Financial Statements
ALL - América Latina Logística S.A.
and its subsidiaries

December 31, 2008 and 2007
with Report of Independent Auditors

ALL – América Logística S.A.

Financial statements

December 31, 2008 and 2007

Contents

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

Report of independent auditors

The Board of Directors and Shareholders
ALL – América 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 its subsidiaries as of December 31, 2008 and 2007, and the related statements of income, changes in financial position and cash flows for the years then ended, and 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. We conduct our audits in accordance with generally accepted auditing standards in Brazil which comprised: a) the planning of our the work, taking into consideration the materiality of of the balances, the volume of transactions and the accounting and internal control system of the Company ; b) the examination, on a test basis, of documentary evidences and accounting records supporting the amounts and disclosures in the financial statements; and c) am assessment of the accounting practices used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.

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

4. As mentioned in Note 5 (a), on October 20, 2006, indirect subsidiaries América LatinaLogística Central S.A. ("ALL Central") and América Latina Logística – Mesopotámica S.A. ("ALL Mesopotámica"), signed, with the Argentine National State "Letters of Understanding", as part of the renegotiation process of its concession agreements. In the date of this Report, the Management of 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 regime which is being negotiated are also described in Note 5 (a). The subsidiaries estimated the recoverable amount of its

permanent assets and certain 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 consider as necessary to comply with its business plans. The recoverability of the amount of permanent assets and certain 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 revenues recognition linked to tolls of “Unidad Ejecutora del Programa Ferroviário Provincial (U.E.P.F.P.)” as from January 2002. This decision was based substantially on the lack of recognition of services provided by said Unit. In 2004, ALL Central filed a claim with the Court of Litigious Administrative Matters of the Province of Buenos Aires, seeking the payment of toll amounts referring to the period between 1993 and 1996. Based on opinion of its legal advisors, that the likelihood of favorable outcome in the collection proceedings initiated against U.F.P.F.P. is high, 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). Due to the agreements executed with the previous shareholders, ALL Argentina recorded 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 consider possible adjustments or reclassifications that could arise as a result of these discussions.

6. Our audit report dated of February 27, 2008, on the financial statements related to the year ended December 31, 2007 included an emphasis paragraph related to the pending matter existing as to the treatment to be given for advances 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”). Considering 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 required.

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 accounts balances of its financial statements related to the year ended December 31, 2007, which were previously disclosed.

9. The accounting practices adopted in Brazil differ, in certain aspects, from the accounting principles generally accepted in the United States of America. The information about the nature and the effect of these differences is presented in Note 34 to the financial statements.

Curitiba, February 27, 2009, except for the
Note 34 to the financial statements, as to which date is April 28, 2009.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP15199/O-6 “F” PR

Marcos Antonio Quintanilha
Accountant CRC-1SP132776/O-3 T-SC-S-PR

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

Balance sheets
December 31, 2008 and 2007
(In thousands of reais)

		Parent Company		Consolidated	
	Note	**2008**	**2007**	**2008**	**2007**
Assets					
Current assets					
Cash and cash equivalents	6	929,500	259,731	2,642,731	1,815,846
Trade accounts receivable	7	47,111	1,076	154,347	138,318
Inventories	8	-	130	93,660	62,931
Credits with congeners		-	-	2,537	16,955
Leases and concessions	9	-	-	6,273	6,429
Recoverable taxes	10	71,672	39,811	337,120	180,333
Deferred income tax and social contribution	11	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					
Receivables from affiliated companies	22	204,424	184,533	5,644	8,148
Leases and concessions	9	-	-	111,877	119,404
Recoverable taxes	10	4,535	16,216	242,267	134,655
Deferred income tax and social contribution	11	44,635	60,038	123,344	98199
Judicial deposits	21	1,390	120	268,590	242,708
Long-term investments	12	98,001	407,426	503	251,223
Other accounts receivable		62,641	-	15,438	16,542
Prepaid expenses		-	6,311	11,384	11,309
		415,626	674,644	779,047	882,188
Permanent assets					
Equity investments	13	2,613,054	2,745,424	6,287	7,415
Intangible assets	14	107,132	113,740	2,721,307	2,743,905
Fixed assets	15	76,377	3,836	4,724,246	4,193,221
Deferred charges	16	-		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

	Note	Parent Company		Consolidated	
		2008	2007	2008	2007
Liabilities					
Current liabilities					
Suppliers		144,561	19,119	986,844	683,853
Loans and financings	17	12,918	15,686	375,200	668,007
Debentures	18	199,574	51,847	261,368	84,857
Other taxes payable		4,071	1,234	214,057	184,844
Debits with congeners		-	-	11,469	7,790
Lease and concessions	20	-	-	25,268	104,565
Payroll and related charges				81,045	33,810
Advances from clients		32,047	36,720	78,002	63,145
Leases	19	-	-	128,817	114,300
Scheduled taxes		-	-	18,844	32,824
Real estate credit advances	24	14,420	-	63,833	-
Deferred income	25	-	-	2,203	823
Other accounts payable		-	11	10,254	97,498
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 financings	17	261,721	227,868	2,518,286	2,326,626
Debentures	18	897,192	1,035,000	1,780,036	1,436,891
Payables to affiliated companies	22	146,783	2,703	844	896
Provision for contingencies	21	-	-	297,964	404,365
Lease and concessions	20	-	-	855,826	749,935
Advances from clients		-	-	8,767	10,374
Provision for unrealized profit	23	14,105	14,849		
Leases	19	-	-	750,824	691,623
Scheduled taxes		-	-	109,441	99,594
Real estate credit advances		117,761	-	558,709	
Other accounts payable		-	-	43,738	24,732
Provision for unsecured liabilities in subsidiary	13	7,680	9,582	768	
Deferred income	25		-	26,375	16,978
Total non-current liabilities		1,445,242	1,290,002	6,951,578	5,762,390
Minority interest		-	-	18,926	20,081
Shareholders' equity	26				
Capital stock		2,141,413	2,141,413	2,141,413	2,141,413
Capital reserves		(73,014)	(23,156)	(73,014)	(8,376)
Profit reserves		395,573	427,062	395,573	424,001
Accumulated losses		-	(120,033)	(2,412)	(135,542)
Assets adjustments		25,830	(13,442)	25,830	(13,442)
Advances 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

See accompanying notes.

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

Statements of income
Years ended December 31, 2008 and 2007
(In thousands of reais)

	Note	Parent Company 2008	Parent Company 2007	Consolidated 2008	Consolidated 2007
Gross revenue from services					
Cargo transportation services		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 equity investments					
Equity in earnings of subsidiaries	13	200,854	18,231	(352)	18
Provision for unsecured liabilities in subsidiaries		(8,465)	147,876	-	-
Goodwill amortization		(7,314)	(10,776)	(21,101)	(12,354)
Provision for loss in equity investment		(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, Net		(4,308)	682	447	21,608
		(18,745)	(9,196)	(129,611)	(88,149)
Operating income before financial income (expense)		224,212	143,983	950,581	728,616
Financial expense	30	(179,429)	(142,398)	(1,027,134)	(794,933)
Financial income	30	144,236	151,321	263,579	267,486
		(35,193)	8,923	(763,555)	(527,447)
Operating income		189,019	152,906	187,026	201,169
Income tax and social contribution expense	28	(8,490)	-	(46,820)	(47,555)
Deferred income tax and social contribution	28	(5,181)	8,422	35,241	9,110
Minority interest				1,279	(18)
Net income		175,348	161,328	176,726	162,706
Number of shares at the end of the year (in thousands)		2,884,178	2,883,482	2,884,178	2,883,482
Net income per thousand shares at the end of the year – R$		60,7965	55,9490	61,2743	56,4269

See accompanying notes.

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

Statements of changes in shareholders' equity
Years ended December 31, 2008 and 2007
(In thousands of reais)

	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								982			2,393,290
Adjustments pursuant to Law 11,638 (Note 3.2)				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 4d)													-
Capital subscription and payment	16,076	-4,138								-16,076			-4,138
Advance received										16,429			16,429
Purchase of own shares (Note 26b)			-27,343										-27,343
Recognition of shares granted				18,935									18,935
Net income for the year (adjusted by note 4c and 3.2)									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)									-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)			-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

	Subscribed	Payable	Treasury Shares	Options Granted	Goodwill in the issue of shares	Legal	Tax	For Investments	Retained Earnings	AFAC	Adjustment Exchange Rate Conversion	Adjustments to assets	Total
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)									-41,646				**-41,646**
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	2,497,946

See accompanying notes.

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

Statements of Cash Flow
For the years ended December 31, 2008 and 2007
(In thousands of reais)

	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

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

Statements of Cash Flow (Continued)
For the years ended December 31, 2008 and 2007
(In thousands of reais)

	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				
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
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

See accompanying notes.

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

Statements of Cash Flow (Continued)
For the years ended December 31, 2008 and 2007
(In thousands of reais)

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

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.

1. Operations -- (Continued)

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).

1. Operations – (Continued)

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.

1. Operations – (Continued)

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.

a) 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.

1. Operations – (Continued)

- 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.

b) 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.

1. Operations – (Continued)

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 Principal Accounting Practices

2.1 Operating results

Revenues from sales are recorded on a gross basis, i.e. include taxes and discounts on sales, which are presented as accounts reducing revenues. The result of operations is determined on the accrual basis. Revenue from sales of services is recognized in P&L when its value can be reliably determined and all risks and rewards of those services are transferred to the recipient, when the Company no longer holds control over, or responsibility for, the services carried out and when it is probable that economic benefits will be generated for the Company. Revenue is not recognized if there is significant uncertainty as to its collection. Inputs related to services rendered are included in the cost of the services rendered. Interest income and expenses are recognized at the effective interest rate in financial income/expenses account.

2. Presentation of the Financial Statements (Continued)

2.2. Translation of balances denominated in foreign currency

2.2.1. Functional currency and of presentation of financial statements

The Company's functional currency is the Brazilian real, which is also the currency for preparation and presentation of the financial statements of the Company and the consolidated financial statements. The financial statements of each consolidated subsidiary and those used as a base for the valuation of investments by the equity method are prepared based on the functional currency of each entity. For subsidiary ALL Argentina, management decided that owing to its administrative, financial and operating independence, it is not considered to be an extension of the commercial activities of the controlling company in Brazil and was not treated as a subsidiary of the Company. As such its assets, liabilities, revenues, expenses and cash flows are not considered in Reais and are not stated line by line in the financial statements of the parent company. The effect from its operations is recognized through equity pickup in the parent company. The functional currency of the subsidiary is the Argentine Peso (P$). For consolidation purposes, the translation of the subsidiary balance sheet was undertaken at the exchange rate to the Argentine Peso (P$) at year end. The average monthly exchange rate to the Argentine Peso (P$) was used in translating its income statement accounts and the effect of exchange variation on the initial investment of each year was allocated to the "Currency translation adjustments account" in shareholders' equity. For subsidiaries, Boswells S.A., and Overseas S.A., management concluded, as these are not independent from the parent company, that they should adopt the Real as functional currency and be consolidated into the parent company's financial statements. However, this procedure was not adopted at December 31, 2008 and 2007 due to the irrelevance of its effects.

2.2.2. Transactions in foreign currency

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rate of the date of the corresponding balance sheets. Gains and losses resulting from restatement of these assets and liabilities due to the exchange rate variation between the transaction date and year end are recognized as financial income (expenses) in the statement of income.

2. Presentation of the Financial Statements (Continued)

2.3. Financial instruments

Financial instruments are only recognized from the date when the Company is a party in the contractual provisions of the instruments. Upon recognition, they are initially recorded at fair value plus transaction costs that are directly attributable to their acquisition or issue, except the case of financial assets and liabilities stated at fair value through profit and loss, when such costs are directly recorded in the statement of income for the year. Their subsequent measurement takes place at every balance sheet date, according to rules established for each financial asset and liability classification.

