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

Individual Financial Statements (Controlling Company)
drawn up in accordance with generally accepted accounting practices in Brazil
(Brazilian GAAP) and, Consolidated Financial Statements
drawn up in accordance with International Financial Reporting Standards (IFRS)

INDEPENDENT AUDITORS REPORT ON SPECIAL REVIEW

To
Management, Counselors and Shareholders of
ALL – América Latina Logística S.A.
Curitiba - PR

We have audited the accompanying individual and consolidated financial statements of ALL – América Latina Logística S.A. ("Company") and subsidiaries, identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2010, and the related income statement, of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting practices and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil, and of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and in conformity with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Company's financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting practices used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the individual financial statements

In our opinion, the individual financial statements referred to above present fairly, in all material respects, the financial position of ALL – América Latina Logística S.A. and subsidiaries as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ALL – América Latina Logística S.A. as at December 31, 2010, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

INDEPENDENT AUDITORS REPORT ON SPECIAL REVIEW

Emphasis of a matter

As mentioned in Note 4, the individual financial statements were prepared in accordance with accounting practices adopted in Brazil. In the case of ALL – América Latina Logística S.A. and subsidiaries, these practices differ from IFRS - applicable to the separate financial statements - solely with respect to the measurement of investments in subsidiaries, affiliates and jointly owned subsidiaries, under the equity method, while such investments would be measured at cost or fair value for IFRS purposes.

As mentioned in Note 5 (a), on October 20, 2006, indirect subsidiaries América Latina Logística Central S.A. ("ALL Central") and América Latina Logística – Mesopotámica S.A. ("ALL Mesopotámica"), executed, with the Argentine National State "Letters of Understanding", as part of the renegotiation process of its concession agreements. On the issue date of this Report, the Management of the subsidiaries and its counsels understand that the renegotiation process of the agreements has not been concluded yet, due to the absence of approval by the Executive Branch of such country. The main effects of the new contractual system which is being negotiated are also described in Note 5 (a). The subsidiaries estimated the recoverable amount of its permanent assets and taxes recoverable, on December 31, 2009, based on cash flow studies which take into consideration the changes proposed in the "Letters of Understanding" previously mentioned, which the Management of the subsidiaries deem as necessary to comply with its business plans. The recoverability of the amount of permanent assets and taxes recoverable, presently, depend on the approval by the Argentine National Executive Branch of the renegotiation of the concession agreement (previously approved by the "Comisión Bicameral de Seguimiento de Privatizaciones" of such country), and the successful implementation of the business plan developed by the Management. The resolution of these matters is still pending on the date of this Report and, subsequently, the present financial statements do not comprise any adjustment and/or reclassification from the effects that could derive from said uncertainties.

As described in Note 7, the indirect subsidiary ALL Central has interrupted the recognition of revenues linked to tolls of "Unidad Ejecutora del Programa Ferroviário Provincial (U.E.P.F.P.)" as from January 2002. This decision is basically founded on the lack of recognition of services rendered by said Unit. In 2004, ALL Central started a demand with the Federal Contentious Administrative Court of the province of Buenos Aires, requiring the payment of toll values referring to the period between 1993 and 1996. Supported by its legal advisors' opinion, that the collection suit of the amounts filed against U.E.P.F.P. has a relatively high probability of success, the Management did not record provision for losses of the amount receivable recorded at ALL Argentina of approximately R$1,997 thousand (P$4,762 thousand). On the other hand, and due to the agreements executed with the previous shareholders, ALL Argentina records a liability of similar value, due to the obligation of reimbursing 50% of the recovered amounts, referring to tolls incurred in the periods preceding the acquisition date of ALL Central and ALL Mesopotámica. The financial statements described in paragraph 1 do not contemplate possible adjustments or reclassifications that could arise as a result of these discussions.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added for the year ended December 31, 2010, the presentation of which is required by Brazilian corporation law for publicly held companies, and as supplementary information under IFRS, whereby no statement of value added presentation is required. These statements have been subject to the same auditing procedures previously described and, in our opinion, are presented fairly, in all material respects, in relation to the overall financial statements.

Curitiba, February 21, 2011, except the notes 25 and 26, which the date is March 18, 2011

Ernst & Young Terco Auditores Independentes S.S.
CRC-2-SP 15199/O-6 "F" PR

Luiz Carlos Passetti	Roque Hülse
Contador CRC-1-SP-144.343/O-3 "S" PR	Contador CRC-SC-021283/O-3 T-PR

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

BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of R$)

		Parent Company			Consolidated		
			Restated	Restated		Restated	Restated
	Note	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09
ASSETS							
CIRCULANTE							
Cash and cash equivalents	6	591.702	1.139.520	929.500	1.974.560	2.573.725	2.642.731
Trade accounts receivable	7	7.905	32.777	47.111	231.383	186.418	154.347
Inventories					105.077	80.231	93.660
Credits with congeners					1.344	409	2.537
Lease	8				6.186	6.467	6.554
Recoverable taxes and contributions	9	50.825	44.723	71.672	276.968	277.895	337.120
Dividends and interest on own capital		1.110	34.157	109.906			
Advances and other accounts receivable		5.420	5.424	8.019	95.200	77.938	36.135
Prepaid expenses		4.190	4.310		12.695	19.228	6.237
Total current assets		661.152	1.260.911	1.166.208	2.703.413	3.222.311	3.279.321
NON-CURRENT ASSETS							
LONG-TERM ASSETS							
Credits receivable from related companies	20	46.326	373.083	267.065		783	5.644
Lease	8				94.724	100.904	107.231
Debentures	11	265.397	109.691	98.001			
Recoverable taxes and contributions	9	9.859	6.599	4.535	313.592	315.909	242.267
Deferred income tax and social contribution	10		55.323	59.226	457.392	389.405	164.845
Refundable deposits and restricted amounts	19	15.302	3.038	1.390	348.015	294.386	268.590
Temporary investments						542	503
Other realizable assets					40.250	13.774	15.438
Prepaid expenses					7.912	8.860	11.384
		336.884	547.734	430.217	1.261.885	1.124.563	815.902
PERMANENT ASSETS							
Investments	12	3.987.705	3.359.934	2.470.990	7.483	5.266	6.287
Intangible assets	13	1.168	1.509	843	2.535.100	2.574.471	2.734.332
Fixed assets	14	127.034	67.939	76.377	6.011.955	5.251.201	4.726.658
		4.115.907	3.429.382	2.548.210	8.554.538	7.830.938	7.467.277
Total non-current assets		4.452.791	3.977.116	2.978.427	9.816.423	8.955.501	8.283.179
TOTAL ASSETS		5.113.943	5.238.027	4.144.635	12.519.836	12.177.812	11.562.500

The notes are an integral part of the financial statements.

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

BALANCE SHEETS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of R$)

		Parent Company			Consolidated		
			Restated	Restated		Restated	Restated
	Note	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09
LIABILITIES							
CURRENT LIABILITIES							
Suppliers		20.508	12.622	144.561	345.352	552.290	986.844
Loans and financings	15	13.142	6.457	12.918	385.523	418.934	375.200
Debentures	16	178.478	32.139	199.574	261.195	71.197	291.368
Tax liabilities		4.332	5.288	4.071	43.344	96.042	214.057
Debt with congeners					3.304	2.875	11.469
Lease and concessions	18				35.282	26.554	27.531
Labor and social security liabilities		333			78.698	35.021	78.002
Advance from clients		16.741	23.584	32.047	69.452	67.638	81.045
Leasing	17				239.354	143.264	128.817
Tax and social security installments	24	420	434		17.685	64.233	18.844
Other accounts payable					11.995	4.080	10.254
Deferred income	23				2.611	2.065	2.203
Real Estate Credit Advances	22	29.968	10.950	14.420	151.611	173.184	63.833
Dividends and interest on own capital		57.987	7.873	42.210	58.297	7.996	42.333
Total current liabilities		321.909	99.347	449.801	1.703.703	1.665.373	2.331.800
NONCURRENT LIABILITIES							
Loans and financings	15	252.364	262.156	261.721	2.653.527	2.455.867	2.518.286
Debentures	16	605.317	741.940	897.192	1.465.619	1.653.906	1.750.036
Accounts payable to related companies	20	26.713	407.794	146.783		579	844
Provision for contingencies	19				203.304	208.576	297.964
Lease and concessions	18				1.114.809	1.000.616	897.586
Advance from clients						1.112	8.767
Provision for unrealized profit	21	12.617	13.361	14.105			-
Leasing	17				856.747	931.347	750.824
Tax and social security installments	24	5.356	4.793		188.572	124.948	109.441
Real Estate Credit Advances	22	73.374	106.812	117.761	466.400	499.272	558.709
Other liabilities					8.885	11.289	43.738
Provsion for unsecured liabilities in subsidiaries	12	7.661	21.706	8.836		4.651	768
Deferred income	23				30.294	24.448	26.375
Total noncurrent liabilities		983.402	1.558.562	1.446.398	6.988.157	6.916.611	6.963.338
SHAREHOLDERS' EQUITY	25						
Capital stock		3.433.941	3.433.941	2.141.413	3.433.941	3.433.941	2.141.413
Capital reserves		36.909	(9.482)	(73.014)	36.909	(9.482)	(73.014)
Profit reserves		341.547	168.296	146.064	341.547	168.296	146.064
Accumulated earnings (losses)							
Equity adjustments		(13.766)	(12.637)	25.830	(13.766)	(12.637)	25.830
Advance for future capital increases		10.001		8.143	10.001		8.143
		3.808.632	3.580.118	2.248.436	3.808.632	3.580.118	2.248.436
Minority shareholders					19.344	15.710	18.926
Total shareholders' equity		3.808.632	3.580.118	2.248.436	3.827.976	3.595.828	2.267.362
TOTAL LIABILITIES		5.113.943	5.238.027	4.144.635	12.519.836	12.177.812	11.562.500

The notes are an integral part of the financial statements.

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

INCOME STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of R$))

		Parent Company		Consolidated	
			Restated		Restated
	Note	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Net revenue from services	31	56,487	538,800	2,753,531	2,471,663
Cost of services provided		(7,347)	(433,477)	(1,537,171)	(1,592,613)
Gross profit		49,140	105,323	1,216,360	879,050
Income from shareholding					
Equity accounting	12	314,549	178,211	1,960	(1,020)
Reversal (provision) for unsecured liabilities in subsidiaries	12	(687)	(11,872)		(2,250)
Goodwill amortization in subsidiaries	13	(32,272)	(107,888)	(33,535)	(130,296)
Gain/loss in investments	12	418	(4,356)	468	(5,808)
		282,008	54,095	(31,107)	(139,374)
Other operating income (expenses)					
Selling		(632)	(142)	(14,085)	(7,232)
General and administrative		(6,404)	(11,608)	(165,961)	(116,099)
Other operating income (expenses), net	31	13,449	1,236	16,655	15,199
		6,413	(10,514)	(163,391)	(108,132)
Operating income before financial income		337,561	148,904	1,021,862	631,544
Financial expenses	27	(143,862)	(183,654)	(1,031,986)	(1,095,943)
Financial income	27	108,089	74,774	218,735	249,726
		(35,773)	(108,880)	(813,251)	(846,217)
Operating profit before taxes and minority interest		301,788	40,024	208,611	(214,673)
Provision for income tax and social contribution	10	(6,307)	(4,710)	(45,150)	(42,028)
Deferred income tax and social contribution	10	(55,602)	(566)	82,400	296,851
		(61,909)	(5,276)	37,250	254,823
Minority shareholders				(5,982)	(5,402)
Net income for the period		239,879	34,748	239,879	34,748
Basic income per share	29				
(Amounts expressed in thousands, except earnings per share)					
Per common share		0.3544	0.0515	0.3544	0.0515
Diluted income per share	29				
(Amounts expressed in thousands, except earnings per share)					
Per common share		0.3477	0.0515	0.3477	0.0515

