638	1,943	518	1,943	518
· Other	841	778	663	778
	97,341	82,849	97,163	82,849
(-) Exclusions				
· Equity accounting and provision for unsecured liabilities	(192,390)	(162,579)	(192,390)	(162,579)
· Hedge Operations	(47,142)	(39,278)	(47,142)	(39,278)
· Reversal of investment losses	(7,087)		(7,087)	
· AVP Effect – Law 11,638	(1,922)		(1,922)	
· Other	(1,998)	(66,577)	(1,998)	(66,577)
	(,250,539)	(268,434)	(250,539)	(268,434)
Calculation basis for purposes of IR and CS	35,821	(69,927)	(35,643	(69,927)
Tax losses and offset negative basis				
Offset	(10,746)		(10,693)	
Final calculation basis	25,075	(69,927)	24,950	(69,927)
Rate	25%	25%	9%	9%
IRPJ and CSLL in the period	(6,245)		(2,245)	
Deferred IRPJ and CSLL	(3,813)	5,927	(1,368)	2,495
Charges for the period	**(10,058)**	**5,927**	**(3,613)**	**2,495**

(In thousands of Reais, except when stated otherwise)

b) Conciliation of the Effective Rate of Income Tax and Social Contribution

	Parent Company		**Consolidated**	
	2008	**2007**	**2008**	**2007**
Income (loss) before taxes	189,019	115,658	187,026	163,919
Nominal rate	34%	34%	34%	34%
Expense to the nominal rate	(64,266)	(39,324)	(63,589)	(55,732)
Adjustments of taxes and contributions by:				
Rate difference on investments abroad			16,465	21,616
Equity in earnings	51,957	55,277	(352)	(8,860)
Interests on own capital	(2,380)			
Effect of rate difference in companies levied by taxable income computed based on a percentage of gross sales	2,409		15,529	16,975
Unrecorded PDD effect				
Temporary difference (non-deductible)			(2,634)	
Effects of temporary differences compensation without deferred taxes recording			38,424	31,322
Effects of difference of fiscal loss without deferred taxes recording			5,865	(15,346)
Prescription or Provision of tax credits in Argentina			(3,000)	(4,290)
AVP Effects	(1,669)	(1,629)	(11,829)	(17,445)
Swap Write-off			124	
Goodwill amortization effect on Malha Norte and Santa Fé (non-deductible)			(1,213)	
Exchange rate variation effect on investment abroad		(6,854)	2,409	(6,854)
Effect of the IRPJ rate reduction SUDAM Tax Incentive			2,084	
IR and CS effect on tax loss Multimodal			(11,165)	
Other permanent differences	278	952	1,303	170
Effective income (expense)	(13,671)	8,422	(11,579)	(38,444)
Provision for current taxes	(8,490)		(46,820)	(47,555)
Deferred taxes	(5,181)	8,422	35,241	9,111

29 Gross Income – Parent Company

As from 2008, ALL S/A started to operate several flows under the multi-modal load transportation system, granted by the ANTT as Multi-Modal Transport Operator (MTO), pursuant to register n° 0121-0905.

Thus, the company presented Gross Income of R$506,793 and R$28,911 in 2007, and cost of services rendered of (R$347,791) and (R$21,255) in 2007, due to the contracting of other operators to execute operations in the several modalities of load transportation.

(In thousands of Reais, except when stated otherwise)

30 Net Financial Income

		Parent Company		Consolidated	
		2008	2007	2008	2007
Interest on debentures		(142,472)	(149,110)	(182,002)	(139,224)
Interest on indebtedness		(42,202)	(12,235)	(495,741	(301,023)
Hedge Financial Instruments		13,052	23,075	65,612	5,713
Financial Taxes (CPMF / IOF)		(165)	(6,532)	(5,008)	(24,292)
Fines/Interest – Tax/Suppliers/Rail Cars		(4,838)	(6,727)	(179,012)	(223,849)
Interests on leasing and concession		4,634	(92)	(141,686)	(155,966)
Exchange variation		(5,847)		(33,973)	(20,158)
Exemption from FINAM interest charges	(i)				137,764
Costumers/Guarantees/AVP/ Other		(1,591)	(3,706)	(55,324)	(69,372)
Total financial expenses		(179,429)	(141,885)	(1,027,134)	(790,407)
Revenue on financial investment		57,982	24,657	256,661	262,025
Interests on own capital		3,623	4,391	192	
Compensation on debentures		81,274	122,225		
Interests on court deposits					
AVP/Other		1,357	48		5,461
				6,726	
Total financial income		144,236	151,321	263,579	267,486
Net financial income		(135,193)	9,436	(763,555)	(522,921)