2.3.1. Financial assets

These are classified in the categories below according to the purpose for which they were purchased or issued:

a) Financial assets stated at fair value through profit and loss: include financial assets kept for trading and assets initially stated at fair value through profit and loss. These are classified as for trading if originated for sale or repurchase within the short term. Derivatives are also classified as for trading, except those designated as hedge. These are stated at fair value at each balance sheet date. Interest, monetary correction, exchange variation and variation from valuation to fair value are recognized in the statement of income when incurred in the financial income (expenses) account.

b) Investments held to maturity: non-derivative financial assets with fixed or determinable payments with defined maturities for which the Company has the intention and the capacity to hold to maturity. After initial recognition, they are measured at amortized cost using the effective interest rate method. This method uses a discount rate which, when applied to estimated future earnings over the expected life of the financial instrument, results in the net book value. Interest, monetary restatement and foreign exchange variation, less impairment, as applicable, are recognized in P&L when incurred, under financial income or expenses.

2. Presentation of the Financial Statements – (Continued)

c) Lendings and receivables: non-derivative financial assets with fixed or determinable payments, however not traded in an active market. After initial recognition these are measured at amortized cost by the effective interest rate method. Interest, monetary correction, exchange variation, less impairment, if any, are recognized in the statement of income when incurred in the financial income (expenses) account.

d) Available for sale: Financial assets that do not fit into categories 2.3a. to 2.3c. above. At each balance sheet date these are measured at fair value. Interest, monetary restatement and foreign exchange variation, when applicable, are recognized in P&L when incurred. Variations arising from the difference between restated investment according to contractual conditions and fair value are recorded in shareholders' equity, under equity valuation adjustments, while the asset is not realized, and reclassified to P&L after realization, net of tax effects.

The main financial assets recognized by the Company are: cash and cash equivalents, short-term investments, marketable securities and trade accounts receivable.

2.3.2 Financial liabilities:

These are classified in the categories below according to the nature of financial instruments contracted or issued:

a) Financial liabilities measured at fair value through profit and loss: include financial liabilities usually traded before maturity, liabilities stated upon initial recognition at fair value through profit and loss and derivatives, except those classified as hedge instruments. These are measured at fair value at balance sheet date. Interest, monetary correction, exchange variation and variation resulting from valuation at fair value, as applicable, are recognized in the statement of income when incurred.

b) Financial liabilities not stated at fair value: non-derivative financial liabilities not usually traded before maturity. After initial recognition these are stated at amortized cost by the effective interest rate method. Interest, monetary correction and exchange variation, as applicable, are recognized in the statement of income when incurred.

2. Presentation of the Financial Statements (Continued)

The main financial liabilities recognized by the Company are trade accounts payable, unrealized gains and losses on derivative operations, loans, financing and debentures.

2.3.3 Market value

The market value of financial instruments actively traded in organized market is determined based on amounts quoted in the market at balance sheet date. In case of nonexistence of an active market, the market value is determined through valuation techniques. These techniques include use of recent market transactions between independent parties, reference to the market value of similar financial instruments and discounted cash flow analysis or other valuation methods.

2.4. Cash and cash equivalents

These include cash, positive checking account balances, and short-term financial investments redeemable within 90 days where only investments with fixed rates are subject to market value change risk. Short-term investments included in cash equivalents are mainly classified as “available for sale”. Yield of these instruments is presented in Note 6

2.5. Trade accounts receivable

These are stated at realizable value, and accounts receivable from foreign customers are updated based on exchange rates on the financial statements date. Management set up an allowance deemed sufficient to cover doubtful accounts. This takes into consideration the client portfolio profile, the economic climate and specific risks. Information on trade accounts receivable and allowance for doubtful accounts are stated in Note 7.

2.6. Inventories

These are valued at average cost of acquisition when this does not exceed their market value. A provision for slow-moving or obsolete inventories is set up when considered necessary by management.

2. Presentation of the Financial Statements (Continued)

2.7. Leasing and concessions

The Company and its subsidiaries adopt the practice of recognizing concession and leasing contract commitments linearly on a monthly basis. The portions appropriated in this way are written off when paid. The total amount in connection with these contracts is not fully recorded (asset and liabilities recognition), as provided for in current Brazilian accounting practices.

Prepaid amounts at the beginning of the concession contract were recorded in assets (under intangible assets) and are also allocated to income linearly according to contract term. The charges recognized in income during the contract grace period are kept as accounts payable and are written off proportionally to payment of current installments.

2.8. Investments

Investments in subsidiaries and affiliated companies (in which the Company has significant influence) are valued by the equity method (Note 13). Investments in subsidiaries that represent in essence an extension of the Company abroad, when significant, were included line by line in the individual and consolidated financial statements. Other permanent investments are recorded at cost of acquisition less the provision for depreciation when applicable.

2.9. Property, Plant and Equipment

Stated at acquisition, formation or construction cost, plus interest and other financial charges on financing incurred during construction or project development. Depreciation of assets is calculated by the straight-line method at the rates mentioned in Note 15 which takes into consideration the estimated useful lives of the assets. Capitalized financial charges are depreciated considering the same criteria and useful life determined for each item of the incorporated fixed assets. Fixed assets are stated net of Social Contribution on Gross Revenue for Social Integration Program (PIS), Social Contribution on Gross Revenue for Social Security Financing (COFINS) and State VAT (ICMS) credits and the matching entry is recorded as taxes recoverable.

Costs incurred from maintenance and repairs are recorded only if the associated economic benefits of these items are probable and the amounts are recorded with sufficient certainty, while other costs are recorded in P&L when incurred.

2. Presentation of the Financial Statements (Continued)

2.10. Leasing agreements

Capital leasing contracts are recognized in property, plant and equipment and in capital leasing liabilities at the lower of present value of minimum obligatory contractual installments and the fair value of the asset, plus, when applicable, the initial direct transaction costs. Amounts recorded in property, plant and equipment are depreciated along the shorter of the economic useful lives of the assets or the lease term. Interest payable on loans and financing is appropriated to P&L based on contractual terms under the effective interest rate method. Operating lease agreements are recognized as expenses on a systematic basis representing the period in which the benefit of the leased assets was obtained, even if related payments are made not on the same basis.

2.11. Intangible assets

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

Goodwill generated in the acquisition of subsidiaries up to December 31, 2008 that is economically substantiated by future profitability was amortized linearly by the remaining term of the concession contract based on the future economic benefit generation curve. As of January 1, 2009 this will no longer be amortized, instead goodwill will be submitted to annual impairment testing analysis (see Note 14).

2. Presentation of the Financial Statements (Continued)

Intangible assets with a defined useful life are amortized according to their estimated useful economic life. When losses in their recoverable value are identified, they are submitted to impairment analysis testing. Intangible assets with undefined useful lives are submitted to annual impairment analysis testing.

2.12. Provision for impairment

Management annually reviews the net book value of assets in order to assess events or changes in operational, technological or economic circumstances that could evidence deterioration or impairment. When such evidence is identified and the net book value exceeds the recoverable value an allowance is set up for impairment adjusting the net book value to the recoverable value. These losses, if recognized, are recorded under other operating expenses.

2.13. Advances for future capital increases

The Company records advances for future capital increases received from participants in the stock options plan, as described in Note 27, in the shareholders' equity account, given the expectation and control that the Company holds to decide on the capitalization of such advances.

2.14. Other assets and liabilities

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Provisions are recorded reflecting the best estimates of the risk involved.

ALL Malha Oeste sponsors a private pension plan with the HSBC Pension Fund (Note 33). The plan is reviewed annually by an independent actuary; the last such review was concluded on October 31, 2008.

Assets are recognized in the balance sheet when it is probable that they will generate future economic benefits for the Company and their cost or value may be measured with reasonable certainty.

Assets and liabilities are classified as current when their realization or settlement will probably occur in the next twelve months. Otherwise they are stated as noncurrent.

2. Presentation of the Financial Statements (Continued)

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.

2. Presentation of the Financial Statements (Continued)

Deferred tax credits from income or social contribution tax losses are recognized only to the extent that it is likely there will be a positive tax base for which the temporary differences can be used. Some subsidiaries record recurring losses and, as such, do not meet the criteria governing recognition of tax credits of this nature. These are only recognized when the benefits are used. The potential tax credits not recognized in the financial statements are disclosed in Note 11.

2.16. Subsidies and government aid

Subsidies and government aid are recognized when there is reasonable certainty that the conditions established by the pertinent authorities are being met. Subsidies are initially recorded as revenue in the statement of income in the period in which the expenses that the subsidy or government aid is intended to offset are incurred. Later these are carried in the tax incentive reserve in shareholders' equity.

2.17. Share based payments

The Company's principal executives and managers receive part of their compensation in the form of share based payments. The costs of these transactions are initially recognized in the statement of income during the period in which the services were received and matched against the Options Granted account recognized in shareholders' equity and measured at fair value at the moment the compensation programs are awarded.

2.18. Assets and liabilities adjustment to fair value

Noncurrent monetary assets and liabilities are adjusted to present value and also current ones when the effect is considered significant in relation to the overall financial statements. The adjustment to present value is calculated taking into consideration the contractual cash flows and the express interest rate or, in some cases, the implicit interest rate, of the corresponding assets and liabilities. As such, interest included in revenues, expenses and costs related to these assets and liabilities is discounted in order to recognize them on the accrual basis. Subsequently, such interest is reallocated to financial expenses and income lines in the statement of income through use of the effective interest rate method in relation to the contractual cash flows. Implicit interest rates were determined based on assumptions, thus such determination is considered to involve accounting estimates.

2. Presentation of the Financial Statements (Continued)

2.19. Accounting estimates

These are used in the measurement and recognition of certain assets and liabilities in the financial statements of the Company and its subsidiaries. These estimates take into consideration experience from past and current events, assumptions related to future events as well as other objective and subjective factors. Significant items subject to these estimates include: the selection of the useful lives of property, plant and equipment items and intangible assets; the allowance for doubtful accounts; provision for inventory losses; provision for investment losses; analysis of recovery of the amount of fixed and intangible assets; deferred income and social contribution taxes; the rates and terms applied in the determination of the adjustments to present value of certain assets and liabilities; the provision for contingencies; fair value measurement of share based payments and financial instruments; considerations for the recognition and measurement of development costs capitalized as intangible assets; estimates used in the disclosure of the risk sensitivity analysis for derivative financial instruments as set out in CVM Rule No. 475/08. The settlement of transactions involving these estimates may result in amounts significantly different from those recorded in the financial statements due to the inaccuracies involved in the determination process. The Company reviews its estimates and assumptions at least on a quarterly basis.

2.20. Statements of cash flows and value added

The statements of cash flows and value added were prepared and are being presented in accordance with CVM Resolution No. 547, dated August 13, 2008, which approved Technical Pronouncement CPC 03 – Statements of Cash Flows issued by the Brazilian FASB (CPC). The statements of value added were prepared and are being presented in accordance with CVM Rule No. 557, of November 12, 2008 that approved technical pronouncement CPC 09 – Statement of Value Added issued by the CPC.

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08

Authorization for the conclusion of preparation of these financial statements was granted in the Board of Directors' Meeting held on February 20, 2009.

The financial statements were prepared in accordance with the accounting practices adopted in Brazil, and standards set by the Brazilian SEC (CVM) observing the accounting guidelines established under Brazil's Corporation Law (Law No. 6404/76) with new provisions included, amended and repealed by Law No. 11638 of December 28, 2007 and by Provisional Executive Act (MP) No. 449 of December 3, 2008.

Pursuant to CVM Rule No. 565 of December 17, 2008, that approved Brazilian FASB (CPC) Accounting Pronouncement No. 13 – First time adoption of Law No. 11638/07 and of Provisional Executive Act No. 449/08, and in view of requirements established by CVM Rule No. 506 of June 19, 2006, the Company set January 1, 2007 as the transition date for the adoption of new accounting practices. The transition date is defined as the starting point for the adoption of changes in the accounting practices adopted in Brazil and represents the base date upon which the Company prepared its first balance sheets in light of these new accounting procedures in 2008.

CPC No. 13 released companies from the obligation to apply provisions set forth in NPC 12 and CVM Rule No. 506/06 – Accounting Practices, Changes in Accounting Estimates and Correction of Errors upon the first time adoption of Law No. 11638/07 and MP No. 449. This rule establishes that, in addition to separately identifying the effects of the new accounting practice adoption in the retained earnings/accumulated losses account, the Company should state the opening balance sheet for the group of accounts relating to the oldest period for comparison purposes, as well as other comparative amounts presented, as if the new accounting practice had always been in use. However, the Company opted not to adopt the exemption allowed for by CPC No.13 and, as such, its financial statements for 2007 and 2008 are presented according to the same accounting practices and are therefore comparable.