The notes are an integral part of the financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of R$)

	Capital Paid-up		Capital Reserve				Profit Reserve					Other				
	Subscribed	To be paid-up	Treasury Shares	Debentures Funding Cost	Recognized Granted Options	Goodwill in the issue of shares	Legal	Tax Incentives	For Investments	Retained Earnings / Accumulated Losses	AFAC	Accumulated Translation Adjustments	Adjustment to assets	Total	Minority Shareholders	Total Shareholders' Equity
Balance on January 1, 2009 - Restated	**2.153.338**	**(11.925)**	**(124.328)**		**51.282**	**32**	**40.105**	**2.434**	**103.525**		**8.143**	**14.773**	**11.057**	**2.248.436**	**18.926**	**2.267.362**
Net income for the year										34.748				34.748	(3.216)	31.532
Allocations																
Dividends										(7.190)				(7.190)		(7.190)
Other allocations							1.514		12.364	(5.987)				7.891		7.891
Exchange effect on foreign investments												(32.915)		(32.915)		(32.915)
Deferred effect of mark-to-market of hedge operations													7.167	7.167		7.167
Mark-to-market of investment held for sale													(12.719)	(12.719)		(12.719)
Capital increase by conversion of debentures	1.292.528													1.292.528		1.292.528
Cost of capitalized debenture funding				(19.439)										(19.439)		(19.439)
Recording of tax incentive reserve								27.517	(5.946)	(21.571)						
Stock options:																
Registration of reserves for options granted					20.181									20.181		20.181
Exercised options			67.172		(4.382)				(37.345)		(8.143)			17.302		17.302
Deferred income tax and social contribution - Law 11,638 (reflex of subsidiaries)									24.128					24.128		24.128
Balance on December 31, 2009 - Restated	**3.445.866**	**(11.925)**	**(57.156)**	**(19.439)**	**67.081**	**32**	**41.619**	**29.951**	**96.726**	**-**		**(18.142)**	**5.505**	**3.580.118**	**15.710**	**3.595.828**
Net income (loss) for the year										239.879				239.879	3.634	243.513
Allocations																
Dividends										(56.972)				(56.972)		(56.972)
Other allocations							11.994	49.299	121.614	(182.907)						
Exchange effect on foreign investments												8.309		8.309		8.309
Deferred effect of mark-to-market of hedge operations													(5.139)	(5.139)		(5.139)
Mark-to-market of investment held for sale													(4.299)	(4.299)		(4.299)
Capital subscription	24.171	(24.171)														
Exercise of right of recourse			(358)											(358)		(358)
Stock options:																
Registration of reserves for options granted					22.168									22.168		22.168
Exercised options			15.836		8.745				(9.656)		10.001			24.926		24.926
Balance on December 31, 2010	**3.470.037**	**(36.096)**	**(25.598)**	**(19.439)**	**81.914**	**32**	**53.613**	**79.250**	**208.684**		**10.001**	**(9.833)**	**(3.933)**	**3.808.632**	**19.344**	**3.827.976**

The notes are an integral part of the financial statements.

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

STATEMENTS OF CASH FLOWS ENDED DECEMBER 31, 2010 AND 2009
(In thousands of R$)

	Parent Company		Consolidated	
		Restated		Restated
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Operating activities				
Net income for the year	239,879	34,748	239,879	34,748
Expenses (revenue) that do not affect cash and cash equivalents				
Depreciation and amortization	2,867	8,496	347,969	388,258
Equity accounting	(314,549)	(178,211)	(1,960)	1,020
Provision for unsecured liabilities	687	11,872		2,250
Goodwill amortization	32,272	107,888	33,535	130,296
Deferred income tax and social contribution	55,602	566	(82,400)	(296,851)
Provision for unrealized profit	(742)	(744)		
Realization of deferred revenues			6,391	(2,065)
Exchange variation and charges on financings and debentures	41,016	(41,469)	78,874	(28,448)
Stock Options	5,562	5,072	22,166	20,181
Minority interest			5,982	5,351
	62,594	(51,782)	650,436	254,740
Increase (decrease) in asset accounts				
Trade accounts receivable	24,872	14,334	(44,965)	(32,070)
Storehouse			(24,846)	13,429
Recoverable taxes	(9,642)	28,222	17,658	57,874
Dividends and interest on own capital	57,377	75,749		
Other assets	(12,035)	29,902	(59,869)	(51,244)
	60,572	148,207	(112,022)	(12,011)
Increase (decrease) in liabilities account				
Suppliers	7,886	(131,939)	(206,939)	(434,553)
Payroll and social charges	333		43,677	(46,024)
Taxes, fees and contributions	2,459	6,444	(21,067)	(57,119)
Lease and concessions payable			104,330	102,053
Other liabilities	(192)	(7,916)	(1,196)	(14,607)
	10,486	(133,411)	(81,195)	(450,250)
Operating cash generation (use)	**133,652**	**(36,986)**	**457,219**	**(207,521)**
Investment activities				
Acquisition of fixed assets	(61,715)	(86)	(875,994)	(715,449)
Inventory in fixed reversal			12,511	(66,320)
Acquisition (increase) of interest	(378,990)	(843,764)	(4,908)	
Cash generated by (used in) investment activities	(440,705)	(843,850)	(868,391)	(781,769)
Financing activities				
Financing				
Funding		2,565	435,574	555,514
Amortization	(204,693)	(316,683)	(642,008)	(885,209)
Capital increase and AFAC	25,111	1,291,507	25,111	1,291,507
Dividends and interest on own capital	(6,859)	(41,528)	(6,670)	(41,528)
Related parties	(54,324)	154,995		
Cash generated by (used in) financing activities	(240,765)	1,090,856	(187,993)	920,284
Cash and cash equivalents increase (reduction)	**(547,818)**	**210,020**	**(599,165)**	**(69,006)**
Cash and cash equivalents initial balance	1,139,520	929,500	2,573,725	2,642,731
Cash and cash equivalents final balance	591,702	1,139,520	1,974,560	2,573,725
Cash and cash equivalents increase (reduction)	**(547,818)**	**210,020**	**(599,165)**	**(69,006)**

The notes are an integral part of the financial statements.

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

STATEMENT OF VALUE ADDED ENDED DECEMBER 31, 2010 AND 2009
(In thousands of R$)

	Parent Company		Consolidated	
		Restated		Restated
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Revenues				
From services	56.727	539.742	2.751.736	2.483.358
Other revenues	15.060	6.894	262.538	333.772
Provision for doubtful accounts - reversal/recording	(632)	(260)	(8.680)	6.990
	71.155	**546.376**	**3.005.594**	**2.824.120**
Inputs acquired from third parties				
Cost of services sold	(4.725)	(425.648)	(763.709)	(762.668)
Material, energy, outsourced services and other	(7.129)	(5.478)	(191.920)	(263.251)
Loss/recovery of assets value	(26.298)	(117.512)	(160.894)	(220.436)
Other	(68)	(144)	(3.945)	(12.589)
	(38.220)	**(548.782)**	**(1.120.468)**	**(1.258.944)**
Gross value added	**32.935**	**(2.406)**	**1.885.126**	**1.565.176**
Depreciation, amortization and depletion	(2.867)	(8.496)	(347.969)	(388.258)
Net value added produced by entity	**30.068**	**(10.902)**	**1.537.157**	**1.176.918**
Value added received in transfer				
Equity accounting / Provision for unsecured liabilities	313.862	166.339	1.960	(3.270)
Financial revenues	108.089	74.774	218.735	249.726
	421.951	**241.113**	**220.695**	**246.456**
Total value added to distribute	**452.019**	**230.211**	**1.757.852**	**1.423.374**
Distribution of value added				
Personnel				
Direct compensation	2.602		190.715	144.146
Benefits			26.808	21.156
FGTS	115		8.523	7.686
	2.717		**226.046**	**172.988**
Taxes, fees and contributions				
Federal	63.839	5.476	4.688	(217.528)
State			13.413	16.973
Municipal	1.085	5.460	11.763	17.197
	64.924	**10.936**	**29.864**	**(183.358)**
Capital compensation of third parties				
Interest	143.862	183.654	1.031.985	1.095.943
Rental	637	873	224.096	297.134
	144.499	**184.527**	**1.256.081**	**1.393.077**
Compensation of own capital				
Interest on own capital				516
Dividends	56.972	7.190	56.972	7.190
Retained earnings	182.907	27.558	182.907	27.558
Minority interest in retained earnings			5.982	5.403
	239.879	**34.748**	**245.861**	**40.667**
Total value added distributed	**452.019**	**230.211**	**1.757.852**	**1.423.374**

The notes are an integral part of the financial statements.

(In thousands of R$, except as otherwise indicated)

1. Operations

a) The Company

ALL - América Latina Logística S.A. ("Company" or "Parent Company") was established on December 31, 1997.

The Company's main corporate purposes are:

- to hold interest in other companies, ventures and consortia, the purpose of which is related to transportation services, including rail transportation;

- to perform activities relating to transportation services, such as logistics, intermodal transportation, port operations, movement and storage of goods, operation and management of storage warehouses and general warehouses;

- to purchase, lease or lend locomotives, railcars and other rail equipment to third parties;

On October 22, 2010, the Company was included in "Novo Mercado" listing segment on the BM&FBovespa where its shares are traded.

The Company operates rail transportation in Southern Brazil through ALL – América Latina Logística Malha Sul, and in the Central West region and State of São Paulo through the subsidiaries ALL – América Latina Logística Malha Paulista, ALL – América Latina Logística Malha Norte and ALL – América Latina Logística Malha Oeste S.A. It operates in Argentina through its subsidiary ALL - América Latina Logística – Argentina S.A. (ALL Argentina), holding company of ALL - América Latina Logística - Central S.A. (ALL Central) and ALL - América Latina Logística - Mesopotámica S.A. (ALL Mesopotámica), and also provides road transportation services in Brazil through ALL - América Latina Logística Intermodal S.A. (ALL Intermodal).

Concession terms are as follows:

Companies	Concession period	Area of Operation
ALL Malha Sul	February 2027	South of Brasil
ALL Malha Paulista	December 2028	Midwest and São Paulo State
ALL Malha Oeste	June 2026	Midwest and São Paulo State
ALL Malha Norte	May 2079	Midwest and São Paulo State
ALL Central	August 2023	Argentina
ALL Mesopotámica	October 2023	Argentina
Portofer	June 2025	Port of Santos-SP
Terminal XXXIX	August 2022	Port of Santos-SP
TGG - Terminal de Granéis do Guarujá	August 2022	Port of Santos-SP
Termag - Terminal Marítimo de Guarujá	August 2022	Port of Santos-SP

All companies comprising ALL Group are listed in Note 2.1.

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

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.
At the Extraordinary General Meeting held on April 30, 2010 approved the increase in capital stock through a private subscription in the amount of R$35,000, upon the issue of 17,500,000 common shares and 17,500,000 preferred shares. This increase was paid by its parent company in domestic currency.

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.

Track Logística: set up on April 7, 2010, for the business purpose of providing the services of a general cargo logistics operator, the managing and operating of ports, terminals, distribution centers, storage units, general warehouses, bonded customs warehouses in the interior, as well as: import, export, sell, buy, distribute, lease, rent and lease containers, railway locomotives, railcars, machinery and equipment; and carry out all other related activities, correlated, accessory and complementary linked to the same. Own a shareholding, directly or indirectly, in companies, consortiums, enterprises and other types of associations.

Brado Holding: set up on July 9, 2010, for the business purpose of owning shareholdings in other companies, consortiums or enterprises in the country or overseas.

ALL Malha Sul: the Extraordinary General Meeting held on May 18, 2010 approved the increase in capital stock through a private subscription in the amount of R$475,500, upon the issue of 107,151,203,891 common shares and 163,019,250,654 preferred shares. This increase was paid by using credits held by its parent company on that date.