(i) On December 12, 2007, the Investment Fund Management Department of the National Integration Ministry, issued internal opinion 049/2007 extending the grace period, amortization and maturity, dismissing the indirect subsidiary ALL Malha Norte from the assessment of financial charges, including the default ones, over the debit balance of Debentures issued by ALL Malha Norte and subscribed by FINAN. Based on the opinion, the Company reverted in September 2007 the amount of R$137,764 related to the incurred interests on Debentures subscribed by SUDAM.

31 Insurance – Consolidated

On December 31, 2008, the insurance coverage established by the Company's Management to cover possible losses and civil liability, is summarized as follows:

Line of Business	Coverage by event	Sum Insured	Duration
Rail operating risks	Property – property damage and loss of profits	60,000	08/01/2008 to 08/01/2009
Civil liability - rail operations	Operations, pollution, employer, vehicles (contingencies) and port	10,00	02/28/2008 to 02/28/2009
Insurance for rail freight	Civil liability of the rail freight carrier (RCTF-C); rail risk (RF) – per shipment	2,000	06/30/2008 to 06/30/2009
Civil liability – trucks	Damages to third parties on domestic routes	100	11/11/2008 to 11/11/2009
	Damages to third parties on international routes	US$ 120	03/31/2008 to 03/31/2009
Insurance for road freight	Civil liability of the road freight carrier (RCTR-C) – accidents and (RCF-DC) theft; international road transportation	2,000	06/30/2008 to 06/30/2009

It is not part of the scope of our auditors' work to issue an opinion about the sufficiency of the insurance coverage, which was determined and assessed as for its adequacy by the Company's Management.

32 Financial Instruments

On December 31, 2008, the Company and its subsidiaries had the following main financial instruments:

Financial investments: classified as available-for-sale, are evaluated at fair value on the balance sheet date.

Investments: as described in Note 13, these refer to investments in closely-held subsidiaries and/or investments appraised at the equity method, representing strategic significance to the Company's operations.

Related parties: valuated at cost, as described in Note 22.

Loans and financings: as described in Note 17, these include effective 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 December 31, 2008.

The main risk factors of the Company and its subsidiaries related to financial instruments are as follows:

a) Credit risk

The Company and its subsidiaries are potentially subject to credit risks arising from their trade accounts receivable or credits held with financial institutions generated by financial investments. 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. Regarding financial investments, the Company and its subsidiaries have as policy only to realize investments in institutions with low risk credits. In addition, each institution has a maximum limit of investment balance, determined by the Management.

b) Foreign Currency Risk

It derives from the possibility of loss due to fluctuations in exchange rates, that increase loan, suppliers or foreign currency agreements liability balance, as well as fluctuations that reduce the investment balance or other assets.

(In thousands of Reais, except when stated otherwise)

The Company's policy guides the use of derivative instruments only to mitigate effects related to Real exchange devaluation in its foreign currency forward purchases. Thus, the Company contracts "Dollar-Real" and "Euro-Real" swap operations at the same amount and the same maturity date of the liabilities purpose of hedge. The Company follows up on a regular basis its exchange exposure in order to ensure that hedge operation result annuls the exchange effect over its cash flow.