Changes in accounting practices that produce effects on the preparation and presentation of financial statements for the year ended December 31, 2008, the opening balance sheet for January 1, 2007 (not presented) and the comparative financial statements for the year ended December 31, 2007, were measured and recorded by the Company based on the following accounting pronouncements issued by the CPC and approved by CVM and the National Association of State Boards of Accountancy:

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 -- (Continued)

- Framework for Preparing and Presenting Financial Statements, approved by CVM Rule No. 539, of March 14, 2008;
- CPC 01 Impairment of Assets, approved by CVM Rule No. 527, of November 1, 2007;
- CPC 02 Effects of Changes in Foreign Exchange Rates and Translation of Financial Statements, approved by CVM Rule No. 534, dated January 29, 2008;
- CPC 03 - Statement of Cash Flows, approved by CVM Rule No. 547, of August 13, 2008;
- CPC 04 Intangible assets, approved by CVM Rule No. 553, dated November 12, 2008;
- CPC 05 Related-Party Disclosures, approved by CVM Rule No. 560, dated December 11, 2008;
- CPC 06 Commercial Leasing Operations, approved by CVM Rule No. 554, dated November 12, 2008;
- CPC 07 Government Subsidies and Assistance, approved by CVM Rule No. 555, dated November 12, 2008;

- CPC 08 Costs of transactions and premium on marketable securities issued approved by CVM Rule No. 556, on November 11, 2008;
- CPC 09 Statement of Value Added, approved by CVM Rule No. 557, dated November 12, 2008;
- CPC 10 Share Based Payments, approved by CVM Rule No. 562, dated December 17, 2008;
- CPC 12 Present Value Adjustments, approved by CVM Rule No. 564, of December 17, 2008;
- CPC 13 First-Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08, approved by CVM Rule No. 565, of December 17, 2008
- CPC 14 Financial Instruments: Recognition, Measurement and Disclosure, approved by CVM Rule No. 566, of December 17, 2008.

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 -- (Continued)

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

a) Exemption from presentation of the comparative financial statements

The 2008 and 2007 financial statements were prepared in accordance with the accounting standards in force in 2008. The option granted by CPC 13 not to adjust the 2007 financial statements to accounting standards in force in 2008 has not been adopted by the Company.

b) Exemption from classification of financial instruments as of their original recording date

Although CPC 14 establishes that classification of financial instruments shall be made as of their original recording date, for first time adoption purposes, CPC 13 allowed them to be classified as of the *transition date*, option which was adopted by the Company.

c) Exemption from maintenance of balances in deferred charges until their realization

The Company opted to keep balances recognized in the deferred asset account up to its complete amortization. As set out in CPC 13 the Company undertook impairment analysis of these balances under the terms of CPC 01 - Impairment of Assets, and did not identify any indication of impairment.

d) Exemption from considerations about calculation of adjustment to present value

The Company calculated and recorded adjustment to present value based on contractual data for each transaction that generated monetary assets and liabilities and, as such, used discount rates based on existing market assumptions on the transition date.

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 -- (Continued)

e) Exemption from stating the goodwill value of investments that begin to be assessed by the equity method:

The Company opted not to calculate goodwill on investments acquired prior to the transition date retroactively.

The dividends received are recognized by equity pickup and were recorded as a matching entry against the cost of the investment.

f) Exemption from maintenance of revaluation reserve balance:

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

g) Exemption from recognition of share based payments:

The share based payments plans disclosed in Note 27 that were outstanding at December 31, 2008 were measured and recorded by the Company in accordance with CPC 10. Effects are recorded retroactively at the beginning of the year in which they were granted through to the transition date.

h) Exemption from presentation of the statements of cash flows and value added without indicating amounts for the year:

The Company already adopts the practice of disclosing statements of cash flow on a quarterly basis. In order to allow comparison, the Company opted to bring amounts in the statements of cash flows for the year ended December 31, 2007 into line with dispositions on the presentation of financial statements as set out in CPC 03.

The Company opted to present the statement of value added only for the year ended December 31, 2008 as well as opting to no longer present statements of changes in financial position for years beginning on or after January 1, 2008.

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 -- (Continued)

i) Neutrality for tax purposes of initial application of Law No. 11638/07 and Provisional Executive Act No. 449/08:

The Company opted for the Transitional Tax Regime (RTT) introduced by Provisional Executive Act No. 449/08, under which the calculation of Corporate Income Tax (IRPJ), Social Contribution Tax (CSLL), PIS and COFINS, for the two-year period 2008-2009, continue to be determined based on accounting methods and criteria defined by Law No. 6404, dated December 15, 1976, in force on December 31, 2007. In view of this, deferred income and social contribution taxes, calculated on adjustments resulting from adoption of the new accounting practices introduced by Law No. 11638/08 and Provisional Executive Act No. 449/08, were recorded in the Company's financial statements, as applicable, in accordance with CVM Rule No. 371. The Company will disclose such option in the 2009 Corporate Income Tax Return (DIPJ).

j) Exemption from recognition of capital lease agreements before the transition date and on capitalization of initial contract costs directly associated with these leases:

For contracts in force on the transition date and that had capital lease characteristics, the Company recorded in specific property, plant and equipment account the leased assets for the fair value or, if lower, at present value of the minimum payments of the lease agreement at the initial date of the contract, adjusted by accumulated depreciation from the date of the contract to the transition date. The initial direct costs incurred through contracting of these leases were not capitalized.

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 -- (Continued)

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

The costs of development of intangible assets incurred up to the transition date, which were not recognized by the Company as intangible assets and that in light of technical pronouncement CPC 04 started to meet recognition criteria, were not recorded by the Company as intangible assets in the opening balance sheet. Costs subsequent to the date of transition were recognized in intangible assets when meeting the criteria.

Goodwill based on future profitability recorded by the Company was linearly amortized up to December 31, 2008.

l) Exemption from treatment of premiums received from debenture issue:

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

m) Exception from application of the first periodic valuation of the economic useful lives of property, plant and equipment:

Up to December 31, 2009 the Company will revaluate the estimated economic useful lives of its property, plant and equipment used to determine their depreciation rates. Any changes in the useful economic lives of assets resulting from this revaluation, if significant, will be recorded as changes in accounting estimates and will be recognized prospectively.

3.2. The adjustments made to the balance sheet and the statement of income as of the transition date of January 1, 2007, as well as December 31, 2007 and 2008, due to application of Law No. 11638/07 and Provisional Executive Act No. 449/08 are described and quantified as follows:

(In thousands of Reais, except when stated otherwise)

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 -- (Continued

	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**
Capital leasing agreements	-	-	-	(77,325)	(97,314)	(115,205)
Fair value measurement of derivatives	-	(513)	-	-	(5,672)	(4,647)
Fair value measurement of financial investiments classified as available for sale	-	-	-	-	-	11,057
Present value adjustment of qualifying monetary assets and liabilities	-	-	(533)	-		(2,435)
Write-off of not qualifying intangible and deferred assets	-	-		(3,391)	(6,452)	(7,124)
Deferred income and social contribution taxes	-	174	181	-	10,635	17,426
Effect of equity pickup 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 MP 449/08	**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 capital leasing contracts	-	-	(19,988)	(17,892)
Fair value of measurement of derivatives	(513)	513	(5,673)	1,026
Fair value measurement of share-based payments.	(4,155)	(4,375)	(18,935)	(19,763)
Present value adjustment of qualifying monetary assets and liabilities	-	(533)	-	(2,435)
Write-off of not qualifying intangible and deferred assets	-	-	(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 and social contribution taxes	174	7	10,635	6,791
Recognition of Governmental subsidy - Ferronorte	-	-	-	2,434
Effects of Equity pickup	(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**

3. Basis of Preparation and Presentation of Financial Statements and First Time Adoption of Law No. 11638/07 and Provisional Executive Act No. 449/08 -- (Continued)

In addition, due to the elimination by Provisional Executive Act No. 449/08 of the nonoperating result line, the Company reclassified R$9,140 in the consolidated financial statements for the year ended December 31, 2008 (R$2,077 at December 31, 2007) to other operating income (expenses) line, as well as disclosed it in accompanying notes.

4. Consolidated Financial Statements

The consolidated financial statements include the accounts of the Company and its directly and indirectly controlled subsidiaries. The percentage ownership of such subsidiaries is as follows:

(In thousands of Reais, except when stated otherwise)

4. Consolidated Financial Statements (Continued)

	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
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	-

(In thousands of Reais, except when stated otherwise)

4. **Consolidated Financial Statements** (Continued)

At December 31, 2008, the minority interests of ALL Central and ALL Mesopotámica are held as follows:

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

The fiscal years of the subsidiaries included in the 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 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 13 and 22.

(In thousands of Reais, except when stated otherwise)

4. Consolidated Financial Statements (Continued)

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.

a) 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.

b) 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)

4. Consolidated Financial Statements (Continued)

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

c) 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 Branch ordered the Transportation Secretariat to renegotiate all concession agreements for freight rail transportation services, and there were various discussions and analyses resulting in the proposal of an addendum, which was null and void.

With the enactment of Law No. 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 Branch issued Decree No. 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.

Beginning from 2005, ALL Argentina’s subsidiaries, ALL Central and ALL Mesopotámica, continued renegotiations of their concession agreements under federal law. 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. The letters of understanding are awaiting approval by the Argentine National Congress and by the President of the Republic of Argentina. Among other provisions, the referred letters establish the following:

(i) Annual investment plan

As of January 2006, ALL Central and ALL Mesopotámica must make annual capital investments in an amount equivalent to the higher of 9.5% of total net revenues. In 2008, the amount invested by the Companies amounted R$22,537 (2007 - R$20,299) and R$9,100 (2007 - R$13,471), respectively, which are superior of the minimum commitment assumed.

(ii) Concession fee (“canon”)

5. Argentinean Subsidiaries - Relationship with the Granting Authorities - (Continued)

As of January 1, 2006, the amount corresponding to 3% of total net revenues of ALL Central and ALL Mesopotámica will be considered the concession fee (“canon”). During 2008, these subsidiaries recorded payables of R$3,686 (2007 - R$2,688) and R$1,1,237 (2006 - R$1,036) , respectively, having as counter-entry the lease and concession payable account.

(iii) Rights and obligations comprising the mutual claims

The renegotiation of concession agreements includes the settlement of amounts disputed by both the Argentine Government and the subsidiaries. The disputed amounts include capital investments not made by the subsidiaries, amounts related to prior years’ concession fees and losses incurred by the subsidiaries as a result of unforeseen and unavoidable reasons (for example, floods).

Based on the aforementioned letters of understanding, the disputed amounts and claims were settled in favor of the Argentine government in the amount of P$79,760 thousand and P$14,480 thousand for ALL Central and ALL Mesopotámica, respectively. Additionally, the subsidiaries are in compliance with the commitment to make capital investments as defined in the letters of understanding (investment representing at least 3.17% and 1.54%, respectively, of net revenues).

b) Approval for transfer of shares

On May 26, 1999, the indirect subsidiary ALL Argentina entered into a purchase and sale 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 5 shareholders") for 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 on that date, was settled by means of offsetting payables ALL Argentina owed to the 5 shareholders. Pursuant to the terms of the concession agreement, this transfer of shares was subject to the approval of the Argentine government, which was obtained on April 26, 2004. The share transfer is now in progress.

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

5. Argentinean Subsidiaries - Relationship with the Granting Authorities - (Continued)

b) Approval for transfer of shares (Continued)

Also in May 1999, the Company entered into a purchase agreement with the 5 shareholders for the total number of shares of ALL Argentina and beneficial interest agreement over the rights of the shares of ALL Argentina. The term of the beneficial interest 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 5 shareholders irrevocably undertake to exercise the voting right over shares of ALL Argentina, in accordance with the Company's instructions.