ALL Intermodal: the Extraordinary General Meeting held on May 03, 2010 approved the increase in capital stock through a private subscription in the amount of R$22,100, upon the issue of 12,628,571 common shares. This increase was paid by using credits held by its subsidiary on that date.

ALL Serviços (former ALL Tecnologia): On July 12, 2010, the partners resolved: a) to change the Company's corporate name to ALL – América Latina Logística Serviços Ltda.; b) to increase the capital stock by R$99, with the issue of 99,000 quotas, subscribed entirely by the shareholder ALL – América Latina Logística S.A., through waiver by the shareholder ALL – América Latina Logística e Participações Ltda. of the preemptive right to the subscription of new quotas.

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

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

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

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

- all rights and privileges transferred to the Companies will return to the Federal Government, together with leased assets and those resulting from investments that are considered reversible by the Federal Government for being necessary to the continuous rendering of services under the concession.

(In thousands of R$, except as otherwise indicated)

- the assets considered reversible will be indemnified by the Federal Government at the residual cost value, calculated in accordance with the accounting records of the Companies, net of depreciation; this cost will be subject to technical and financial analyses by the Federal Government. Any and all improvements made to the permanent track superstructure will not be considered as investments for indemnification purposes.

c) Corporate restructuring

On April 30, 2009, ALL - América Latina Logística S.A. acquired the control and all the shares issued by Santa Fé Vagões S.A., increasing its shareholding in this company from 39.99% to 100.0%.

On October 15, 2009, based on the financial appraisal report, the quotaholders of Multimodal Participações Ltda. (Multimodal) and shareholders of Nova Brasil Ferrovias S.A. (Nova BF) approved the merger of Nova BF into Multimodal with the consequent extinguishment of Nova BF, whereby Multimodal became the successor of all the rights and obligations of the merged company.

On December 30, 2009, based on the financial appraisal report, Multimodal's quotaholders and shareholders of ALL – América Latina Logística Malha Norte S.A. (ALL Malha Norte), ALL – América Latina Logística Malha Paulista S.A. (ALL Malha Paulista) and ALL – América Latina Logística Malha Oeste S.A. (ALL Malha Oeste) approved the total split-off of Multimodal Participações Ltda. and the merging of the three split portions into ALL Malha Norte, ALL Malha Paulista and ALL Malha Oeste, with the consequent extinguishment of Multimodal, whereby each of the merging companies became successors of all the rights and obligations of the split company.

A full provision for Multimodal's goodwill was established before the split-off and merger of the split portions in contra account to the capital reserve in the shareholders' equity group, in accordance with CVM Instruction 349 of March 6, 2001. At the same time, the parents company ALL - América Latina Logística S.A. had its investment reconstituted in the amount of the provision.

Aiming to prevent the goodwill amortization from affecting negatively the flow of dividends to shareholders, a provision was also recorded to maintain the integrity of the shareholders' equity of its merging companies (ALL Malha Norte, ALL Malha Paulista and ALL Malha Oeste), in the full amount of goodwill, in accordance with CVM Instruction 349 of March 6, 2001.

Therefore, with Multimodal's total split-off and merger of the split portions into its subsidiaries, the overall amount of goodwill was transferred to each subsidiary for the amount of the goodwill generated by each on the acquisition date:

ALL Malha Norte	R$	2,050,356
ALL Malha Paulista	R$	355,605
ALL Malha Oeste	R$	123,948

Goodwill amortization, net of the reversal of the corresponding provision, will have a null effect on the income, resulting in a tax benefit that will improve the basis of minimum mandatory dividends.

2. Accounting policies

As the consolidated financial statements were drawn up based on several valuation techniques used in accounting estimates, and the accounting estimates involved to prepare the financial statements were based on both objective and subjective factors, including the judgment of management to determine the appropriate value to be registered in the financial statements. Significant items subject to these estimates and premises include the choice of useful working life for fixed assets and their recoverability in operations, valuation of financial assets by their fair value and by adjusting to present value, estimates of value in the use, and cash flow for impairment test, credit risk analysis to determine the provision for doubtful debt, estimates of future realization of tax credit, as well as an analysis of the other risks to determine other provisions, including for contingencies. The accounting values of assets and liabilities recognized that represent items the object of hedges at fair value, alternatively, would be booked at their amortized cost, are adjusted to show the variations in attributable fair values based on the risks associated with the object of the hedge.

The liquidation of transactions involving these estimates may result in values that differ from those registered in the financial statements due to the possible imprecise nature of the process used to determine them. The Company revises its estimates and premises at least annually.

The consolidated financial statements were drawn up and are presented in accordance with accounting policies adopted in Brazil, which include the standards of the Brazilian Securities and Exchange Commission - Comissão de Valores Mobiliários (CVM) and pronouncements by the Accounting Pronouncements Committee (CPC), which complies with international accounting standards as issued by the IASB.

The authorization for the finalization of the preparation of these financial statements took place at a managment meeting held on February 14, 2011.

2.1. Base of consolidation

2.1.1. Consolidated Financial statements

a) Subsidiaries

The consolidated financial statements comprise the financial statements of ALL – América Latina Logística S.A. and its subsidiaries as of December 31, 2010, as shown below:

(In thousands of R$, except as otherwise indicated)

	Ownership%	
	12/31/2010	**12/31/2009**
Direct Subsidiaries		
ALL - América Latina Logística Intermodal S.A. (ALL Intermodal)	100,00	100,00
ALL - América Latina Logística Malha Oeste S.A. (ALL Malha Oeste)	100,00	100,00
ALL - América Latina Logística Malha Paulista S.A. (ALL Malha Paulista)	100,00	100,00
ALL - América Latina Logística Malha Sul S.A. (ALL Malha Sul)	100,00	100,00
ALL - América Latina Logística Overseas S.A. (ALL Overseas)	100,00	100,00
ALL - América Latina Logística Participações Ltda. (ALL Participações)	100,00	100,00
Boswells S.A.	100,00	100,00
Santa Fé Vagões S.A. (Santa Fé)	100,00	100,00
Track Logística S.A.	100,00	
ALL - América Latina Logística Centro-Oeste Ltda. (ALL Centro-Oeste)	99,99	99,99
ALL - América Latina Logística Serviços Ltda. (ex ALL Tecnologia)	99,99	99,90
ALL - América Latina Logística Malha Norte S.A. (ALL Malha Norte)	98,06	97,96
ALL - América Latina Logística Argentina S.A. (ALL Argentina)	90,96	90,96
Brado Holding S.A.	90,00	
ALL - América Latina Logística Rail Tec (ALL Rail Tec)	51,00	51,00
ALL - América Latina Logística Servicios Integrales S.A. (Sisa)	51,00	51,00
ALL Rail Management (ex-BLLSPE)	50,01	99,99
ALL - América Latina Logística Equipamentos Ltda. (ALL Equipamentos)	99,99	99,99
Indirect Subsidiaries		
ALL Intermodal's Investee		
ALL - América Latina Logística Armazéns Gerais Ltda (ALL Armazéns Gerais)	100,00	100,00
Rhall Terminais Ltda.	30,00	30,00
ALL Armazéns Gerais's Investee		
PGT Grains Terminal S.A. (PGT)	100,00	100,00
ALL Malha Paulista's Investee		
Portofer Transporte Ferroviário Ltda. (Portofer)	50,00	50,00
ALL Malha Norte' Investee		
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's Investee		
ALL - América Latina Logística Servicios Integrales S.A. (Sisa)	49,00	49,00
ALL - América Latina Logística Argentina S.A. (ALL Argentina)	9,04	9,04
ALL Rail Management (ex-BLLSPE)		0,01
ALL - América Latina Logística Serviços Ltda. (ex ALL Tecnologia)	0,01	0,10
ALL - América Latina Logística Centro-Oeste Ltda. (ALL Centro-Oeste)	0,01	0,01
ALL - América Latina Logística Equipamentos Ltda. (ALL Equipamentos)	0,01	0,01
Brado Holding's Investee		
Brado Logistica e Participações S.A.	100,00	

(In thousands of R$, except as otherwise indicated)

ALL Central and ALL Mesopotámica had the following breakdown of minority shareholders as of December 31, 2010:

	Ownership%	
	ALL Central	ALL Mesopotámica
Alesia S.A.		3.64
Petersen, Tiele Y Cruz S.A.		3.06
Ministério de Economia y Obras y Servicios Públicos de la Nación	16.00	16.00
Others - Individuals	4.00	4.00

ALL Argentina negotiated with its minority shareholder, Railroad Development Corporation, the acquisition of its stake in ALL Central and ALL Mesopotámica, whose corporate interests were 6.45% and 2.74%, respectively. The negotiation still depends on the approval of the transfer of shares by the Argentinean government.

The subsidiaries are fully consolidated from the acquisition date, this being the date the Company assumes control, and continue to be consolidated until this controlling position no longer exists. The financial statements of the subsidiaries are drawn up for the same reporting period as the controlling company, using consistent accounting policies. All intra-group balances, revenues and expenses and unrealized gains and losses associated with intra-group transactions are wholly eliminated.

A change in the shareholding in a subsidiary that does not result in a loss of control is accounted for as a transaction between shareholders, in shareholders' equity.

The result of the period and each component of the other results included (recognized directly in net equity) are attributed to the subsidiary owner and the stake in the entities not controlled. Losses are attributed to the non-controlled shareholder, even if these result in a negative balance.

Up until January 1, 2010, the non-controlling stakes in shareholdings, which represent a share of profit or loss and net shareholders' equity not held by the Company, were, therefore, presented separately in the consolidated financial statements and under shareholders' equity in the consolidated balance sheet.

b) Joint control

For the investment in Terminal XXXIX, which is jointly controlled and shared with other shareholders, the assets, liabilities and results are consolidated proportionately based on the share capital stakes in the investment, line by line, in the consolidated financial statements. Their balance sheets and financial statements are prepared for the same financial period as the Company, and adjustments are made, if necessary, to align accounting practices with those of the Company, as well as to eliminate the Company's participation in intra-group balances and transactions.

c) Affiliates

The Company's investment in an affiliate is booked using the equity method. An affiliate is an entity over which the Company exercises significant influence.

Based on the equity method, the investment in the affiliate is booked on the balance sheet at cost, adding the changes after the acquisition of the shareholding in the affiliate.

The financial statements reflect this installment in the affiliate's operating results. When a change in equity is directly recognized in the affiliate, the Company will recognize its share in the variations and publish this fact, when applicable, in the statements of changes in equity holdings. The unrealized gains and losses resulting from transactions between the Company and the affiliate are eliminated in accordance with the shareholding maintained in the affiliate.

The shareholding in the affiliate will be shown in the financial statements as shareholders' equity, representing the net income attributable to shareholders in the affiliate.

After the application of the equity method, the Company will determine if it is necessary to recognize any additional loss of recoverable value (impairment) in the Company's investment in its affiliate. The Company will determine, on the appropriate closing date of the balance sheet, if there is objective evidence that the investment in the affiliate suffered from a loss in due to impairment. If this is the case, the Company calculates the amount of impairment using the difference between the recoverable value of the affiliate and the book value, recognizing the total in its statement of income.

When there is a significant loss of influence over the affiliate, the Company evaluates and recognizes the investment at the fair value at the time. Any difference between the affiliate's book value at the time of the significant loss of influence and the remaining fair investment value after the results of the sale will be recognized in the results.

2.1.2. Individual financial statements

Subsidiaries are booked using the equity method in the individual financial statements. The same adjustments are made both in the individual and consolidated financial statements to arrive at the same result and attributable net equity to shareholders in the controlling company. In the case of América Latina Logística S.A., the accounting practices adopted in Brazil used to draw up the individual financial statements only differ from the IFRS applicable to the separate financial statements in terms of the valuation of investments in subsidiaries and affiliates using the equity method, as the IFRS would use the cost or fair value.