Below is the exchange rate risk sensitivity analysis, showing the estimated effects of change in income scenarios for the next 12 months. The Management considered the exchange rate projected for 2009 a probable scenario, according to baking projections:

Description	**Currency**	**Probable Scenario**	**+25%**	**+50%**
Foreign currency appreciation risk – Effect on suppliers/imports:				
Short Term Suppliers *	USD		(739)	(1,477)
Long-Term Suppliers **	USD	6,423	(72,938)	(137,970)
Long-Term Suppliers	EUR	136	(150)	(385)
Swap Long Position per counterparty;				
Santander	USD	(330)	5,325	9,959
HSBC	USD	(1,121)	41,494	76,414
Votorantim	USD	(988)	11,092	20,991
Unibanco	USD	(1,814)	15,475	29,462
Itaú BBA	USD	(181)	1,547	44,295
HSBC	EUR	(118)	168	403
Net Effect		1,611	9,172	15,193
Foreign currency appreciation risk – Effect on loans:				
BNDES Loan	UMBNDES	985	(4,201)	(8,403)
Swap Long Position Santander	Currency Basket	(924)	3,933	7,913
Net Effect		61	(268)	(490)
Loans (ALL Argentina)	USD		(2,045)	(4,090)
Foreign currency depreciation risk – Effect on investments:				
Investments	USD		1,294	2,588
References:				
Dollar USD/R$		2.34	2.92	3.51
Euro /R$		3.39	4.23	5.08
UMBNDES		0.046	0.057	0.069

*Imports for foreign exchange closing one-week maximum term
**It contemplates purchase agreement with suppliers in the amount of US$10,287 thousand, whose products will be received during 2009.

(In thousands of Reais, except when stated otherwise)

c) Interest rate risk

The Company has certain liabilities on which incur pre-fixed rates, generating exposure to market interest rate fluctuations.

In order to avoid rate mismatch between financial assets and liabilities, the Company uses “Pre-DI” swap contracts to turn fifth and sixth issue debentures of ALL Holding into 100% floating ones; these were issued as part of its fixed cost (CDI+1.5%). Thus the Company ensures that indices between assets and liabilities remain equal, since our investments are indexed at a CDI percentage.

Below is the interest rate risk sensitivity analysis, showing the estimated effects of change in income scenarios in the next 12 months. The Management considered the CDI projected for 2009 a probable scenario, according to banking projections:

Operation	**Interests**	**Probable Scenario**	**+25%**	**+50%**
Interest rate increase risk				
Debentures 5th issue	PRE	(27,443)	(33,268)	(38,997)
Swap long position– Counterparty Santander		27,443	33,268	38,997
Net Effect		-	-	-
Debentures 6th issue	PRE	(95,987)	(116,528)	(136,788)
Swap long position– Counterparty Santander		95,987	116,528	136,788
Net Effect		-	-	-
Reference				
CDI		12.61	15.76	18.92

d) Financial charges deterioration risk

This risk derives from the possibility that the Company may incur in losses due to interest rates fluctuation or other indexes of its loans and financing that increase its financial expenses or decrease the financial revenues deriving from investments. In the Company, this risk impacts the net debt indexed in CDI (Total Debt indexed in CDI – Financial investments indexed in CDI).
Despite not having contracted transactions to hedge such exposure, the company continuously monitors these indexes to evaluate the eventual need to contract derivatives to mitigate these rates variation risk.

Below is the financial charges deterioration sensitivity analysis, showing the estimated effects of change in income scenarios for the next 12 months, considering as probable scenario the projected rates for the year

(In thousands of Reais, except when stated otherwise)

2009. Rates increases ser simulated as alternative scenarios, considering that the Company has a net debt position;

Operation	Risk	Probable scenario	+25%	+25%
Indebtedness Charges Deterioration Risk (rates increase)				
Investments		**326,758**	**392,000**	**457,241**
CDI indexed investments	CDI	260,966	326,208	391,449
Pre-fixed investments	PRÉ	65,792	65,792	65,792
Financings				
TJLP indexed	TJLP	(144,872)	(175,152)	(202,638)
CDI indexed	CDI	(131,948)	(162,244)	(192,113)
Debentures				
CDI indexed	CDI	(224,076)	(277,925)	(330,509)
Loans				
IGPM	IGPM	(692)	(865)	(1,038)
References				
CDI		12.61	15.76	18.92
TJLP		6.25	7.81	9.38
IGPM		5.50	6.88	8.25

d) CVM Rule 550

The consolidated position of derivative financial instrument amounts is presented in the table below:

Description	Reference Value (*Notional*)		Fair Value		Effect in the year	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	Receivable/ (Received)	Payable/ (Paid)
Foreign currency risk						
Swaps Contracts USD x %CDI – net position per maturity						
1Q08		USD 2,299		(R$75)		
2Q08		USD 16,107		(R$ 532)		
3Q08		USD 20,277		(R$498)		
4Q08	-	USD 82,965	-	(R$71)	R$ 48,306	
1Q09	USD 5,094	-	(R$ 353)	-	-	(R$ 353)
2Q09	USD 38,182	USD 5,936	R$ 827	-	R$ 3,648	(R$ 2,820)
3Q09	USD 39,135	USD 5,829	R$ 187	-	R$ 2,796	(R$ 2,609)
4Q09	USD 48,229	-	R$ 372	-	R$ 2,156	(R$ 1,773)
1Q10	USD 7,469	-	(R$ 1,251)	-	-	(R$ 1,251)
Swap Contracts EUR x %CDI – Net position per maturity						
2Q08	-	EUR 287		(R$ 2)		
2Q09	EUR 293	-	(R$ 16)	-	-	(R$ 16)
4Q08	-	EUR 287	-	R$ 6	R$ 205	
Forward ARS Contracts x BRL – net selling position per maturity						
4Q08	-	ARS 180,000	-	(R$ 4,004)	R$ 9,198	

(In thousands of Reais, except when stated otherwise)

Interest rate risk						
Swap Contract pre x post rates – Net position per maturity						
1Q08		R$920,949	-	R$ 12		
3Q12	R$200,000	R$200,000	(R$1,241)	(R$46)	-	(R$ 1,241)
3Q11	R$700,000	R$700,000	(R$3,091)	(R$381)	-	(R$ 3,091)
Total			**(R$ 4,565)**	**(R$ 5,591)**	**(R$ 66,309)**	**(R$ 13,153)**

All derivative operations are recorded in CETIP S.A. – Organized Over-the-Counter Market of Assets and Derivatives.

It is worth pointing out that, at maturity, the negative or positive effect arising from these operations is offset by the contrary effect in asset and liability whose risk is being mitigated.

The accounting effect and the fair value of derivatives and purpose of hedge instruments are controlled by a treasury control system deemed efficient by the Company's Management.

The fair value of the derivatives was calculated based on exchange curves and current BM&F interest on December 31, 2008 for future value projection, as well as DI future rate of BM&F to carry these flows to present value. There is no margin deposit or guarantees of any type or amount, for none of the derivatives under consideration.

All gains and losses incurred by the Company, calculated at fair value, are recorded on the income, and are highlighted in Note 30.

(In thousands of Reais, except when stated otherwise)

33 Private Social Security

The indirect subsidiary ALL Malha Oeste sponsors a private pension plan with the company 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, at most, six salaries, paid in the event of 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 67% by the sponsor and 33% by the active participants. The contributions related to Minimum Benefit are fully carried out by the Sponsor, as established in an actuarial technical note.

The plan is annually reviewed by an independent actuary, and the last version was concluded on October 31, 2008.

	2008	2007		2008	2007
			Sponsor Contributions		
Participants	166	274	Participation Payroll	2,117	4,577
Net Assets	7,688	8,630	Normal Contribution	0.40%	2.33%

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 the mortality table AT-83 and on a financial discount rate of 6%, amounts to R$1,907 on December 31, 2008 (R$1,459 on December 31, 2007, 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$ 2,338 on December 31, 2008 (R$2,251 on December 31, 2007) was made. The Fund was established by remaining balances of contributions from the sponsor, coming from withdrawals of participants who made a partial redemption, not being eligible to benefits of the plan.

*   *   *