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

On March 29, 2006, the Company reacquired the beneficial rights and obligations over ALL Argentina's shares, as well as the right over advances for future capital increase ("aportes irrevocables"), described in Note 5(c), recorded in that investee, by means of capital reduction in Logispar (assignor of such rights and obligations). This transaction was supported by an appraisal report issued by independent experts and approved in the Annual General Shareholders' 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 allocated the advances for future capital increase *("aportes irrevocables"* in amount of P$118,683,607.00*)* granted by its former parent company Logispar, which are recorded in its shareholder's equity at the apprpxomate amount of R$80,395 on December 31, 2008 (R$66,759 on December 31, 2007) for aterm which expired on February 21, 2006 and which was not extended.

5. ALL Argentina – Renegotiation of concession agreement (Continued)

Pursuant to an Administrative Resolution applicable to the subsidiary, changes in its capital need prior approval of the Argentine government. Accordingly, the conversion of "*aportes irrevocables*" into capital depends on said approval, which has not occurred. The subsidiary requested a waiver from immediately converting the "aportes irrevocables" into capital, in accordance with I.G.J. resolutions, because of the legal restrictions which currently prevent the conversion of the advances. No response was obtained through the date this financial statement was issued. The advance was reclassified from Long-term Liabilities to Shareholders'Equity.

ALL Central and ALL Mesopotámica have recorded the amounts of R$109,354 (P$161,433 thousand) and R$66,981 (P$98,938 thousand), respectively, for advances for future capital increase (AFAC) received from ALL Argentina. In April 2004, during Shareholders' Meetings of such companies, the Argentine government (minority shareholder) proposed that such AFACs be capitalized with no changes to its ownership interest and without a capital contribution. Such proposal was denied by ALL Argentina and, as such, the Government filed a suit to challenge such decision. No definitive decision on this judicial discussion has been handed down yet.

In December 2007, the shareholders of ALL Central and ALL Mesopotámica approved the capitalization of advances for future capital increase ("*aportes irrevocables*") contributed by ALL Argentina to both companies. The Annual General Meetings shall define how these capitalizations will occur and how to handle the waiver of the previously mentioned legal proceeding by the Argentine Government.

The capitalization of "*aportes irrevocables*" by both companies implies, according to the concession agreement, the assignment of the 16% interest held by the Argentine Government in each company, due to the obligation of ALL Argentina to not dilute the Argentine Government's ownership interest as a result of any capital increases. Conversely, in the capacity of contributor, ALL Argentina had assigned a 4% interest in each company to the employees, in connection with the *Programa de Propriedade Participativa* (Participating Ownership Program). Additionally, the Company considered that the remaining minority shareholders would not exercise their preemptive right, and therefore recalculated its interest in the companies.

After these decisions, ALL Argentina has recognized in its investments only 80% of "*aportes irrevocables*" and its percentage interest in the capital of the companies in relation to other shareholders' equity accounts. Consequently, losses on its investments in ALL Central and ALL Mesopotámica were recorded in the approximate amount of R$ 17,204 – P$ 30,727, corresponding to the increase in minority interests, as "Losses on Investments" in the income statement.

(In thousands of Reais, except when stated otherwise)

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:					
CDB's	(i)	804,023	120,701	2.063,429	1.589,121
Pre-fixed rate	(ii)	109,225		439,283	
Exclusive FAQ	(iii)	2,292	138,235	35,280	177,413
Exclusive FI	(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

On August 4, 2008, the investment balance linked to Austrian Notes of R$365,774 (R$346,744 on December 31, 2007), was redeemed through a decision made by the Company.

The indirect subsidiary ALL Malha Oeste held (FTB) - Financial Treasury Bills, under custody of Banco do Brasil S.A. The amount of these FTBs was classified in noncurrent assets in the temporary investments account as described in Note 12. In May 2008 redemptions of R$266.904 (R$252.223 on December 31, 2007) carried to short-term investments.

(In thousands of Reais, except when stated otherwise)

7. Trade accounts receivable - Consolidated

Subsidiaries	**2008**	**2007**
Trade accounts receivable		
ALL S.A. (Parent Company)	42,147	1,886
ALL Malha Sul	43,272	48,062
ALL Intermodal	19,207	16,198
ALL Armazéns Gerais	104	12,267
ALL Tecnologia	-	3,118
ALL Centro Oeste	-	600
Santa Fé	137	131
ALL Malha Paulista	9,706	20,817
ALL Malha Norte	13,745	30,101
ALL Malha Oeste	12,471	5,597
Terminal XXXIX	43	-
ALL Argentina	36,370	28,424
Rail Tec	344	-
	177,546	167,201
(-) Allowance for doubtful accounts		
ALL S.A. (Parent Company)	(677)	(810)
ALL Malha Sul	(41)	(2,517)
ALL Intermodal	(1,019)	(528)
ALL Malha Paulista	(1,468)	(4,456)
ALL Malha Norte	(5,154)	(3,804)
ALL Malha Oeste	(257)	(3,631)
ALL Argentina	(14,583)	(13,137)
	(23,199)	(28,883)
Consolidated	154,347	138,318

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.

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.

(In thousands of Reais, except when stated otherwise)

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. Leases and Concessions Assets - Consolidated

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

9. Leases and Concessions Assets – Consolidated (Continued)

The lease of Rede Ferroviária Federal S.A.-RFFSA's assets, for a 30-year period, was contracted by ALL Brasil on February 27, 1997, for R$202,112, R$82,032 of which was paid in cash. The remaining R$120,080 has been paid since January 15, 1999 in 112 quarterly installments including interest of 12% per annum, restated by the General Price Index – Internal Availability (IGP-DI). The related liability is 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 since December 15, 2000, in 112 quarterly installments including interest of 12% per annum, restated by IGP-DI. The related liability is 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 since January 15, 1998, in 112 quarterly installments including interest of 12% per annum, restated by IGP-DI. The related liability is described in Note 20.

Prepaid right of way refers to the amount paid by ALL Malha Sul to ALL Malha Paulista (before it was an affiliated company) for the use of the lines from Presidente Epitácio to Rubião Júnior and from Pinhalzinho/Apiaí to Iperó (in the state of São Paulo), in accordance with the agreement to operate these lines for 30 years, which is also the 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 installments including interest of 12% per annum, restated by the IGP-DI. The related liability is 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 including interest of 12% per annum, restated by the IGP-DI. The related liability is 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 installments including interest of 12% per annum, restated by the IGP-DI. The related liability is described in Note 20.

(In thousands of Reais, except when stated otherwise)

9. Leases and Concessions Assets – Consolidated (Continued)

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 capital leasing.

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 final decision referring to lawsuit 1999.61.0024508-0 in which the Company contested the legality of Law No. 9718/98. In light of this decision the Company recognized under the headings “Gross revenue deduction” and “Financial Income” in the statements of income of December 2007 the total amount of R$44,563 against the heading COFINS – rate increase of which R$37,409 was offset with taxes payable for the year ended December 31, 2008.

(In thousands of Reais, except when stated otherwise)

10 Recoverable Taxes and Contributions - (Continued)

Following a technical study in 2008, the Company opted to reclassify PIS and COFINS credits on fixed asset depreciation charges, transferring the amount of the contributions to the Taxes Recoverable account. It also opted to accelerate the appropriation of credits calculated on the acquisition of machinery, equipment and buildings used for rendering services, altering the form of using these contributions from the depreciation method to the cost of acquisition method in accordance with legislation in force. These credits are recorded on a 1/48th basis of the value of acquisition of machinery and equipment intended for fixed assets as from May 1, 2004 (Law No. 10833/2004) and on a 1/24th basis of the value of acquisition or construction of the building incorporated into fixed assets as from January 1, 2007 (article 6 of Law No 11488/2007). The reclassified value was R$ 129,990.

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)

11 Deferred Income Tax and Social Contribution - (Continued)

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

(In thousands of Reais, except when stated otherwise)

11. Deferred Income Tax and Social Contribution - (Continued)

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

	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.

(In thousands of Reais, except when stated otherwise)

12 Long-term Investments - (Continued)

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

(In thousands of Reais, except when stated otherwise)

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	(iv)	-	1,913	1,913	1,751	1,801	-	1,784	1,913
ALL Centro-Oeste	(iv)	-	1,428	1,428	1,431	2,809	-	3,310	1,428
ALL Equipamentos	(iv)	-	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 recorded an Advance for Future Capital Increase (AFAC) in its Shareholders' Equity, at the amount of R$176,373 (R$79,699 on December 31, 2007) undertaken by ALL Holding, which fully recognizes the advance in its investment until capital subscription.
(ii) In the first quarter of 2008 an advance for future capital increase of R$ 27,033 was transferred to the subsidiary's shareholders' equity of which R$ 9,583 was absorbed by capital deficiency
(iii) On October 10, 2008, ALL Malha Oeste increased its capital through an advance for future capital increase recorded in shareholders' equity to the value of R$ 65,200 by Multimodal Participações Ltda. As such, the direct ownership interest of ALL Holding was reduced from 13.59% to 11.74%.
(iv) On December 1, 2008 the controlling company ALL Holding S.A. sold its ownership interest in the companies ALL Equipamentos Ltda., ALL Tecnologia Ltda. and ALL Centro-Oeste Ltda. to Multimodal Participações Ltda. Equity pickup in these subsidiaries was proportionally recorded to the date of sale.

With the adoption of the accounting practices described in note 2.2.1, foreign exchange rate variations on investments are no longer included in equity pickup.

13 Investments - (Continued)

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			
	Unsecured Liabilities	Income for the Period	Reversion of (Provision for) Unsecured Liabilities 2008	Reversion of (Provision for) Unsecured Liabilities 2007	Provision for Unsecured Liabilities 2008	Provision for Unsecured Liabilities 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 recorded an advance for future capital increase undertaken by ALL Holding in shareholders' equity that at December 31, 2007 was R$ 146,427. Up to that date this advance was considered in the calculation of investments of ALL Holding and ALL Participações. As from January 2008, the Company began to fully recognize this advance in its investment until capital subscription. This generated an investment gain of R$ 13,237 referring to the 9.04% interest of ALL Participações.

On January 2, 2008, ALL Holding invested R$ 56,172 in ALL Malha Oeste and thus started to hold 13.59% of its capital. Due to the fact that this subsidiary had a capital deficiency, the Company recognized a loss on the investment of R$ (52,813).

13 Investments - (Continued)

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 Cost	2008 Accumulated Depreciation	2008 Net	2007 Net	Depreciation annual weighted average rates (%)
Goodwill in investment acquisition	(i)					
ALL Argentina		45,830	(18,127)	27,703	24,582	6.81
ALL-Malha Oeste		132,426	(4,179)	128,247	131,218	2.57
ALL-Malha Paulista		50,888	(631)	50,257	50,888	1.03
Multimodal Participações		2,384,287	(11,984)	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
		2,736,176	(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	137	Undefined
Other					26,816	
		2,786,956	(65,649)	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.

14 Intangible Assets – Consolidated - (Continued)

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.

14. Intangible Assets – Consolidated - (Continued)

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

14. Intangible Assets – Consolidated - (Continued)

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.

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15 Fixed Assets – Consolidated

	2008			2007	Depreciation annual weighted average rates (%)
	Cost	**Accumulated Depreciation**	**Net**	**Net**	
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	

15. Fixed Assets – Consolidated - (Continued)

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 was reclassified to Intangible Assets.

As detailed in Note 19.1, capital lease agreements were classified in property, plant and equipment and began to be consistently depreciated according to criteria applicable for other fixed assets.

Following a technical study in 2008, the Company opted to reclassify PIS and COFINS credits on fixed asset depreciation charges, transferring the amount of the contributions to the Taxes Recoverable account. It also opted to accelerate the appropriation of credits calculated on the acquisition of machinery, equipment and buildings used for rendering services, altering the form of using these contributions from the depreciation method to the cost of acquisition method in accordance with legislation in force. These credits are recorded on a 1/48th basis of the value of acquisition of machinery and equipment intended for fixed assets as from May 1, 2004 (Law No. 10833/2004) and on a 1/24th basis of the value of acquisition or construction of the building incorporated into fixed assets as from January 1, 2007 (article 6 of Law No 11488/2007). The reclassified 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

16 Deferred charges – Consolidated - (Continued)

(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.