2.2. Conversion of balances denominated in foreign currency

The consolidated financial statements are presented in Reais (R$), the controlling company's national currency. Each entity of the Company determines its own currency, and for those that use currencies different to the real, the financial statements are converted into the real on the balance sheet closing date.

i. Transactions and balances

The foreign currency transactions are initially registered at the foreign exchange rate in effect on the date of the transaction.

The monetary assets and liabilities denominated in foreign currencies are reconverted at the foreign exchange rate on the balance sheet date.

All the differences are registered in the financial statements.

Non-monetary items measured based on historic costs in foreign currency are converted using the exchange rate on the initial transaction dates. Non-monetary items measured at fair value in foreign currency are converted using the foreign exchange rates on the date the fair value was determined.

Before January 1, 2009, the Company treated goodwill premium and any adjustments to the fair values made in the accounting values of assets and liabilities associated with the acquisition of assets and liabilities by the controlling company. As such, these assets and liabilities are already expressed in the currency adopted to present the financial statements or represent non-monetary items, and consequently there are no differences in conversion.

ii. Companies

The assets and liabilities of the overseas subsidiaries are converted into Brazilian reais at the foreign exchange rate on the date of the balance sheet, and the corresponding financial statements are converted at the foreign exchange rate on the transaction date. The foreign exchange differences resulting from the conversion referred to are accounted for separately in net equity. On the sale of a foreign subsidiary, the accumulated differed value recognized in net equity related to this entity is recognized in the statement of income.

2.3. Recognition of revenue

Revenue is recognized to the extent that it is likely the economic benefits will be generated for the Company and when this can be calculated reliably. Revenue is measured based on the fair value of the counter payment received, excluding discounts, reductions in price and taxes or selling costs. The Company values the revenue transactions in accordance with the specific criteria used to determine whether it is operating as an agent or principal party and, at the end of the day, concludes if it is operating as the principal party in all the revenue contracts.

Provision of services

The revenue from the sale of services is recognized when the inherent risks and benefits of the services have been transferred to the user and its value can be calculated reliably. Revenue remains unrecognized if there is any significant doubt about it being reliable.

Interest income

For all the financial instruments valued at the amortized cost and financial assets that earn interest, classified as available for sale, the financial revenue or expense is accounted for using the effective interest rate, which discounts exactly the future estimated cash payments or revenue over the expected term of the financial instrument or a shorter period, when applicable, to the net book value of the financial asset or liability. Interest income is included in the item financial revenue in the statement of income.

2.4. Taxes

Income tax and social contribution – current

Tax assets and liabilities in the last financial period and previous years are calculated based on the expected recoverable value or amount payable to the fiscal authorities. The tax rates and tax laws used to calculate these values are those applicable, or for the most part applicable, on the date of the balance sheet in the countries in which the Company operates and generates taxable revenues.

Current income tax and social contribution related to the items recognized directly in net equity are recognized as such. Management periodically evaluates the fiscal position of the situations in which fiscal regulations require interpretation and establishes provisions as and when appropriate.

Differed taxes

Differed taxes are generated by temporary differences on the date of the balance sheet between the fiscal bases used to calculate assets and liabilities and their accounting values. Differed tax liabilities are recognized for all the temporary tax differences, except:

• when the differed tax liability arises from the initial recognition of the premium or an asset or liability associated with a transaction that is not a combination of business and, on the transaction date, does not affect the accounting profit or fiscal profit and/or loss; and

• on the temporary tax differences related to investments in subsidiaries in which the reversion period of the temporary differences can be controlled and it is unlikely that the same will be reversed in the near future.

Differed taxes on assets are recognized for all the deductible temporary differences, unrealized tax credits and losses, to the extent that it is probable that taxable income is available for the deductible temporary differences to be made, and unrealized tax credits and losses may be used, except:

• when the active differed tax related to a temporary deductible difference is generated and initially unrecognized in the asset or liability in a transaction that is not a business combination and, on the transaction date, does not affect accounting profit or fiscal P&L; and

• on the temporary deductible differences associated with investments in subsidiaries, active differed taxes are only recognized to the extent the it is probable the temporary differences will be reversed in the near future and the taxable income is available for the temporary differences to be used.

The accounting value of the active deferred taxes is revised on each balance sheet date and written down to the extent that it is no longer probable that taxable profits will be available to allow the use of all or part of the active deferred tax. Active differed tax written down are revised on each balance sheet date and recognized to the extent that probable future taxable profit will allow for these active differed taxes to be recovered.

Differed taxes on assets and liabilities are calculated at the tax rate expected in the year expected to be applicable when the asset is sold or the liability liquidated, based on the income tax rates (and tax law) existing on the date of the balance sheet.

Differed tax items are recognized in accordance with the transaction that originated the active differed tax, in the overall result or directly in shareholders' equity.

Differed taxes on assets and liabilities are presented in net terms if there is a legal or contractual right to compensate the fiscal asset against the fiscal liability and the differed taxes are related to the same entity taxed and subject to the rulings and laws of the same tax authority.

Sales tax

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

• when the sales taxes incurred when purchasing goods or services cannot be recovered from the fiscal authorities, under which hypothesis the sales taxes are recognized as part of the acquisition cost of the asset or expense item, whichever is the case; and

• when the values of receivables and payables are presented together with the value of the sales taxes.

• the net value of sales taxes, recoverable or payable, is included as a component in receivables or payables in the balance sheet.

The revenues from sales on operations carried out in Brazil are subject to the following taxes and contributions, at the defined basic rates:

Tax/Contribution			Rate (%)
PIS	-	Social Integration Program	1.65
COFINS	-	Contribution to Financing Social Welfare	7.60
ICMS	-	Tax on Operations Related to the Circulation of Goods and Services (State VAT)	between 7 and 17

These charges are deducted from net revenue in the statement of income. The credits arising from the non-cumulative nature of PIS/COFINS are presented deducted from the cost of services provided in the statement of income. The debits arising from financial revenue and credits associated with financial expenses are presented as deducted from these same lines in the statement of income.

2.5. Government subsidies and aid

Government subsidies and assistance/aid are recognized when there is reasonable certainty that the benefit will be received and that all the corresponding conditions will be satisfied. The subsidiary ALL Malha Norte has a fiscal incentive the benefit of which refers to an expense item, which is recognized as revenue during the period the benefit is applicable, and used systematically in relation to the costs the benefit is designed to compensate for.

2.6. Retirement benefits and other post-employment (pension) benefits

The indirect subsidiary ALL Malha Oeste sponsors a Pension Plan together with a Multi-Sponsored Entity, HSBC pension Fund, and is revised annually by an independent actuary. The plan has the predominant characteristics of a defined contribution during the accumulation of reserves period and these contributions are registered in the result when they are incurred.

2.7. Transactions involving payment in stocks (stock option programs)

The company’s senior executives and managers receive part of their remuneration in the form of payment in stocks, in which the employees provide services in exchange for equity rights (“transactions liquidated with share-based payments”).

The cost of the transactions with employees liquidated with equity instruments, and options granted, is calculated based on the fair value on the date the same are offered. To determine the fair value, the Company uses the appropriate valuation method and market premises. More details are available in explanatory note 26.

The cost of the transactions liquidated with shares is recognized, together with a corresponding increase in shareholders’ equity, during the period in which the performance and/or condition of service are complied with, and end on the date the employee acquires the full option right (date of acquisition). The accumulated expense recognized for the transactions liquidated with equity instruments on each base date until the date of acquisition reflects the extent to which the acquisition period has expired and the best estimate of the Company regarding the number of shares to be acquired. The expense or credit in the statement of income in the period is registered under administrative expenses and represents the total change in terms of accumulated expenses recognized at the beginning and the end of the same period.

No expense is recognized for share-based payments that have not completed their acquisition period, except those for which the acquisition is conditional on market conditions (a condition connected with the price of the Company's shares), which is treated as acquired, independent to whether the market conditions are satisfied or not, as long as all the other conditions for the acquisition are satisfied.

In a transaction liquidated or settled with shares in which the option is modified, the minimum expense recognized in the corresponding expenses result is treated as if the terms had not been altered. An additional expense is recognized for any modification that increases the fair value of the payment contract liquidated with shares, or any other way that benefits the employee, as calculated on the date of the modification.

When a share payment plan is cancelled, the same is treated as if it had been acquired on the cancelation date, and any unrecognized expense is immediately accounted for. This includes any premium associated with the failure to comply with the conditions for acquisition within the Company or counterparty's control. However, if a new plan substitutes the cancelled plan, it is designated a substitute plan on the concession date of the stock option, and the cancelled and new options are treated as if a modification had been made to the original, as described in the previous paragraph. All the cancellations of transactions liquidated with shares are dealt with in this way.

The effect of the dilution of the open options is reflected as additional share dilution in the calculation of the per share dilution result, as described in note 29.

2.8. Financial Instruments – initial recognition and subsequent calculation

(i) Financial Assets

Initial recognition and subsequent

Financial assets are stated at fair value through P&L, and include loans and receivables, investments held to maturity, financial assets available for sale, or derivatives classified as efficient hedge instruments, depending on the situation. The Company determines the classification of its financial assets at the moment they are initially recognized, when they become part of the contractual terms and uses of the instrument.

Financial assets are initially recognized at fair value, with additions, in the case of investments not designated at fair value due to the result, for transaction costs that are directly attributable to the acquisition of the financial asset.

Sales and purchases of financial assets that require the provision of goods or services within a timeframe established by market regulation or convention (regular purchases) are recognized on the date of the operation, or the date on which the Company commits to the purchase or sale the goods of services.

The Company's financial assets include cash and cash equivalents, client receivables and from other accounts, lendings and other receivables, financial instruments (quoted and not quoted) and financial derivative instruments.

Subsequent calculation

The subsequent calculation of financial assets depends on their classification, which can be any of the following types:

Financial assets measured at a fair value adjusted for profit and loss

Financial assets at a fair value as adjusted for profit and loss include financial assets held for trading and financial assets stated upon initial recognition at fair value through profit and loss. Financial assets are not classified as held for trading if they were acquired with the aim of being sold in the short term. This category includes financial derivative instruments contracted by the Company that do not meet the criteria for hedge operations, defined in CPC 38. Derivatives not closely tied to the principal contract and that should be separate, are also stated as held for trading, unless classified as efficient hedge instruments. Financial assets at fair value through profit and loss are presented on the balance sheet at fair value, with the corresponding profit or loss recognized in the statement of income.

The Company did not designate any financial assets held at fair value through profit or loss on initial recognition.

The Company valued its financial assets at fair value through profit and loss, as it intends to trade them in a short period of time. When the Company is not in the necessary conditions to trade these financial assets due to inactive markets, and management intends to sell them in the near future, significant changes may be registered, and the Company can opt to reclassify these financial assets in specific circumstances. The reclassification for lendings and receivables, available for sale or held to maturity, depends on the nature of the asset. This valuation does not affect any financial assets designated at fair value for profit and loss using the fair value option on presentation in the statement of income.

Lendings and receivables

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 (the effective tax rate), less impairment (reduction in recoverable value). The cost amortized is calculated taking into consideration any discount or “premium” at the acquisition and fees or costs incurred. The effective interest rate amortization is included in the financial revenue line in the statement of income. The losses related to impairment are recognized as financial expenses account.

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. The Company did not register investments held to maturity during the financial periods ending on December 31, 2010 and 2009.

Financial assets available for sale

Available for sale: non-derivative financial assets that are not classified as (a) lendings and receivables, (b) investments held to maturity or (c) financial assets booked at fair value for profit and loss. These financial assets include equity instruments and debt bonds. The intention of debt in this category is that it be held for an indefinite period and can be sold for the purposes of increasing liquidity or in reaction to changes in market conditions.
After initial recognition, these financial assets available for sale are measured at fair value, with unrealized gains and losses recognized directly in the reserve of available for sale assets among the other results until the investment is written down, with the exception of losses due to impairment, interest calculated using monetary restatement and foreign exchange variation on monetary assets, when applicable, are recognized in P&L when incurred.

When the investment is unrecognized or determined by impairment, the cumulative gains or losses previously recognized in other results should be recognized in the statement of income.

Dividends on equity instruments available for sale are recognized in the income statement when the Company's right to receive is established.

The fair value of the monetary assets available for sale denominated in foreign currencies is measured in this currency and converted using the sight (spot) foreign exchange rate on the date of the financial statements. The variations in fair value attributable to the differences from conversion that result in a change in the amortized cost of the asset are recognized in the income statement, and the other variations are recognized directly in net equity.

Write-downs

A financial asset (or, when the case, part of a financial asset or part of a group of similar financial assets) is written down when:

• The rights to receive cash flows from the asset expire;

• The Company transferred its rights to receive the asset cash flows or assumed an obligation to pay the full cash flow received, without significant delay, to a third party in a "pass-through" agreement; and (a) the Company transferred substantially all the risks and benefits of the asset, or (b) the Company did not transfer or train substantially all the risks and benefits related to the asset, but transferred control of the asset.

When the Company has transferred its rights to receive the asset cash flows or entered into a pass-through agreement, and has not transferred substantially all the risks and benefits related to the asset, the same is recognized to the Company's continued extent of involvement with the asset.

In this case, the Company also recognizes an associated offsetting liability. The asset transferred and the associated liability are measured based on the rights and obligations the Company maintains.

The continued involvement in the form of a guarantee on the asset transferred is measured by the asset's original book value or the maximum counter payment that may be required by the Company, whichever is the lower.

(ii) Reduction in the recoverable value of financial assets (impairment)

On the balance sheet dates the Company evaluates if there is any objective evidence that determines if the financial asset or group of financial assets has suffered from impairment. A financial asset or group of financial assets is considered impaired if, and only if, there is objective evidence of the absence of recoverability (impairment) as a result of one or more events that have happened after the initial recognition of the asset ("a loss-making event was incurred) and this event had an impact on the future estimated cash flow of the financial asset or group of financial assets that can be reasonably estimated and tested for. Evidence of impairment can include indicators that the borrowers are going through a period of significant financial difficulty. The probability that the same may go bankrupt or through some other type of financial reorganization, default or delay payment of interest or principal, and when there are indications of a measurable drop in the future estimated cash flow, such as changes in maturities or economic conditions related to defaults.

Financial assets at amortized cost

In relation to the financial assets presented at amortized cost, the Company initially individually evaluates whether there is clear evidence of impairment for each financial asset that is individually significant, or together with financial assets that are not individually significant. If the Company concludes that there is no evidence of impairment for an individually valued financial asset, significant or not, the asset is included in a group of financial assets with similar risk and credit characteristics and valued together in relation to the impairment loss. Assets valued individually for impairment and for which impairment is still recognized are not included in a joint evaluation for impairment loss.

When there is clear evidence of impairment, the value of the loss is measured as the difference between the asset's book value and present value of future estimated cash flows (excluding expected future credit losses still to be incurred). The present value of future estimated cash flows is discounted by the original effective interest rate for the financial asset. When the loan is fixed at variable rates, the discount rate for measuring any impairment will be the current effective interest rate.

The book value of the asset is reduced by means of a provision, and the value of the loss is recognized in the income statement. Interest revenue is still computed on the reduced book value based on the original effective interest rate determined for the asset. The loans, together with the corresponding provision, are written down when there is no realistic chance of their future recovery and all the guarantees have been called in or transferred to the Company. If, in a subsequent financial period, the value of the estimated impairment loss increases or declines due to an event that took place after the impairment loss was recognized, the previously recognized loss is increased or reduced adjusting the provision accordingly. In the event of a possible recovery of the value written down in the future, this would be recognized in the income statement.

Financial investments available for sale

For financial instruments classified as available for sale, the Company evaluates if there is any objective evidence that the investment is recoverable on each balance sheet date.

For investments in equity instruments classified as available for sale, objective evidence includes a significant and extended loss in the fair value of the investments, to below its accounting cost. When there is evidence of impairment, the accumulated loss – measured by the difference between the acquisition cost and fair current value, less the impairment previously recognized in the income statement – is reclassified from shareholders' equity to the income statement. Increases in fair value after recognition of a loss for impairment are recognized directly in the statement of income.

In the case of debt instruments classified as available for sale, impairment losses are evaluated based on the same criteria used for financial assets booked at amortized cost. However, the value registered for the impairment loss is the cumulative loss measured by the difference between the amortized cost and current fair value, less any impairment in the investment previously recognized in the income statement.

Interest is still computed at the effective interest rate used to discount future cash flows for the impairment loss on the asset's reduced book value. Interest income is registered as financial revenue. When, in a subsequent financial period, the fair value of a debt instrument increases and this can be objectively related to an event that took place after the impairment loss was recognized in the income statement, the impairment loss is maintained in the income statement.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value for profit and loss, loans and financing, or as derivatives classified as hedge instruments, as the case may be. The Company determines the classification of its financial liabilities when initially recognized.

Financial liabilities are initially recognized at fair value and, in the case of loans and financing, the directly related transaction costs are added.

The Company's financial liabilities include accounts payable to suppliers and other accounts, guaranteed accounts (current account overdraft), loans and financing, financial contract guarantees and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, which can be in any of the following forms:

Financial liabilities at fair value for profit and loss

Financial liabilities at fair value through profit and loss include financial liabilities for trading financial liabilities designated on initial recognition at fair value for profit and loss.

Financial liabilities are classified as maintained for trading when acquired with the objective of selling them in the short term. This category includes derivative financial instruments contracted by the Company that do not satisfy the accounting criteria for hedges as defined in CPC 38. Derivatives, including the built-in derivatives that are not closely related to the principal contract and that should be separated, are also classified as maintained for trading, as long as they are designated as effective hedge instruments.

Gains and losses related to liabilities held for trading are recognized in the income statement.

Loans and financing

After initial recognition, loans and financing subject to interest are subsequently measured by their amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement as and when the liabilities are written down, as well as during the process of amortization by the effective interest rate method.

Financial guarantee contracts

The financial guarantee contracts issued by the Company are contracts that require payment for the purposes of reimbursing the holder for losses incurred when the specified borrower fails to make the payment due based on the terms of the corresponding debt instrument. Financial guarantee contracts are initially recognized as a liability at fair value, adjusted for transaction costs directly related to the guaranteed issue. Subsequently, the liability is measured based on the best estimate of expense required to liquidate the present obligation on the date of the balance sheet or the value recognized less amortization, whichever of the two is higher.

Write downs

A financial liability is written down when the obligation is revoked, cancelled or expires.

When an existing financial liability is substituted for another from the same lender with substantially different terms, or the terms of an existing liability are altered significantly, this substitution or alteration is treated as a write down of the original liability and constitutes recognition of a new liability, with the difference in the corresponding accounting values recognized in the income statement.

(iv) Financial Instruments – net presentation

Financial assets and liabilities are presented in net form on the balance sheet if, and only if, there is an existing and executable legal right to compensate the amounts recognized and the intent is to compensate or offset the asset and liability simultaneously.

(v) Fair value of financial instruments

The fair value of financial instruments actively traded in organized financial markets is determined based on the purchase prices quoted in the market at the close of business on the date of the balance sheet, without deducting transaction costs.

The fair value of financial instruments for which there is no active market is determined using valuation techniques. These techniques can include the use of recent market transactions (excluding own interests); reference to the current fair value of another similar instrument; discounted cash flow analysis or other valuation models.

An analysis of the fair value of financial instruments and more details about how they are calculated can be found in explanatory note 33.

2.9. Derivative financial instruments and accounting for hedge operations

Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as term currency contracts and interest rate swaps to provide protection against the risk of variations in foreign exchange and interest rates, respectively.

The derivative financial instruments designated in hedge operations are initially recognized at fair value on the date the derivative contract is taken out, and subsequently revalued also according to fair value. Derivatives are presented as financial assets when the fair value of the instrument is positive and as financial liabilities when the fair value is negative.

Any gains or losses resulting from changes to the fair value of derivatives during the financial period are stated directly on the statement of income, with the exception of the effective installment of cash flow hedges, which is recognized directly as equity in the full results.

For the purposes of accounting for hedge operations (hedge accounting), there are three classifications: i) hedge at fair value; ii) hedge of cash flow; and iii) hedge of net investment.

On initially recognizing a hedge, the Company formally classifies and documents the accounting method it wishes to apply to the hedge, as well as the objective and management risk strategy it is designed around in a hedge report. This documentation includes the identification of the hedge instrument, the item or transaction to be hedged, the nature of the risk being hedged, the nature of the risks excluded from the hedge report, a prospective demonstration of the efficiency related to the hedge and the way in which the Company will evaluate the efficiency of the hedge instrument to compensate for the exposure to changes in the fair value of the item hedged or related cash flows the object of risk and thus the hedge. In terms of hedging cash flows, the demonstration of the highly probable nature of the object of the hedge transaction contracted, as well as the time periods scheduled for the transfer of gains or losses resulting from these equity hedge instruments to the income statement, are also included in the hedge documentation report. It is expected that these hedges will be extremely efficient in compensating for changes in fair value or cash flows, and are constantly evaluated to check if this is the case during the base periods over which they were contracted.

The Company has fair value hedges and cash flow hedges that satisfy the abovementioned criteria and that are registered in the following way:

Fair value hedge

The gain or loss resulting from the changes in fair value of a hedge instrument (for a derivative hedge instrument) should be recognized in the P&L. The gain or loss resulting from the covered item attributable to the covered risk should adjust the volume booked of the item covered to be recognized in the P&L. The changes in fair value of the hedge instrument and the changes in fair value of the item the object of the hedge attributable to the risk covered are recognized in the item on the line in the financial statements related to the object of the hedge.

A change in fair value of an interest rate derivative designated in a hedge operation is recognized in the financial result. A change in the fair value of the item the object of the hedge related to the risk hedged is registered as an adjustment in accounting value of an item the object of a hedge, and is also recognized in the P&L.
If the item the object of the hedge is written down, the fair value not amortized is immediately recognized in the P&L.

The company has interest rate swaps to protect against exposure to changes in fair value of determined loan obligations. See explanatory note 33 for more details.

Cash flow hedge

The effective part of the gain or loss related to the hedge instrument is recognized directly in net equity in other results, and the ineffective part of the hedge is immediately recognized in the P&L.

When the Company's documented risk management strategy for a hedge specifically excludes a particular component in any gain or loss or respective cash flows related to the hedge instrument from the evaluation of its effectiveness, this component of the gain or loss excluded is immediately recognized in the P&L.

The values accounted for in other items are immediately transferred to the P&L statement when the transaction the object of the hedge affects the result. When the item the object of the hedge is the cost of an asset or non-financial asset, the values accounted for in net equity are transferred to the initial accounting value of the non-financial asset or liability.

If the scheduled transaction or firm commitment is no longer expected, the values previously recognized in net equity are transferred to the P&L. If the hedge instrument expires or is sold, closed or exercised without being substituted or rolled over, or if its classification as a hedge is revoked, the previously recognized gains or losses in the full result remain differed in equity in the reserve for other results until the scheduled transaction or firm commitment affect the result.

The Company uses swap contracts to exchange floating rate for fixed-rate for determined financing flows. See explanatory note 33 for more details.

Classification

Derivative instruments not classified as an effective hedge instrument (used as an economic hedge and thus not using hedge accounting) are classified as short and long-term based on an evaluation of contracted cash flows. The variations in fair value of any of these derivative instruments are recognized immediately in the income statement.

The derivative instruments designated as such and that are effective hedge instruments are classified in a manner consistent with the classification of the corresponding item the object of the hedge.

The derivative instrument is segregated into the short and long term only when a reliable allocation can be made.