(ii) 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 BNDES	TJLP + 1.8%	8.17%	Quarterly/Monthly 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 BNDES	TJLP + 5.25%	13.20%	Quarterly/Monthly 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
Investments BNDES - FINAME	TJLP + 3.6%	9.85%	Quarterly/Monthly Until April 2012	32,477	36,735
• **Nova Brasil Ferrovias**					
Commercial banks	IGPM	9.81%	March 2011	19,079	17,955
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

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	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	2,683,972
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
Debt 4	38.25%	38.25%	April 2009	8.249	2,437
Itaú Argentina – Debt 6	29. 0%	29, 0%	May 2011	51,456	31,814
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	49,325
Total Subsidiaries				2,618,842	2,751,079
Total Consolidated				2,893,486	2,994,633
Portion in the current liabilities				(375,200)	(668,007)
Portion in the long-term liabilities				2,518,286	2,326,626

17 Loans and Financing - (Continued)

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.

17. Loans and Financing - (Continued)

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.

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).

18 Debentures - (Continued)

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;

Indirect Subsidiary – ALL Malha Sul:

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

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18 Debentures - (Continued)

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

18 Debentures - (Continued)

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.

19 Leasing

19.1 Capital Leasing

The Company and its subsidiaries hold rental contracts mainly for wagons and locomotives that management considers to be capital lease agreements.
To meet new requirements governing the recording of transactions of this nature, the Company and its subsidiaries incorporated in fixed assets the rights pertaining to assets intended for the maintenance of operations, or exercised for this purpose, including those resulting from operations transferring to the entity the benefits, risks and control over these assets, irrespective of ownership thereof, and recorded:
a) in specific property, plant and equipment account, for the present value of the minimum commercial leasing payments, on the initial date of the contract, adjusted by accumulated depreciation calculated from the date of the contract up to January 1, 2007;

b) in specific account, the obligation for capital lease agreements at present value of the outstanding lease repayments on January 1, 2007;

c) the difference calculated in (a) and (b) above, net of tax effects, against retained earnings or accumulated losses on January 1, 2007;

On January 1, 2007, this change in accounting practices led to the recording of increases of R$ 590,593 in fixed assets and R$ 667.918 in liabilities, with the remaining R$ 77,325 recorded as retained earnings.

At December 31, 2008 and 2007, the payable balance for capital leasing agreements is as follows:

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

19 Leasing – (Continued)

19.1 Capital Leasing - (Continued)

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				
Wagons	486,410	91,669	356,256	264,450
ALL Malha Norte				
Locomotives	107,475	8,103	30,861	3,544
Wagons	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 accounting practice of the subsidiary ALL Malha Norte was changed to allow the recording of the total debt balance, with effect on current liabilities of R$ 9,435 and on noncurrent liabilities of R$ 30,049, the balancing entry being to property, plant and equipment. The difference recorded in property, plant and equipment between the original value and the balance of the contract of R$ 29,259 was recorded in shareholders' equity in accumulated losses, recognizing accumulated depreciation for the year.

Financial charges incurred in the period were recorded as financial expense. There were no direct initial costs to be capitalized or contingent payments or subleasing.

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.

19 Leasing – (Continued)

19.2 Operating Leasing - (Continued)

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.

(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.

20. Leasing and Concession – (Continued)

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.

20. Leasing and Concession – (Continued)

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.

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

20. Leasing and Concession – (Continued)

The indirect subsidiary acquired Financial Treasury Bills (FTBs) 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 FTBs, replacing them by bank guarantees at the amount of R$264,210. FTBs redemption took place in May 2008. For future installments, the guarantee is complemented at the maturity of each installment.

The Company's management altered the accounting estimates used to measure liabilities. In accordance with legal counsel's opinion obtained in the quarter ended June 30, 2008, it started to restate the balance by SELIC index, which restates the letters of guarantee of liabilities. This alteration generated a reversal of approximately R$ 54,000 in 2008.

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21 Court Deposits and Provision for Contingencies - Consolidated

	Court deposits		Contingencies			
			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**

21. Court Deposits and Provision for Contingencies – Consolidated – (Continued)

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 are facing various labor proceedings and recorded a provision of R$ 198,926 (R$ 302,278 in 2007), in the consolidated financial statements at December 31, 2008 for cases that legal counsel considers to be probable losses.

The decrease in the provision for 2008 in relation to the prior year is basically due to agreements signed by the Company over the year.

The principal sources of claims made in pending lawsuits stem from overtime, uninterrupted work shifts, workers on-call, differences in salary, differences in fines of 40% of FGTS arising from curtailed inflation indices, hazardous work premium, health exposure allowance, transfer allowance, differences in variable compensation, pension supplementation, among others, differences in severance pay, differences in redundancy incentive plans, provision of benefits given in collective agreements specifically 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.

21. Court Deposits and Provision for Contingencies – Consolidated – (Continued)

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.

21. Court Deposits and Provision for Contingencies – Consolidated – (Continued)

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.

21. Court Deposits and Provision for Contingencies – Consolidated – (Continued)

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.

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	-	146,696	-	-	-	-	-	-
Multimodal Particip.	-	-	-	-	-	-	-	-
Nova Brasil Ferrovias	-	-	21,767	-	-	-	-	-
Overseas	245	185	-	-	-		-	-
Associated companies	-	-		-	-	-	-	-
PGT	-	-	690	-	-	-	-	-
Portofer	9,084	111	-	-	-	-	-	-
Shared control	-	-	-	-	-	-	-	-
Santa Fé Vagões	2,904	364	-	-	-	-	-	-
	204,424	184,533	146,783	2,703	93,546	-	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).

22 Related-party transactions – (Continued)

	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						
	ALL S.A.	ALL MALHA SUL	ALL INTERMO DAL	ALL MALHA PAULISTA	ALL MALHA NORTE	MULTIMO DAL PARTICIP AÇÕES	TOTAL
GUARANTEEING							
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	1,840,556	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.

22. Related-parties transactions – (Continued)

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 Real Estate Credits Advances

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	-	558,709	-

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.

24 Real Estate Credits Advances – (Continued)

(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 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

26 Shareholders' Equity – (Continued)

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) <u>Distribution of dividends and interest on own capital</u>

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

26 Shareholders' Equity – (Continued)

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. entered a lawsuit with the Superintendency for the Development of the Amazon (SUDAM) claiming reduction of corporate income tax (IRPJ) and nonrefundable surtaxes calculated on profit from tax incentive operations ("lucro da exploração") due to the fact it is located in the Legal Amazon region and because the transport sector is considered a priority enterprise for development of the region, as set out in item I of article No. 2 of Decree No. 4,212 of April 26, 2002.

The incentive was awarded by Brazilian IRS through Executive Declaratory Act No. 504 of November 28, 2008, after dispatch by SUDAM of Constitutive Report No. 135/2008, which acknowledged ALL – América Latina Logistica Malha Norte S.A.'s right to tax incentive benefit of 75% reduction in IRPJ and nonrefundable surtaxes on profit from tax incentive operations, for a period of 10 (ten) years beginning in 2008 and ending in 2017.

26 Shareholders' Equity – (Continued)

The legal base for the recognition of this tax benefit was instituted by Provisional Executive Act No. 2199-14 in Article 1 of August 24, 2001 and as worded in Law No. 11196 of November 21, 2005. In 2008, the effect of the 75% reduction in IRPJ and nonrefundable surtaxes on profit from tax incentive operations was R$ 2,434, recorded reducing expenses on income and social contribution taxes in accordance with Brazilian FASB Technical Pronouncement (CPC) 07 approved by CVM Rule No. 555 of November 12, 2008.

27 Stock Option Plan

The expenses recorded with services received from employees in the years due to share based payment transactions to be settled by the delivery of equity instruments were R$ 19,763 in 2008 and R$ 18,935 in 2007.

There were no cancellations or modifications 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.

27 Stock Option Plan – (Continued)

Since its creation, 10 programs have been granted in 1998, 1999, 2000, 2001, 2002, 2003, 2005, 2006, 2007 and 2008.
The programs cover two groups of beneficiaries with different types of contracts, here described as “Contract A” (common to all types of programs) and “Contract B” (included as from the 2006 program).
In “Contract A” the beneficiary shall make payments of 10% of the share value, upon signing the contract, as a condition for the acquisition of right to share options and thereby acquiring the right to undertake every year, contributions for the acquisition of 18% of the total number of shares and as such at the end of the 5th year the beneficiary will have incorporated into his/ her equity the right the make contributions for the acquisition of 100% of shares. The value of the contributions (share options price) is restated by variation in the IGP-M index.

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.

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 options strike price is established by the management committee based on the market price of the shares. The options granted have maturities of ten years as from the right vesting date.

The plan does not foresee settlement of options in cash nor is there a history of such a practice by the Company. Fair value of the options is estimated on the date that the rights are granted through the Black & Scholes options pricing model, considering the terms and relevant conditions under which the options were granted.

Transactions in the year:

The table below states the number and weighted average price (MPPE) of the share options and respective changes 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 average weighted share price on these options as of exercise date was R$2.46 in 2008 (R$ 4.09 in 2007).

The average weighted remaining contractual period for options to be exercised at the end of year is 8.8 years in 2008 (8.9 years in 2007). The strike price of these options had maximum and minimum values of R$ 4.91 and R$ 0.75, respectively in 2008 (R$ 4.49 and R$ 0.66 in 2007).

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 table below sets 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
Expected life of option (years)	10	10
Weighted average share price (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 indicative of actual option exercise. The volatility expected is based on the assumption that the historic volatility of the 5 (five) years prior to the grantind is indicative of future tendencies, which may also not reflect current results.

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.

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**

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

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 began to operate various channels under the multimodal cargo transport system, granted by the Brazilian National Agency of Overland Transport (ANTT) as Multimodal Transport Operator (OTM), as set out in registration No. 0121-0905.

As such, the Company presented gross revenue 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 undertake various modes of cargo transport

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)	(73,898)
Total financial expenses		(179,429)	(141,885)	(1,027,134)	(794,933)
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		(35,193)	8,923	(763,555)	(527,447)

(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:

32 Financial Instruments – (Continued)

a) Credit risk

The Company and its subsidiaries face a potential credit risk in their trade accounts receivable or other receivables from financial institutions generated by short-term investments. The measures adopted to minimize the commercial risks include the selection of clients through proper credit rating analysis, establishing sale limits and short maturities for securities. Estimated losses on such receivables are fully provisioned for. The Company and its subsidiaries follow a policy to hold short-term investments only with highly rated institutions to minimize the credit risk. Furthermore each institution has maximum short-term investment balance limit determined by management.

b) Foreign Currency Risk

Foreign exchange risk stems from the possibility of losses from foreign exchange fluctuations that increase liabilities on loans received, trade accounts payable or supply contracts in foreign currency, as well as variations that reduce the balance of short-term investments or other assets.
The Company has a policy to use derivative financial instruments with the sole objective of mitigating the effects of the devaluation of the Brazilian Real in its purchases on credit in foreign currency. As such, the Company contracts US Dollar - Real and Euro - Real swap operations to the same amount and to the same maturity as the hedged liability. The Company regularly assesses its foreign exchange exposure to guarantee that income from hedge operations annuls the effect of foreign exchange variation on its cash flow.

See below the foreign exchange risk sensitivity analysis stating the estimated effects of foreign exchange variations on income in the next 12 (twelve) months. Management considered foreign exchange rate projected for 2009 according to banking projections as the probable scenario:

32 Financial Instruments – (Continued)

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		2,007	1,274	41,692
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.

32 Financial Instruments – (Continued)

c) Interest rate risk

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

To avoid any mismatching between the interest rates of financial assets and liabilities Pre-DI swap contracts are used to transform the fifth and sixth issue debentures of ALL Holding, issued with a part of their cost fixed (CDI + 1.5%) into 100% floating rate. As such the equality of indexes between assets and liabilities is guaranteed since the short term investments index corresponds to a CDI percentage.

The following presents an interest rate risk sensitivity analysis stating the estimated effects of variations on income over the next 12 (twelve) months. Management considers that the probable scenario is CDI projected for 2009, 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) Deterioration of financial charges risk

This risk stems from the possibility that the Company incurs losses due to interest rate variations or other indexes of its loans or financing that increase its financial expenses or reduce the financial income earned from its short-term investments. This risk has impacts on net debt indexed to CDI (total debt indexed to CDI – short-term investments indexed to CDI). Despite the fact the Company has contracted no operations to cover this exposure, it continuously monitors these indexes to assess if there is any need to contract derivatives in order to mitigate the risks in variations of these rates.