2.10. Adjustment to present value of assets and liabilities

The long-term monetary assets and liabilities are adjusted to their present value, and the short-term, when the effect is considered relevant in terms of the financial statement as a whole. The adjustment to present value is calculated taking into consideration the contractual cash flows and explicit interest rate, and implicit in certain cases, of the respective assets and liabilities. In this way, the interest built into revenues, expenses and associated costs with these assets and liabilities are discounted with the aim of recognizing them in conformity with the accrual regime. This interest is later reallocated to the financial revenues and expenses lines in the P&L, by means of using the effective tax rate method in relation to the contractual cash flows. The implicit interest rates applied were determined based on premises and are considered estimates accounting.

2.11. Shares held in treasury

Own equity instruments that are reacquired (shares held in Treasury) are recognized at cost and deducted from shareholders' equity. No profit or loss is recognized in the financial statements in purchases, sales, issue or cancelation of the Company's own equity instruments. Any difference between the book value and counter payment is recognized in other capital reserves.

2.12. Fixed assets

The Company opted not to value its fixed assets according to their fair value using attributed cost, based on the facts that: (i) the cost method, deducting the provision for losses, is the best method to value the Company's fixed assets; (ii) the Company's fixed assets are segregated into well-defined classes related to its distinct operating activities; (iii) the Company has effective controls over its fixed assets that allow it to identify losses and changes in estimates regarding their useful working life.

Locomotives, railcars and track are presented at cost, net of accumulated depreciation and/or losses for reductions in recoverable value (impairment), if the case. The cost referred to includes the replacement cost for some fixed assets and long-term loan construction project costs, when the criteria for recognition were satisfied. When significant amounts of fixed assets are substituted, the Company recognizes these as an individual asset with a specific useful working life and associated depreciation. In the same way, when an important inspection is made, its cost is recognized at the asset's accounting book value, if the criteria for recognition are satisfied. All the other costs of repairs and maintenance are recognized in the income statement, as and when incurred. The residual value and estimated useful working life of goods are revised and adjusted, if necessary, on the date the financial period closes. See explanatory note 14 for more information about the calculation of the provision for decommissioning assets.

Depreciation is calculated linearly using the straight-line method during the working life of an asset, at rates that take into account the estimated working life of goods, as detailed below:

- Locomotives 25 years
- Railcars 30 years
- Permanent way limited to concession terms (16 to 69 years)

A fixed asset item is written down when sold or when it offers no further future economic benefit in terms of either its use or sale. Any potential resulting gain or loss from the asset (calculated as being the difference between the net sale value and the book value) are included in the income statement in the financial period the asset is written down.

The residual value and useful working life of assets and depreciation methods are revised at the close of each financial period, and adjusted prospectively, as and when the case.

2.13. Lease operations

The characterization of a lease contract is based on substantive aspects related to the use of an asset or specific assets including the right to use a determined asset, on the date the agreement is signed.

Capital leasing contracts transfer to the Company basically all the risks and benefits associated with owning the leased item and are capitalized at the beginning of the lease based on the fair value of the item leased, and if less, by the present value of the minimum lease payments. As and when applicable, the initial direct costs incurred in the transaction are added in. The lease payments are allocated to financial expenses and a reduction in leased liabilities is paid at a constant interest rate on the remaining balance, or the effective interest rate method. The financial charges are recognized in the P&L statement.

The leased goods are depreciated over their useful working life. However, when there is no reasonable certainty that the Company will finally own the item at the end of the agreed lease term, the asset is depreciated over its estimated useful working life or lease period, whichever is less.

Operating lease agreements are recognized as expenses on a systematic base representing the period during which the benefit of the leased asset is obtained, even if these related payments are not calculated in this way.

The values paid in advance are recorded in the assets and allocated in the income statement linearly during the agreement term. The charges incurred during the grace period are recorded in the income and maintained as obligations to pay and drawn down proportionately on payment of the current installments.

2.14. Loan Costs

The cost of loans directly related to the acquisition, construction or production of an asset that necessarily requires a significant length of time to be completed before it can be used or sold are capitalized as part of the corresponding asset cost. All other loan costs are registered as expenses in the period they are incurred. Loan costs include interest and other costs incurred by the entity related to the loan.

2.15. Intangible assets

Intangible assets acquired separately are stated upon initial recognition at cost of acquisition. The cost of intangible assets acquired in a combination of businesses corresponds to the fair value on the acquisition date. After initial recognition, intangible assets are presented at cost, deducting accumulated amortization and impairment, when applicable. Intangible assets generated internally, excluding capitalized development costs, are not capitalized, and the expense is reflected in the income statement during the financial period incurred.

The useful working life of an intangible asset is valued as defined or undefined.

Intangible assets with a defined useful life are amortized over their determined economic life and valued by impairment testing whenever there is any indication of loss in active economic value. The period and method of amortization for an intangible asset with a defined useful life are revised at least at the end of each financial period. Changes in the estimated useful life or expected consumption of the future economic benefits of these assets are accounted for by changes during the period or method of amortization, depending on the case, with these being treated as changes in accounting estimates. The amortization of intangible assets with a defined useful life is recognized in the income statement in the expense category consistent with the use of the intangible asset.

The premiums (goodwill) generated when acquiring subsidiaries that hold concession contracts, and that have economic fundamentals supporting future expected profitability associated with these assets, are considered intangible with a defined useful life and amortized over the remaining concession term, linearly or with a future generation of economic benefit curve (see explanatory note 13). In addition, these are tested annually for impairment.

Intangible assets with an undefined useful life are not amortized, but tested annually for impairment, individually or at the unit's cash generation level. The valuation of an undefined useful life is revised annually to determine if this valuation is still justifiable. If not, a change in the undefined useful life to defined is made prospectively.

Gains and losses resulting from the write down of an intangible asset are measured as the difference between the net value obtained from the sale and the asset's book value, and is recognized in the income statement when the asset is written down.

2.16. Inventories

Valued at the average cost of acquisition, not exceeding their market value. Provisions for low-turnover or obsolete inventories are made as and when considered necessary by management.

2.17. Impairment loss for non-financial assets

Management revises the net accounting value of assets annually with the aim of evaluating events or changes in economic, operational or technological circumstances, and that may indicate a deterioration or loss in their recoverable value (impairment). When this is identified, and the net book value exceeds the recoverable value, a provision is made for this deterioration, adjusting the net book value to the recoverable value. These impairment losses, if recognized, are classified in the income statement in the expense categories consistent with the use of the asset affected.

The recoverable value of an asset or determined cash generating unit is defined as being the higher of the value in use and net sale value.

On estimating an asset's value in use, the estimated future cash flows are discounted to their present value, using a discount rate before taxes that reflected the average weighted cost of capital for the industry in which the cash generating unit operates. The net sale value is determined, whenever possible, based on a firm sale contract in a concomitant based transaction between known and interested parties, adjusted for expenses attributable to the sale of the asset, or, when this cannot be obtained, based on the asset's market price, or price in the most recent transaction involving similar assets.

The following criteria are also applied to evaluate the impairment loss for specific assets:

Premium paid for future expected profit (goodwill)

An impairment test for losses due to a reduction in the recoverable value of goodwill is carried out annually (on December 31,) or when the circumstances indicate a loss due a depreciation in the accounting value.

Intangible assets

Intangible assets with an undefined useful life are tested for impairment annually on December 31, individually or at the level of the cash generating unit, as is the case, or when circumstances indicate a loss due to a depreciation in the accounting value.

2.18. Cash and cash equivalents

Cash equivalents are maintained for the purposes of meeting short-term cash commitments, and not for investment or other purposes. The Company considers cash equivalents an immediately convertible financial application of a known sum of cash and subject to an insignificant risk of change in value. As a result, an investment normally qualifies as a cash equivalent when it matures in the short term, for example, three months or less, from the date of contracting the same. The financial applications included in cash equivalents are classified in the "available for sale" category. The conditions of profitability of these applications are shown in explanatory note 6.

2.19. Advances for future capital increases

The Company registers the values related to advances for future capital increases received from participants in the Stock Option Plan described in explanatory note 26, in a shareholders' equity account, given the control and expectation the Company has to deliberate the conversion of advances for future capital increases.

2.20. Provisions

General

Provisions are recognized when the Company has an existing obligation (legal or not formalized) as a result of a past event, and it is probable economic benefits will be required to liquidate the obligation and a reliable estimate of the value of the same can be made. When the Company expects the value of a provision to be repaid, either in part or in full, for example, due to an insurance policy, the reimbursement is recognized as a separate asset, but only when this is practically certain.

The expense related to any provision is presented in the income statement, net of any reimbursement.

Provisions for tax, civil and labor risks

The Company is a party in various judicial and administrative processes. Provisions are made for all the contingencies related to judicial processes for which an outlay is considered probable to liquidate the contingency/obligation and a reasonable estimate can be arrived at. The evaluation of the probable loss includes the evaluation of all available evidence, the hierarchy of the legal system, available jurisprudence, the most recent decisions in these courts and their relevance in legal rulings, as well as an evaluation by external counsel. The provisions are revised and adjusted to take alterations in circumstances into account, such as the applicable prescription term, the conclusion of fiscal inspections or additional exposure identified based on new issues or decisions in the law courts.

3. Judgements, estimates and significant accounting premises

Judgements

A preparation of the Company's consolidated financial statements requires management to make judgments, estimates and adopt premises that affect the values presented as revenues, expenses, assets and liabilities, as well as report contingent liabilities, in the database of its financial statements. However, the uncertainty related to these premises and estimates can lead to the need to make significant adjustments to the accounting value of the assets and liabilities affected in future financial periods.

In the process of applying the Company's accounting policies, management makes the following judgments that can have a significant effect of the values recognized on the consolidated financial statements:

Leasing commitments

The Company has leasing agreements for rolling stock (locomotives and railcars) with clients and suppliers. The classification as operational or financials is determined based on an evaluation of the terms and conditions of the contracts. The Company identified the cases in which it assumes all the significant risks and benefits of ownership of the goods referred to, registering these cases as capital leasing.

Estimatives and premises

The main premises related to the sources of uncertainty about future estimates and other important sources of uncertainty in terms of the estimates made on the balance sheet date, involving significant risks of leading to a substantial adjustment in the accounting value of the assets and liabilities in the next fiscal years, are discussed below.

Impairment of non-financial assets

An impairment loss exists when the accounting value of an asset or cash generating unit exceeds its recoverable value, whichever is the highest between the fair value less selling costs and value in use. The calculation of fair value less selling costs is based on available information about similar asset sales transactions or market prices less additional costs for disposing of the asset. The calculation of value in use is based on the discounted cash flow model. The cash flows derived from the budget for the next five years and do not include reorganization activities the Company has not yet committed to, or significant future investments that would improve the asset base of the cash flow generating unit the object of the test. The recoverable value is sensitive to the discount rate used in the discounted cash flow method, as well as the receipt of expected future cash flows and the growth rate used for the purpose of extrapolation. The main premises used to determine the recoverable value of the diverse cash generating units, including sensitivity analysis, are detailed in explanatory note 13.

Share-based transactions

The Company measures the cost of transactions with employees liquidated with shares based on the fair value of the equity instruments on the date the plan is authorized. The estimate of the fair value for the share-based payments requires the determination of a more adequate evaluation model for the concession of equity instruments, which depends on the terms and conditions of the concession. It also requires the determination of more adequate data for the evaluation model, including the option life expectancy, volatility and return in terms of dividends and corresponding premises. The premises and models used to estimate the fair value of share-based payments are found in explanatory note 26.

Taxes

There are uncertainties about the interpretation of complex tax regulations and the value and timing of future taxable results. Given the ample scope of business relationships, as well as the long-term nature and complexity of the existing contractual instruments, differences between the real results and the premises adopted, or future changes in these premises, could require future adjustments in tax revenue and expenses already registered. The Company makes provisions, based on feasible estimates, for any possible consequences of audits by fiscal authorities in the jurisdictions it operates in. The value of these provisions is based on various factors, such as the experience of previous fiscal audits and diverging interpretations of the tax regulations by the responsible tax and fiscal authorities. These differences in interpretation can be found in a wide variety of issues, depending on the conditions existing in the respective domiciles of the Company.

Deferred asset tax is recognized for all fiscal losses not used to the extent that it is likely there will be taxable income available to allow the use of these losses. Significant judgment by management is required to determine the value of the deferred asset tax that can be recognized, based on the probable term and level of future taxable income, together with future planning strategies for fiscal policies.

The Company presents fiscal losses to compensate for a value of R$ 5,080,172 (R$ 5,330,887 in 2009). These losses refer to the subsidiaries that reported historic losses, did not prescribe, and cannot be used for the purposes of compensation for taxable income in another area of the Company, as well as the losses the forecasting of which went beyond a reasonable horizon. The compensation of accumulated fiscal losses is restricted to a 30% limit of the taxable income generated in a determined fiscal year. These subsidiaries do not have temporary taxable differences or fiscal planning that could partially justify the recognition of deferred asset tax.

For more details about deferred taxes, see explanatory note 10.

Fair value of financial instruments

When the fair value of financial assets and liabilities presented in the balance sheet cannot be obtained from market assets, the use of valuation techniques is determined, including the discounted cash flow method. The data for these methods is based on those practiced in the market, whenever possible. However, when this is not feasible, a determined degree of judgment is required to establish the fair value. This judgment includes considerations about the data used such as, for example, liquidity risk, credit risk and volatility. Changes in the premises about these factors can affect the fair value presented for the financial instruments.

Provisions for tax, civil and labor risks

The Company recognizes provisions for civil and labor causes. The evaluation of probability of loss includes the evaluation of available evidence, the hierarchy of the legal system, available jurisprudence, the most recent decisions in these courts and their relevance in legal rulings, as well as an evaluation by external counsel. The provisions are revised and adjusted to take alterations in circumstances into account, such as the applicable prescription term, the conclusion of fiscal inspections or additional exposure identified based on new issues or decisions in the law courts.

4. Initial adoption of the CPCs

In all the previous financial periods, including the period ending on December 31, 2009, the Company prepared its financial statements in accordance with the accounting policies adopted in Brazil (BRGAAP) in place until then. The present financial statements for the period ending on December 31, 2010 are the first prepared in accordance with the standards established by the Accounting Pronouncements Committee (CPC).

In this way, the Company prepared its financial statements in accordance with the standards determined in the CPCs for the periods initiated on, or after, January 1, 2010, as described in its accounting policies. For the present financial statements, the opening balance considered was as of January 1, 2009, the date of the transition to CPCs. This note explains the main adjustments made by the Company to represent the opening balance sheet, after the adoption of these new accounting standards, on January 1, 2009 as well as for the balance sheet originally published, prepared in accordance with the previously existing norms, for the period ending on December 31, 2009.

(In thousands of R$, except as otherwise indicated)

Exemptions adopted

The Company applied the exemption for business combinations described in IFRS 1 and CVM Deliberation 647/10 (CPC 37) and, as such, did not represent the business combinations prior to January 1, 2009, the date of the transition.

The Company applied obligatory exceptions retrospectively, as and when applicable.

Reconciliation of net equity and net income:

	Parent Company		Consolidated	
	12/31/2009	01/01/09	12/31/2009	01/01/09
Shareholders' equity pursuant to prior accounting practices	**3.817.263**	**2.497.945**	**3.816.229**	**2.495.533**
Effects resulting from new practices:	**(237.145)**	**(249.509)**	**(220.401)**	**(228.171)**
Deferred - write-off effects	(202.692)	(214.146)	(202.692)	(214.146)
Registration of granting rights - Assignment agreements	(34.453)	(35.363)	(34.453)	(35.363)
Minoriry Shareholders			15.710	18.926
Other			1.034	2.412
Shareholders' equity calculated according to new accounting practices	**3.580.118**	**2.248.436**	**3.595.828**	**2.267.362**

	Parent Company	Consolidated
	31/12/09	12/31/2009
Income pursuant to prior accounting practices	**30,275**	**31,653**
Effects resulting from new practices:	**4,473**	**3,095**
Deferred - write-off effects	3,562	3,562
Registration of granting rights - Assignment agreements	911	911
Other		(1,378)
Income calculated according to new accounting practices	**34,748**	**34,748**

a) Pre-operational expenses – until December 31 2009, in accordance with the practices of BR GAAP the Company adopted the accounting practice of capitalization of pre-operational expenses in the deferred asset group. Based on current practices, pre-operational expenses that cannot be attributed to the cost of fixed assets or the formation of intangible assets should be booked as immediate expenses. In this way, the balances of R$ 214,146 and R$202,692, on January 1, and December 31, 2009, respectively, as well as the amortization of R$ 3,562 recognized during 2009 were adjusted. The write down in the subsidiary ALL Argentina was R$ 7,285.

b) Granting rights related to concessions, recorded in the income during the concession term, are now recorded in the intangible assets in a contra account to liabilities. The assets are amortized during the concession term while liabilities are restated and written-off by the payments.

c) According with the BR GAAP practices, the Company used to account the Shareholders Minority in a liabilities account.

d) Differed taxes – the transition adjustments lead to temporary differences, for which the Company generally will account for the corresponding differed tax. As the differed tax registered is limited to the realizable amount over a reasonable horizon, no additional registration of differed tax on the asset is made.

5. Argentinean subsidiaries - relationship with the Granting Authorities

a) Renegotiation of the concession agreement

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

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

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

Law 25,561 was successively extended and will remain effective until December 31, 2011, as provided for in Law 26,563. After this date, ALL Central and Mesopotámica must be convened to analyze a new agreement model, considering aspects, such as the concession fee (Canon) and the annual investment plans.

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 of the concession agreement between ALL Central and ALL Mesopotámica with the Argentine Government. On October 20, 2006, ALL Central and ALL Mesopotámica executed new letters of understanding with the Unit for Renegotiation and Analysis of Public Services Agreements in order to replace the prior letter. The effects and commitments arising from these are reflected in the financial statements, even considering that the referred letters shall be approved by the President of the Republic of Argentina. The referred Letters mainly establish the following:

(i) Annual investment plan

As of January 2006, the concessionaries must invest on a yearly basis an amount equivalent to 9.5% of total net revenues of ALL Central and ALL Mesopotámica related to the previous year. In the year ended December 31, 2010, these Companies made investments at the amount of R$26,993 (R$17,812 on December 31, 2009) and R$9,042 (R$8,295 on December 31, 2009), respectively, which are higher than the minimum commitments undertaken.

(ii) Concession fee (“canon”)

As of January 1, 2006, the amount corresponding to 3% of total net revenues of ALL Central and ALL Mesopotámica referring to the previous year will be considered concession fee (“canon”). During the year ended on December 31, 2010, these Companies recorded expenses of R$2,762 (R$3,051 on December 31, 2009) and R$563 (R$918 on December 31, 2009) respectively, having as counter-entry the lease and concession payable account.

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

(iii) Rights and obligations comprising the mutual claims

(In thousands of R$, except as otherwise indicated)

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

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

b) Approval for transfer of shares

In May 1999, the Company entered into a purchase agreement with the five shareholders for the total number of shares of ALL Argentina and a usufruct agreement over the rights (both economic and political) over shares of ALL Argentina. The purchase agreement is currently pending approval by the Argentine Government, which must give its approval so that the share transfer may become official. The term of the usufruct agreement is 20 years, automatically renewable if, up to the expiration of the agreement, the Argentine Government does not express an opinion with regard to the approval for the transaction. Should authorization be denied by the Government, the five shareholders irrevocably undertake to exercise the voting right over shares of ALL Argentina, in accordance with the Company's instructions.

6. Cash and cash equivalents

		Parent Company			Consolidated		
		12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09
Cash and Banks		4,165	210	821	17,664	33,502	23,882
Financial Investments available for sale							
CDBs	(i)	377,567	799,749	804,023	1,326,588	1,346,001	2,063,429
Pre Rate	(ii)	110,578	325,316	109,225	332,074	1,002,493	439,283
Government bonds	(iii)	97,877	18	2,292	292,832	24,779	35,280
Funds	(iv)	1,515	14,227	13,139	5,402	166,950	80,857
		587,537	1,139,310	928,679	1,956,896	2,540,223	2,618,849
		591,702	1,139,520	929,500	1,974,560	2,573,725	2,642,731

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 rate of 102% of the CDI);

(ii) investments in CDBs with pre-fixed rate;

(iii) Investments in Government Securities (average rate equivalent to Selic).

(iv) Investments in Funds – composed mainly of government securities.

(In thousands of R$, except as otherwise indicated)

7. Clients and operations receivable - consolidated

	12/31/2010	12/31/2009	01/01/09
Trade accounts receivable			
In Brazil	220,372	178,380	141,176
In Argentina	34,604	23,740	36,370
	254,976	202,120	177,546
(-) Provision for doubtful accounts			
In Brazil	(14,674)	(5,967)	(8,616)
In Argentina	(8,919)	(9,735)	(14,583)
	(23,593)	(15,702)	(23,199)
	231,383	186,418	154,347

In the parent company, trade accounts receivable balances include transactions with related parties resulting from the sale of maintenance supplies and service provision.

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.”) in the amount of R$1,997 (P$4,762). The probability of success in the realization of such asset was classified as probable by our legal advisors.

On December 31, 2010, maturity of accounts receivable from clients are detailed as follows:

Years	Unmatured balance with impairment loss	Balance past due, with no impairment loss					Total
		Up to 30 days	31 - 60 days	61 - 90 days	91 - 180 days	Over 181 days	
2010	188,168	8,716	15,621	7,157	8,578	3,143	231,383
2009	82,999	14,286	15,557	26,027	21,303	26,246	186,418

8. Prepaid Lease Operations – consolidated

	12/31/2010		12/31/2009		01/01/09	
	Current assets	Long-term assets	Current assets	Long-term assets	Current assets	Long-term assets
Lease						
ALL Malha Oeste	166	2,388	183	2,554	200	2,719
ALL Malha Paulista	2,025	30,920	2,132	32,946	2,059	35,104
ALL Malha Sul	2,734	41,472	2,891	44,198	3,034	46,941
Prepaid right of way						
ALL Malha Sul	1,261	19,944	1,261	21,206	1,261	22,467
	6,186	94,724	6,467	100,904	6,554	107,231

The amount paid in cash is being amortized pursuant to the remaining lease term.

Prepaid right of way refers to the amount paid by ALL Malha Sul to ALL Malha Paulista as a consideration for the use of the segment from Presidente Epitácio to Rubião Júnior and from Pinhalzinho/Apiaí to Iperó (São

(In thousands of R$, except as otherwise indicated)

Paulo state), in accordance with the agreement to operate these segments for 30 years, which is also the accounting amortization period.

Asset lease agreements are recognized in the result on a straight-line basis throughout the agreement maturity, and do not represent financial leasing.

9. Recoverable taxes and contributions - consolidated

	12/31/2010		12/31/2009		01/01/09	
	Current assets	Long-term assets	Current assets	Long-term assets	Current assets	Long-term assets
Parent Company						
Withholding income tax - IRRF	44,966	9,859	35,179	6,599	64,729	4,535
Recoverable IR and CS – prepayment	5,108		8,592		6,541	
Other	751		952		402	
	50,825	9,859	44,723	6,599	71,672	4,535
Subsidiaries						
ICMS	96,898	67,503	76,668	68,272	60,150	55,545
Tax on Value Added – IVA	5,007	3,124	4,465	2,926	4,496	6,269
Withholding income tax - IRRF	45,983	5,390	69,344	5,196	140,700	4,999
Recoverable IR and CS - prepayment	22,962	3,430	28,614	2,620	24,896	2,620
COFINS – rate increase	3,880		3,597		7,154	
Federal Tax Credits to offset PIS/COFINS	47,141	120,422	45,662	127,496		
IPI (tax on manufactured products)	-	102,757	807	101,961	21,767	167,461
Other	4,272	1,107	4,015	839	6,285	838
	226,143	303,733	233,172	309,310	265,448	237,732
Consolidated	276,968	313,592	277,895	315,909	337,120	242,267

ALL Malha Sul and ALL Intermodal maintain IPI credit premiums acquired from third parties and generated in periods prior to October 1990. These credits derive from an ordinary lawsuit with a final and unappealable decision and were transferred by means of credit assignment. The initial purpose of this acquisition was to offset these credits with other debits from federal taxes. These offsets were disallowed by the tax administration and were being discussed in court. The taxes were restated and included in the Refis program in the year of 2009.