See the following risk sensitivity analysis on the deterioration of financial charges stating the estimated effects of such variation on income in the next twelve months, considering as a probable scenario the rates projected for 2009. Alternative scenarios were simulated with increases in rates, considering the fact 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

a) CVM Rule 550

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

32. Financial Instruments – (Continued)

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	-
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$ 4,566)**	**(R$ 5,591)**	**(R$ 66,309)**	**(R$ 13,154)**

All derivative operations are recorded in CETIP S.A. – Clearing House for the Custody and Settlement of Securities .

We stress that on maturity the negative or positive effect of these operations is offset by the opposite effect in assets or liabilities whose risk is being mitigated.

The accounting effect and the fair value of the derivative instruments and the items being hedged are controlled by a treasury control system considered effective by the management.

The fair value of derivatives was estimated using the prevailing foreign exchange and interest sketching curves on the BM&F at December 31, 2008 for the projection of future value as well as the BM&F DI future rate for discount to present value purposes. There is no deposit margin or guarantees of any type or amount, for no derivatives in question.
All gains and losses incurred by the Company calculated at fair value are recorded in the statement of income as detailed in Note 30.

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.

33 Private Social Security – (Continued)

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.

34 Summary of the differences between Accounting Practices Adopted in Brazil (“BR GAAP”) and Accounting Principles Generally Accepted in the United States of America (“US GAAP”)

The Company has prepared its primary consolidated financial statements in accordance with BR GAAP. The primary consolidated financial statements are used for statutory and regulatory purposes. In order to comply with the New Market requirements of BOVESPA, the Company is presenting the reconciliation of shareholders’ equity as of December 31, 2008 and 2007 and the reconciliation of net income as of and for the years then ended between BR GAAP and US GAAP. This note is not required by BR GAAP and has not been presented in the financial statements for statutory and regulatory purposes of the Company which were published on February 27, 2008.

A narrative description of the reconciling items between BR GAAP and US GAAP is also provided as required by BOVESPA. The narrative descriptions should not be used for any other purposes, as differences between BR GAAP and US GAAP may exist with respect to classification in the balance sheet and statement of income and with respect to required disclosures in the notes to the financial statements. Such potential differences are not being presented in this note.

The accompanying financial statements are a translation and adaptation from those originally issued in Brazil. Certain reclassifications, modifications and changes in terminology have been made in order to conform more closely to reporting practices of US GAAP. As discussed in Section III, Restatements of Prior Year Balances, the prior year financial statements have been restated to reflect the new accounting practices included, amended and repealed by Law No. 11,638 of December 28, 2007 and by Provisional Executive Act (MP) No. 449 of December 3, 2008, and a correction of an error in the US GAAP accounting for capital leases.

34. Summary of the differences between Accounting Practices Adopted in Brazil ("BR GAAP") and Accounting Principles Generally Accepted in the United States of America ("US GAAP") (Continued)

I Reconciliations of the differences between U.S. GAAP and BR GAAP in net income and shareholders' equity

Reconciliation of net income

		2008	2007 Restated
Consolidated net income under BR GAAP		176,726	162,706
Capitalization of interest costs	(a)		
Amortization of capitalized interest		(357)	(381)
Business combination – Logispar	(b)		
Reversal of goodwill amortization		7,264	7,264
Business combination and goodwill – Acquisition of truck operation	(c)		
Depreciation and amortization of fair value increments		(1,606)	(1,606)
Fair value of contingent consideration		-	3,242
Deferred taxes		546	(556)
Business combination and goodwill – Acquisition of Malha Norte	(d)		
Depreciation and amortization of fair value increments		18,966	20,810
Deferred taxes		(2,527)	(5,501)
Property, plant and equipment			
Depreciation on monetary adjustment of PP&E	(e)	(7)	(159)
Reversal of depreciation on monetary adjustment of PP&E of ALL Argentina		(2,142)	9,448
Deferred charges	(f)		
Reversal of amortization of deferred development stage costs		1,857	2,965
Other		324	(2,110)
Deferred income and social contribution tax effects on the above adjustments	(g)	(2,934)	(2,577)
Consolidated net income under U.S. GAAP		196,110	193,545

34. Summary of the differences between Accounting Practices Adopted in Brazil ("BR GAAP") and Accounting Principles Generally Accepted in the United States of America ("US GAAP") (Continued)

I Reconciliations of the differences between U.S. GAAP and BR GAAP in net income and shareholders' equity (Continued)

Reconciliation of shareholders' equity

		2008	2007 Restated
Consolidated shareholders' equity under BR GAAP		2,495,533	2,409,390
Capitalization of interest costs	(a)		
Capitalization of interest, net of accumulated amortization		1,988	2,345
Business combination –Logispar	(b)		
Write-off of goodwill , net of amortization		(105,939)	(113,204)
Business combination and goodwill – Acquisition of truck operation	(c)		
Fair value increments to property, plant and equipment and intangibles, net of accumulated depreciation		5,740	7,346
Goodwill		14,764	14,764
Fair value of contingent consideration		75,276	75,276
Deferred taxes		(32,565)	(33,111)
Business combination and goodwill – Acquisition of Malha Norte	(d)		
Fair value increments, net of accumulated depreciation		234,835	215,868
Deferred taxes		(74,589)	(72,062)
Property, plant and equipment			
Monetary adjustment of property, plant and equipment, net of accumulated depreciation	(e)	104	111
Reversal on monetary adjustment of property, plant and equipment, net of accumulated depreciation in ALL Argentina		(28,238)	(26,096)
Deferred charges			
Write-off of deferred charges net of accumulated amortization	(f)	(29,665)	(31,522)
Other		(3,264)	(3,589)
Deferred income and social contribution tax effects on the above adjustments	(g)	50,522	53,455
Shareholders' equity under U.S. GAAP		**2,604,502**	2,498,971

II Narrative Description of the differences between BR GAAP and US GAAP

a) Capitalization of financial costs in property, plant and equipment

Under BR GAAP, the Company capitalizes interest costs of borrowed funds directly related to the construction of property, plant and equipment, in accordance with a specific methodology. It also capitalizes foreign currency gains and losses on foreign-currency denominated borrowings applied to construction in progress.

Under U.S. GAAP, in accordance with the provisions of *SFAS N° 34 – Capitalization of Interest Cost*, interest incurred on all loans is capitalized to the extent that the amount of such loans does not exceed construction-in-progress. Under U.S. GAAP the amount of interest capitalized excludes foreign currency gains and losses and interest on shareholders' funds.

b) Business combination – Logispar

Under BRGAAP, accounting standards do not specifically address business combinations and the purchase method is applied based on book values. Goodwill or negative goodwill on the acquisition of a company, including acquisition of an entity under common control, is recorded by calculating the difference between the acquisition cost and its underlying book value. If the goodwill or negative goodwill is based on future profitability expectations, goodwill amortization is recognized in income over a period consistent with the period over which the expectation is to incur gains or losses.

This procedure is also generally applicable for transactions between entities under common control, and the goodwill generated would be amortized over the period of expected future profitability. As explained in Note 13 and 14 the Company recorded goodwill in a transaction between entities under common control with its subsidiary Logispar.

Under US GAAP, the Company adopted the procedures determined by SFAS N° 141 - Business Combinations which requires that transaction between entities under common control be accounted for its historical book basis with no recognition of goodwill or negative goodwill. The difference between the purchase price paid and book value of assets and liabilities of Logispar is treated for US GAAP purposes as a distribution to shareholders.

34. Summary of the differences between Accounting Practices Adopted in Brazil ("BR GAAP") and Accounting Principles Generally Accepted in the United States of America ("US GAAP") (Continued)

II Narrative Description of the differences between BR GAAP and US GAAP (Continued)

c) Business combinations and goodwill - Acquisition of truck operation

In August 2001, the Company entered into an agreement to lease all operational assets of the truck company operating under the name of Delara. The lease agreement contained a bargain purchase option at the end of the five-year original lease term, which was executed.

For BR GAAP the Company has accounted for the transaction as an operational lease and, as such, has recognized as an expense over the five-year period the total amount of the consideration due. Consideration payable in shares has been valued at the amount stated in the lease agreement as the value of those shares. No goodwill was recognized from this acquisition. The share price established in this agreement was R$ 0.1043 per share, which represented 60% of the book value of shares on the lease agreement date (2001), totaling R$ 1,943.

In 2007, the Company requested technical consultations from its legal advisors and researched the appropriate accounting for these shares. They concluded that the deliverable shares should be appreciated and marked to market from the moment it became impossible to settle the debt as originally agreed upon, which actually occurred after the IPO and dilution in participation of other shareholders in 2004.

The Company concluded that the market value of the 3,725,160 Units to be delivered to Delara, at R$26.40 per share (June 30, 2007 quotation), was R$98,344 thousand. Accordingly, the subsidiary Intermodal recorded an additional liability of R$96,360 at June 30, 2007.

Under US GAAP, the Company concluded that the transaction represents a business combination that should be accounted under SFAS 141 – Business Combinations.

The purchase price of R$95,519 was allocated to all assets acquired and liabilities assumed based on their estimated fair values. The purchase price allocation resulted in non-allocated goodwill in the amount of R$ 10,496 thousand. Considering that the acquisition was consummated after June 30, 2001 goodwill has not been amortized in accordance with SFAS No. 142 – "Goodwill and Other Intangible Assets".

34. Summary of the differences between Accounting Practices Adopted in Brazil ("BR GAAP") and Accounting Principles Generally Accepted in the United States of America ("US GAAP") (Continued)

II Narrative Description of the differences between BR GAAP and US GAAP (Continued)

c) Business combinations and goodwill - Acquisition of truck operation (Continued)

As a result of the purchase price allocation, differences exist between the carrying amounts of property, plant and equipment, intangible asset and goodwill for BR GAAP and US GAAP as of December 31, 2008 and 2007 and on the related depreciation and amortization.

During 2008, the Company performed the annual impairment test for the non-allocated goodwill, comparing the fair value of the reporting unit to its carrying value. Because the carrying value did not exceed the fair value, there was no need to calculate impairment.

d) Acquisition of "Malha Norte"

As explained in Note 13, on May 31, 2006 the Company acquired the operations denominated Malha Norte by acquiring the companies Brasil Ferrovias S.A. and Novoeste Brasil S.A. The Company issued 56,408,235 Company shares to acquire Malha Norte. For BR GAAP purposes the Company recorded the assets and liabilities of the acquired business at their book values and recorded the shares issued at the contractual amount agreed between the parties for those shares. The resulting goodwill amounted to R$ 2,516,713.

Under US GAAP, the Company recorded the transaction as a business combination under *SFAS No. 141 – Business Combinations*. The Company computed the purchase price consideration as the quoted market price of the shares issued. The purchase price of R$1,544,455 was allocated to assets acquired and liabilities assumed based on their fair values. The purchase price allocation resulted in goodwill in the amount of R$2,516,005 thousand.

The following table summarizes the US GAAP fair-value of the assets acquired and liabilities assumed at the date of the transaction:

	Restated
Current assets	112,028
Property, plant and equipment	2,170,298
Goodwill	2,516,005
Other non-current assets	376,695
Current liabilities	(1,268,325)
Non-current liabilities	(2,306,318)
Deferred taxes	(55,928)
Purchase price consideration	1,544,455

II Narrative Description of the differences between BR GAAP and US GAAP (Continued)

d) Acquisition of "Malha Norte" (Continued)

As a result of the purchase price allocation differences exist between the carrying amounts of net assets and goodwill for BR GAAP and for US GAAP as of December 31, 2008 and 2007 and on the related depreciation and amortization.

e) Monetary adjustment of property, plant and equipment

Under BR GAAP, accounting for the effects of inflation and monetary restatements of financial statements ceased on December 31, 1995. Beginning January 1, 1996, the carrying value of all non-monetary assets and liabilities monetarily corrected for inflation through December 31, 1995, based on official inflation indices through that date, became their historical cost basis.

Under U.S GAAP, in accordance with *SFAS No. 52 – Foreign Currency Translation*, Brazil ceased to be considered to a hyper inflationary economy on July 1, 1997, when the cumulative three-year rate of inflation fell below 100%. In accordance with *APB 3* "*Financial Statements restated for General Price-Level Changes" (APS 3)*, financial statements of companies operating in hyperinflationary economies should be adjusted for inflation following a methodology similar to the one used in Brazil through December 31, 1995.

Considering that Brazil continued to be a hyperinflationary economy through July 1, 1997 the Company is presenting in the reconciliation the effects of monetarily correcting its non-monetary assets through June 30, 1997. Monetary correction for 1996 and 1997, for which an official inflation index for purposes of adjustment of financial statements no longer existed, was made using the Market General Price Index (IGP-M) for Brazil.

Under BR GAAP, the nonmonetary assets of the Argentine subsidiaries have been adjusted for inflation during 2002 and 2003. For US GAAP purposes, considering that Argentina is not considered a hyperinflationary economy, the monetary restatements recorded for the years 2002 and 2003 have been reversed.

f) Deferred charges

Under BR GAAP preoperational expenses incurred can be capitalized as deferred charges and amortized over the expected period to be benefited.

Under US GAAP preoperational expenses are expensed when incurred.

g) Deferred taxes on the adjustments above

The following table presents the deferred tax effects on the appropriate adjustments detailed above as of December 31, 2008 and 2007 and for the years then ended:

	2008	**2007**
Balance Sheet		
Capitalization of interest costs	1,988	2,345
Business combination –Logispar	(105,939)	(113,204)
Property, plant and equipment:	104	111
Deferred charges	(29,665)	(31,522)
Other	(15,081)	(14,952)
Basis	(148,593)	(157,222)
Income Tax asset (liability) - 34%	50,522	53,455

g) Deferred taxes on the adjustments above

	2008	**2007**
Income Statement		
Capitalization of interest costs	(357)	(381)
Business combination – Logispar	7,264	7,264
Property, plant and equipment:	(7)	(159)
Deferred charges	1,857	2,965
Other	(129)	(2,110)
Basis	8,628	7,579
Income Tax Expense - 34%	**(2,934)**	(2,577)

The deferred tax effects related to the business combinations are included with the business combinations balances in the reconciliation of net income and shareholder’s equity.

34. Summary of the differences between Accounting Practices Adopted in Brazil ("BR GAAP") and Accounting Principles Generally Accepted in the United States of America ("US GAAP") (Continued)

III Restatements of Prior Year Balances

As disclosed in note 3 to the financial statements, the financial statements as of December 31, 2007 were restated due to the adoption of the new accounting practices included, amended and repealed by Law No. 11,638 of December 28, 2007 and by Provisional Executive Act (MP) No. 449 of December 3, 2008. The new accounting practices adopted in the statutory financial statements are substantially aligned with USGAAP provisions and made several reconciliation adjustments change or disappear.

Additionally, with confirmation of CPC 06 – Lease agreements - by CVM (Brazilian Securities Commission) for BR GAAP purposes, the Company's concession and lease transactions were deeply analyzed and management concluded that these lease agreements are completely dependent on the concession agreements and were erroneously classified as capital leases. The leases should be recorded as operating leases. The Company also reviewed this issue for US GAAP purposes and concluded that under FAS 13 and FIN 23 provisions these transactions were also erroneously classified as capital leases and should be accounted for as operating leases. The prior years US GAAP amounts have been restated to reflect the correction of the errors in accounting for these lease agreements.

A reconciliation between the 2007 figures before and after the restatements is presented in the following tables:

Shareholder's equity		Originally presented	Law 11,638 adjustment	US GAAP lease adjustment	Restated
Under BR GAAP	(1)	2,538,710	(129,320)	-	2,409,390
Capitalization of interest costs		2,345	-	-	2,345
Business combination –Logispar		(113,204)	-	-	(113,204)
Business combination and goodwill – Acquisition of truck operation					
Fair value increments to property, plant and equipment and intangibles, net of accumulated depreciation		7,346	-	-	7,346
Goodwill		14,764	-	-	14,764
Fair value of contingent consideration		75,276	-	-	75,276
Deferred taxes		(33,111)	-	-	(33,111)

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

December 31, 2008 and 2007

34. Summary of the differences between Accounting Practices Adopted in Brazil ("BR GAAP") and Accounting Principles Generally Accepted in the United States of America ("US GAAP") (Continued)

III Restatements of Prior Year Balances (Continued)

Business combination and goodwill – Acquisition of Malha Norte	(2)				
Fair value increments to property, plant and equipment, net of accumulated depreciation		4,104,429	-	(3,796,686)	307,743
Capital lease expense		(441,357)	-	441,357	-
Reversal of leasing prepayments		(43,217)	-	43,217	-
Financial expenses due to fair value increments of loans and financings		130,007	-	(7,798)	122,209
Goodwill reversal		(2,516,713)	-	4,630	(2,512,083)
Intangible – Concession		-	-	20,692	20,692
Concession payable		-	-	(20,678)	(20,678)
Deferred charges		(218,020)	-	-	(218,020)
Goodwill		249,849	-	2,266,156	2,516,005
Deferred taxes		(1,200,834)	-	1,128,772	(72,062)
Property, plant and equipment					
Monetary adjustment of property, plant and equipment, net of accumulated depreciation	(3)	2,578	(2,467)	-	111
Reversal on monetary adjustment of property, plant and equipment, net of accumulated depreciation in ALL Argentina		(26,096)	-	-	(26,096)
Accounting for capital lease	(4)	(248,155)	248,155	-	-
Deferred charges - Write-off, net of accumulated amortization	(5)	(35,034)	3,512	-	(31,522)
Stock option plan	(6)	63,462	(63,462)	-	-
Derivative instruments	(6)	(1,894)	1,894	-	-
Translation adjustments – ALL Argentina	(6)	-	-	-	-
Other		5,749	(9,338)	-	(3,589)
Deferred income and social contribution tax effects on the above adjustments	(7)	133,006	(79,551)	-	53,455
Under U.S. GAAP		2,449,886	(30,577)	79,662	2,498,971

34. Summary of the differences between Accounting Practices Adopted in Brazil (“BR GAAP”) and Accounting Principles Generally Accepted in the United States of America (“US GAAP”) (Continued)

III Restatements of Prior Year Balances (Continued)

Net income		Originally presented	Law 11,638 adjustment	US GAAP lease adjustment	Restated
Under BR GAAP	(1)	216,803	(54,097)	-	162,706
Capitalization of interest costs		(381)	-	-	(381)
Business combination –Logispar		7,264	-	-	7,264
Business combination and goodwill – Acquisition of truck operation					
Fair value increments to property, plant and equipment and intangibles, net of accumulated depreciation		(1,606)	-	-	(1,606)
Goodwill		-	-	-	-
Fair value of contingent consideration		3,242	-	-	3,242
Deferred taxes		(556)	-	-	(556)
Business combination and goodwill – Acquisition of Malha Norte	(2)				
Fair value increments to property, plant and equipment, net of accumulated depreciation		(174,443)	-	165,830	(8,613)
Capital lease expense		(51,004)	-	51,004	-
Reversal of leasing prepayments		29,235	-	(29,235)	-
Financial expenses due to fair value increments of loans and financings		(32,394)	-	(4,925)	(37,319)
Goodwill reversal		-	-	4,630	4,630
Intangible – Concession		-	-	(1,033)	(1,033)
Concession payable		-	-	(1,432)	(1,432)
Deferred charges		64.577	-	-	64,577
Goodwill		-	-	-	-
Deferred taxes		56,753	-	(62,254)	(5,501)
Property, plant and equipment					
Monetary adjustment of property, plant and equipment, net of accumulated depreciation	(3)	(159)	-	-	(159)
Reversal on monetary adjustment of property, plant and equipment, net of accumulated depreciation in ALL Argentina		9,448	-	-	9,448
Accounting for capital lease	(4)	(26,730)	26,730	-	-
Deferred charges - Write-off, net of accumulated amortization	(5)	6,858	(3,893)	-	2,965
Stock option plan	(6)	(18,801)	18,801	-	-
Derivative instruments	(6)	(5,591)	5,591	-	-
Translation adjustments – ALL Argentina	(6)	15,191	(15,191)	-	-
Other		219	(2,329)	-	(2,110)
Deferred income and social contribution tax effects on the above adjustments	(7)	5,003	(7,580)	-	(2,577)
Under U.S. GAAP		102,928	(31,968)	122,585	193,545

34. Summary of the differences between Accounting Practices Adopted in Brazil ("BR GAAP") and Accounting Principles Generally Accepted in the United States of America ("US GAAP") (Continued)

III Restatements of Prior Year Balances (Continued)

(1) Restatements in BR GAAP according to Notes 3 and 4.c to the financial statements.

(2) Review of lease (related to the concession contract) classification from capital to operating lease. The adjustments on fixed assets, lease prepayments and lease payable accounts affected the purchase price allocation, including goodwill and deferred taxes. An intangible related to the right to explore the concessions was also recorded on the acquisition, and is being amortized in the terms of the concessions.

(3) Reversion of monetary restatement on fixed assets adjustment (lease).

(4) Capital lease (other than concession related) recorded for BR GAAP purposes.

(5) Restatement of BR GAAP related to deferred charges that do not qualify as pre-operating expenses or intangibles.

(6) Recorded for BR GAAP purposes, due to adoption of new accounting pronouncements.

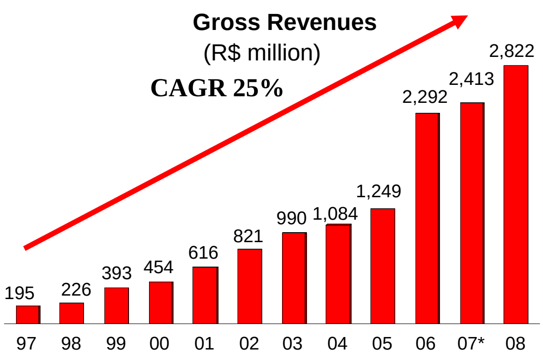
(7) Deferred tax effects of the above adjustments.

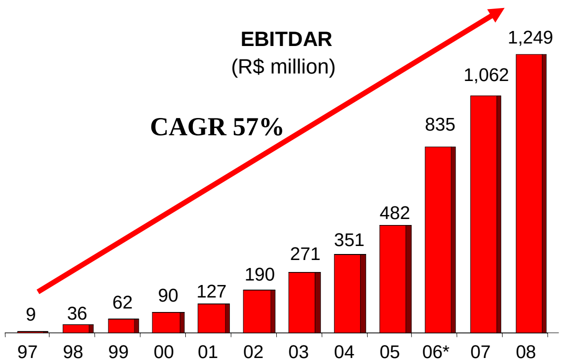
MANAGEMENT REPORT 2008

The purpose of América Latina Logística S.A. (Holding) is to hold interest in other companies as a shareholder or partner, and to develop, through its subsidiaries, activities related to the transportation of cargo and logistics. Its main subsidiaries are ALL Malha Sul, a rail concessionaire of RFFSA's southern network and the south portion of the São Paulo rail network; Multimodal Participações Ltda., holding company that control rail concessionaires in the States of São Paulo, Mato Grosso do Sul, and Mato Grosso; ALL Argentina, which controls the ALL Central and ALL Mesopotâmica railroads in Argentina; and ALL Intermodal, a logistics company that explores intermodal cargo transportation services and activities related to highway transportation services and logistics operations. Comparisons, unless otherwise stated, refer to the same period in 2007. The financial and operating information that follows, unless otherwise stated, are presented in reais, according to the Brazilian Corporate Law. Consolidated results, unless otherwise stated, comply with the changes in the Brazilian Accounting Standards that came into effect in 2008 (Law 11,638) and may differ from previous released figures. Consolidated results, unless otherwise stated, exclude the results originating from our interest in Santa Fé Vagões, of which ALL owns 40%.

OPERATING AND FINANCIAL HIGHLIGHTS

Consolidated Results

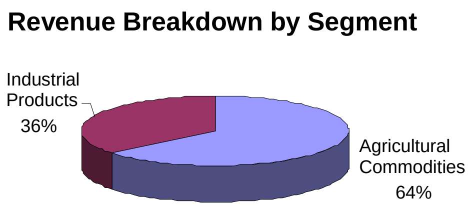


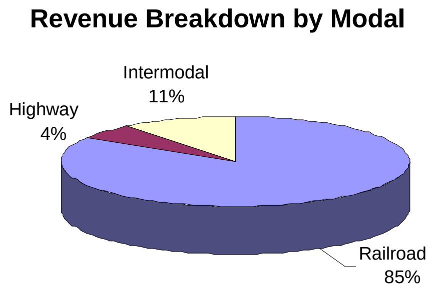


ALL - AMÉRICA LATINA LOGÍSTICA S.A. AND ITS SUBSIDIARIES
MANAGEMENT REPORT 2008
(In thousands of Reais, except when stated otherwise)

During the year, ALL increased (a) total volumes by 10.8%, from 34,486 million RTK in 2007 to 38,204 million RTK in 2008, (b) gross revenues by 17.0%, from R$2,412.9 million in 2007 to R$2,822.4 million in 2008, (c) EBITDA** by 23.9%, from R$872.4 million in 2007 to R$1,080.7 million in 2008 and (d) EBITDAR by 17.6%, from R$1,062.0 million in 2007 to R$1,248.8 million in 2008. The two largest business units, Agricultural Commodities and Industrial Products, accounted for 96% of 2008 EBITDAR, with 17.2% and 16.8% growth rates, respectively, as compared to 2007. EBITDA for the year recorded by the Highway Service business unit grew from R$13.0 million in 2007 to R$17.5 million in 2008. The products that contributed the most to the EBITDA growth were soy meal, sugar, soybeans and corn in agricultural commodities; and cement, containers, paper and pulp, and steel products in industrial products.

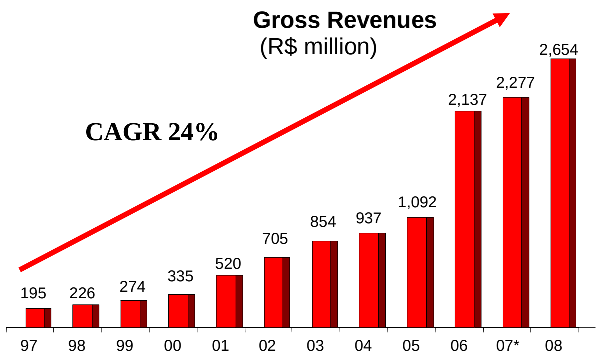
We continued to improve our EBITDA margin, which grew over two percentage points, from 40.7% in 2007 to 43.2% in 2008. There were margin increases in all business lines in Brazil as a result of operational leverage and continuous productivity gains.

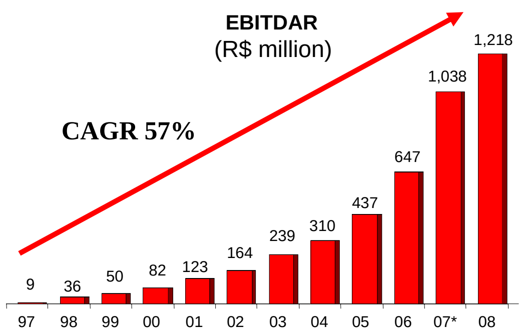




ALL's consolidated net income reached R$176.7 million in 2008, compared to a net loss of R$162.7 million in 2007, mainly due to an increase in transported volume, with significant improvements in the safety standards and asset reliability. Disregarding the R$91.5 million non-recurring gain resulting from the cancellation of interest expenses on SUDAM (Superintendence for the Development of the Amazon) financing in 3Q07, the net income grew by 148%, from R$71.2 million to R$176.7 million.

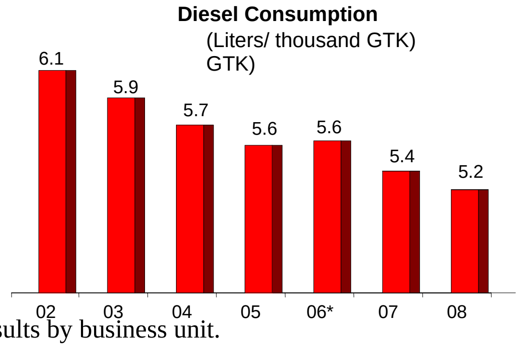
ALL BRASIL





Gross revenues of Brazilian operations increased 16.6%, from R$2,276.5 million to R$2,653.7 million, whereas total transported volume grew from 30.1 billion RTK to 33.7 billion RTK in 2008. EBITDA recorded a 23.7% growth, from R$848.7 million in 2008 to R$1,050.1 million in 2008, with a growth of 2.8 percentage points in EBITDA margin, from 42.2% in 2007 to 45.0% in 2008. The growth in EBITDA and EBITDA margin reflects: volume growth with a substantial improvement in safety standards, asset productivity, reduction in diesel consumption, and market share gains.

(In thousands of Reais, except when stated otherwise)



We present below the 2008 results by business unit.

AGRICULTURAL COMMODITIES BUSINESS UNIT

Agricultural commodities volumes increased 11.2% in 2008, from 21,308 million RTK in 2007 to 23,704 million RTK, reflecting mainly the growth in transported volume of sugar (31%), soy meal (35%), soybeans (13%) and corn (11%).

Agricultural Commodities (million RTK)	2008	2007	% Variation
Soybean	8,529.0	7,527.6	13.3%
Soy meal	3,731.6	2,766.7	34.9%
Fertilizers	2,299.8	2,806.3	-18.0%
Sugar	3,139.6	2,397.4	31.0%
Corn	5,021.9	4,677.2	7.4%
Wheat	447.4	402.8	11.1%
Rice	443.0	462.2	-4.1%
Others	91.4	268.3	-65.9%
Total	**23,703.7**	**21,308.5**	**11.2%**

Gross revenues in agricultural commodities increased 16.7% to R$1,520.6 million in 2008 as compared to R$1,773.9 million in 2007, whereas net income grew 16.4% from R$1,367.2 million in 2007 to R$1,591.1 million in 2008. Average yield, measured in R$/thousand RTK, increased by 4.9% as compared to the previous year, mainly due to: (i) a change in the transported products mix and (ii) pass-through of the diesel price increase.

Agricultural commodities EBITDAR increased 17.2%, from R$763.4 million in 2007 to R$894.6 million, mainly as a result of volume and yield expansion, whereas the EBITDAR margin stood in line with the previous year. Business Unit EBITDA (after expenses with rail car rentals related to new rail cars bought by the clients) increased 25.5%, from R$589.3 million in 2007 to R$739.5 million in 2008, whereas the EBITDA margin grew 3.4 percentage points, from 43.1% to 46.5%.

INDUSTRIAL PRODUCTS BUSINESS UNIT

(In thousands of Reais, except when stated otherwise)

During the year, industrial products business unit volume increased 12.7%, from 8,845 million RTK in 2007 to 9,971 million RTK in 2008. That increase was mainly due to the growth in transported volume from 13.4% in intermodal flows, reflecting market share gains in almost all business segments, with a substantial growth in wood, food, and container volumes.

Intermodal Industrial Products (million RTK)	**2008**	**2007**	**% Variation**
Steel products	966.5	847.9	14.0%
Wood products	655.9	575.4	14.0%
Food products	569.4	498.4	14.2%
Containers	936.0	807.1	16.0%
Other	652.0	603.9	8.0%
Total	**3,779.8**	**3,332.8**	**13.4%**

Pure Rail Industrial Products (million RTK)	**2008**	**2007**	**% Variation**
Fuel products	4,405.6	3,943.6	11.7%
Vegetable oil	292.9	331.3	-11.6%
Construction	1,492.6	1,236.9	20.7%
Total	**6,191.2**	**5,511.8**	**12.3%**

Gross revenues from industrial products increased 18.1%, from R$619.2 million in 2007 to R$731.1 million in 2008, driven by a 12.7% increase in volume and a 4.7% rise in yield, measured in R$/thousand RTK, mainly reflecting a change in the mix of transported products and a pass-through of the diesel price increase.

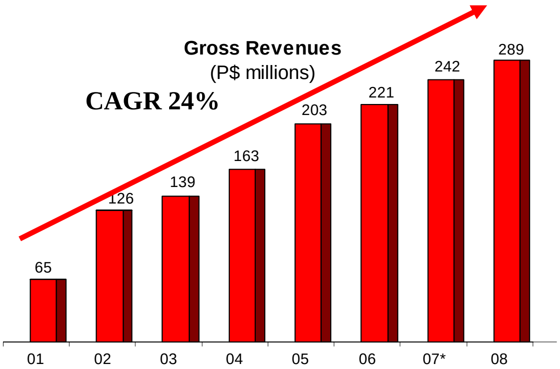
Industrial products EBITDAR grew 16.8% in 2008, from R$262.0 million in 2007 to R$306.1 million, mainly due to volume increases. The EBITDAR margin stood in line with the previous year. The Business Unit EBITDA (after rail car rental expenses related to new rail cars bought by clients) increased 19.0%, from R$246.4 million in 2007 to R$293.2 million in 2008, whereas the EBITDA margin rose 0.9 percentage points, reaching 48.1%.

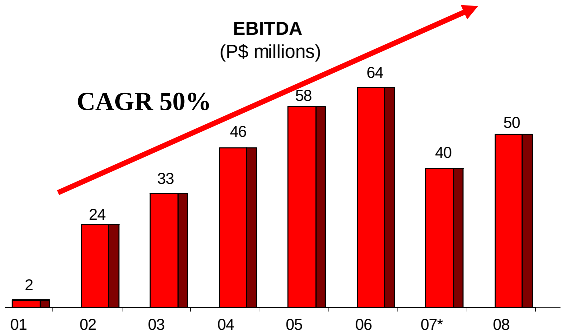
HIGHWAY SERVICE BUSINESS UNIT

EBITDA from highway services grew 34.6% in 2008, from R$13.0 million in 2007 to R$17.5 million, whereas EBITDA margin increased from 10.8% to 13.1% in 2008. This improvement in profitability reflects the process of discontinuation of unprofitable operations and the adoption of a minimum return margin for new operations starting in 2005.

Volume, as measured in remunerated kilometers (RK), grew 4.4% in 2008, with an increase in existing operations. Gross revenues recorded an 8.7% growth to R$148.7 million, whereas average yield grew 4.1% in 2008.

ARGENTINA OPERATIONS





ALL Argentina's gross revenues increased 19.2% in 2008, from P$242.5 million in 2007 to P$289.1 million, due to a 14.0% growth in the average tariff, from P$56.0 per thousand RTK in 2007 to P$63.8 per thousand RTK, added to an increase of 4.5% in volume, from 4,333 million RTK in 2007 to 4,530 million RTK. The volume growth reflects the sound increase in 2H08, which offset the decrease in volume recorded in 1H08, due to traffic interruptions by farmers on highways and railways during the first half of the year, as a protest against the increases in grains export rates. In July, Argentina's Congress rejected the surtax on exports and the farmers' protests ceased, which led to a strong performance of our operations and a recovery of ALL Argentina.

EBITDAR grew from P$40.1 million in 2007 to P$50.1 million in 2008, or 25.0% and EBITDA margin rose from 16.9% to 17.8%. The EBITDA growth was a result of higher volumes, as well as the pass-through of inflation and the diesel price increase.

CVM Rule 381 of January 14, 2003

ALL – América Latina Logística S.A. in compliance with Letter/CVM/SEP/GEA-2/N.º 305/05 and CVM Rule 381 of January 14, 2003 (ratified by Circular Letter /CVM/SEP/SNC/Nº02/2005 of March 20, 2005) informs the market about the services hired by the Company and provided by its independent auditor Ernst & Young ("Auditor") during the year 2008:

(i) Review of indirect taxes adherence, whose legal fees account for 5.3% of the audit fees;

(ii) Review services on corporate model, resulting from the subsidiaries' restructuring, whose legal fees account for 3.4% of the audit fees.

Arbitration Clause

ALL – América Latina Logística S.A. is bound to arbitration at the Market Arbitration Chamber, pursuant to the Arbitration Clause in its by-laws.