The credit recorded, in the amount of R$102,757 (R$101,961 on December 31, 2009) is net of provision for present value adjustment, considering the current history of realization through Federal Revenue writ of payment and the different between these securities’ restatement rate and the CDI rate on the balance sheet date.

The Company and its subsidiaries expect not to have any loss in the realization of these credits.

(In thousands of R$, except as otherwise indicated)

10. Tax on income - consolidated

The income and social contribution tax expenses for the years ended December 31, 2010 and 2009 are broken down as follows:

	Parent Company		Consolidated	
	12/31/2010	**12/31/2009**	**12/31/2010**	**12/31/2009**
Income (loss) before taxes	301,788	40,024	208,611	(214,673)
Nominal rate	34%	34%	34%	34%
Nominal rate expenses	(102,608)	(13,608)	(70,928)	72,989
Tax adjustments by:				
Rate difference on investment abroad				
Equity pick-up and provision for unsecured liabilities	108,432	55,035	666	(1,112)
Rate difference on companies taxed by taxable income computed based on a percentage of gross sales			9,133	8,304
Income tax and social contribution recorded (written-off or not recorded) in the year	(62,802)	(49,984)	65,583	135,526
Addition and exclusion of effects of Law 11,941/09		(170)		12,573
Recording of granted options	(1,891)	(1,725)	(7,203)	(5,929)
Costs of capitalized debenture funding		6,609		6,609
Reduction effect of SUDAM rate			50,274	28,090
Other permanent differences	(3,040)	(1,433)	(10,275)	(2,227)
Effective revenues (expenses)	(61,909)	(5,276)	37,250	254,823
Provision for current taxes	(6,307)	(4,710)	(45,150)	(42,028)
Deferred taxes	(55,602)	(566)	82,400	296,851

On December 31, 2010, the controlling company’s income tax credits and deferred social contribution were revised by management, which opted to reverse the credits given that the controlling company does not expect to generate future taxable income to make use of these fiscal losses, as a result of negative bases and temporary differences.

Deferred income tax and social contribution credits recorded are:

Parent Company	12/31/2009		01/01/09	
	Current assets	**Long-term assets**	**Current assets**	**Long-term assets**
Income tax credits				
On tax losses		33,918		36,565
On temporary differences		6,762		6,982
	-	40,680	-	43,547
Social contribution credits				
On negative bases		12,211		13,166
On temporary differences		2,432		2,513
	-	14,643	-	15,679
	-	55,323	-	59,226

(In thousands of R$, except as otherwise indicated)

Consolidated	12/31/2010		12/31/2009		01/01/09	
	Current assets	Long-term assets	Current assets	Long-term assets	Current assets	Long-term assets
Income tax credits						
On tax losses		198,602		210,841		76,047
On temporary differences		140,821		78,134		47,052
	-	339,423	-	288,975	-	123,099
Social contribution credits						
On negative bases		67,671		72,699		27,186
On temporary differences		50,298		27,731		14,560
	-	117,969	-	100,430	-	41,746
	-	457,392	-	389,405	-	164,845

The Company and its subsidiaries record deferred tax credits on tax losses and negative basis of social contribution when the conditions of CPC 32 are met. For that, it takes into consideration when there is a history of profitability for three out of the last five years, and the expectation of future tax results in no more than 10 years.

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

	Consolidated
2011	37,518
2012	57,746
2013	40,479
2014	38,612
2015	37,085
After 2016	245,952
Total	457,392

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$11,729 on December 31, 2010 (R$10,583 on December 31, 2009). 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.

These tax credits were not recognized in the case of the subsidiaries ALL Intermodal, ALL Malha Oeste and ALL Malha Sul, given the history of tax losses recorded over the last years.

Based on the expected generation of future results, and historic profitability, the subsidiaries ALL Malha Paulista and ALL Malha Norte registered on December 31, 2010, active credits of R$ 287,707 (R$ 224,784 in 2009) and R$ 116,112 (zero in 2009), respectively, on fiscal losses, a negative base for social contributions, and temporary differences.

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

The tax losses, negative basis and temporary differences held by the consolidated companies are:

(In thousands of R$, except as otherwise indicated)

	12/31/2010		31/12/09		01/01/09	
	IR	CS	IR	CS	IR	CS
Tax losses and negative basis						
ALL S.A. (Parent Company)	176,420	176,447	184,915	184,942	146,261	146,288
ALL Argentina - Consolidated	31,262		25,437		2,242	
ALL Intermodal	7,116	7,549	16,764	16,599	9,662	10,020
ALL Malha Norte	857,831	893,384	996,949	997,722	1,052,658	1,053,089
ALL Malha Oeste	385,103	383,614	377,810	376,321	357,782	356,293
ALL Malha Paulista	999,379	1,000,154	960,319	961,093	960,318	961,093
ALL Malha Sul	69,783	70,226	104,834	105,278	140,607	141,050
Santa Fé Vagões	10,952	10,952	10,952	10,952		
	2,537,846	2,542,326	2,677,980	2,652,907	2,669,530	2,667,833
Temporary Differences						
ALL S.A. (Parent Company)	118,674	118,674	125,006	125,006	27,925	27,925
ALL Argentina - Consolidated	3,235		3,143		18,848	
ALL Intermodal	21,433	21,433	14,731	14,731	14,359	14,359
ALL Malha Norte	168,308	168,308	197,461	197,461	139,551	139,551
ALL Malha Oeste	41,054	41,054	48,376	48,376	61,154	61,154
ALL Malha Paulista	179,816	179,816	265,056	265,056	331,304	331,304
ALL Malha Sul	246,034	246,034	155,560	155,560	98,322	98,322
Santa Fé Vagões	1,208	1,208	1,208	1,208		
	779,762	776,527	810,541	807,398	691,463	672,615

Effects of deferred income tax and social contribution on comprehensive income	**12/31/2010**	**12/31/2009**
Income tax and social contribution - current		
Income tax and social contribution expenses- current period	(45,150)	(42,028)
Deferred income tax and social contribution:		
Temporary differences - formation and reversion	85,254	44,253
Temporary differences - Tax losses and negative basis	(17,267)	180,307
Income tax and social contribution expenses in the current period	**22,837**	**182,532**

Effects of deferred income tax and social contribution on comprehensive income	**12/31/2010**	**12/31/2009**
Deferred income tax and social contribution related to items directly debited and credited to shareholders' equity during the year:		
Mark-to-market gain (loss) - hedge	3781	(2,586)
Mark-to-market gain (loss) - financial assets available for sale	(243)	(2,645)
	3,538	**(5,231)**

(In thousands of R$, except as otherwise indicated)

Deferred tax losses carryforwards, negative bases and temporary differences are partially recorded in the balance sheet in the consolidated amount of R$457,392 on December 31, 2010 (R$389,405 in 2009) and refer to:

	Consolidated	
	2010	**2009**
Tax losses	864,433	891,923
Provision for equities	13,442	818
Provision for tax credits	40,251	36,516
Provision for tax matters	9,585	9,635
Labor provisions	48,017	50,245
Provision for civil matters	8,059	8,077
Provision for doubtful accounts	9,135	6,400
Hedge operations to settle	2,946	4,963
Provisions	22,564	23,396
Financial lease	67,351	60,114
Other	4,374	4,609
Total tax credits	**1,090,157**	**1,096,696**
(-) Unrecorded credits	632,765	707,291
(=) Recorded net credits	**457,392**	**389,405**
Impacts on the balance:		
Deferred tax assets	457,392	389,405
	457,392	389,405
Reconciliation of deferred tax assets		
Opening balance	389,405	164,845
Income tax revenue (expense) recorded in the income	82,400	296,851
Income tax and social contribution realized in Refis	(17,950)	(100,635)
Credits recorded in the comprehensive income	3,537	2,645
Credits recorded in shareholders' equity		25,699
Balance on December 31, 2010	**457,392**	**389,405**

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

11. Private debentures

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$10,000.00 of subordinated type, 5,350 of which were issued.

With the partial split-off of Multimodal Participações Ltda., the debit balance of debentures was merged by the subsidiary ALL – América Latina Logística Malha Paulista S.A., on November 22, 2010, the subsidiary ALL –

(In thousands of R$, except as otherwise indicated)

América Latina Logística Malha Paulista S.A. approved the prepayment of debenture merged due to the spin-off of Multimodal Participações Ltda.

On June 21, 2010, the subsidiary ALL – América Latina Logística Malha Sul S.A. approved the private issue of two series of 25,000 subordinated debentures non-convertible into book-entry shares (first series) at a par value of R$10,000.00 per debenture, of which only the first series has been issued for a total of R$250 million.

The debentures' balances are recorded in the parent company as follows:

						Long-term Assets		
Tranche	Issue Date	Amount	Final Maturity	Annual Yield	Effective Rate	12/31/2010	12/31/2009	01/01/09
ALL Malha Paulista	10/2/2006	53,501	02/10/16	CDI + 4%	14.94%		109,691	98,001
ALL Malha Sul	6/1/2010	250,000	01/06/23	102% of CDI	13.06%	265,397		
						265,397	109,691	98,001

12. Investments

a) Interest in subsidiaries and affiliated companies

	Number of shares/ quotas held						% Interest					
	Common/quotas			Preferred			Total			Voting		
	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09
ALL Intermodal	76,472,803	63,844,232	63,844,232				100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ALL Malha Oeste	459,057,998	459,057,998	53,894,164	19,402,076	19,402,076	2,277,836	100.00%	100.00%	11.74%	100.00%	100.00%	11.74%
ALL Malha Paulista	702,275,954	702,275,954		1,298,592,011	1,298,592,011		100.00%	100.00%		100.00%	100.00%	
ALL Malha Sul	119,732,540,853	12,581,336,962	12,581,336,962	182,160,427,321	19,141,176,667	19,141,176,667	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
ALL Overseas	12,000	12,000	12,000				100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Boswells	3,265,000	3,265,000	1,865,000				100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Santa Fé	17,600,000	100,000	50,000	17,600,000	100,000	29,996	100.00%	100.00%	39.99%	100.00%	100.00%	39.99%
Track Logística	1,000						100.00%			100.00%		
ALL Centro-Oeste	499,999	499,999					99.99%	99.99%		99.99%	99.99%	
ALL Equipamentos	25,244,748	25,244,748					99.99%	99.99%		99.99%	99.99%	
ALL - Serviços (former ALL Tecnolog	99,999	999					99.99%	99.90%		99.99%	99.90%	
ALL Rail Management (former BLLSP	10,001	499	499				50.01%	99.99%	99.99%	50.01%	99.99%	99.99%
ALL Participações	11,878,448	11,878,448	11,878,448				100.00%	100.00%	99.99%	100.00%	100.00%	99.99%
ALL Malha Norte	690,110,709	687,289,249		3,686,980	2,949,584		98.06%	97.96%		98.06%	97.96%	
ALL Argentina	3,000,288	3,000,288	3,000,288	5,825,560	5,825,560	5,825,560	90.96%	90.96%	90.96%	90.96%	90.96%	90.96%
Brado Holding	450						90.00%			90.00%		
ALL Rail Tec	420,750	5,100	5,100				51.00%	51.00%	51.00%	51.00%	51.00%	51.00%
ALL Sisa	10,200	10,200	10,200				51.00%	51.00%	51.00%	51.00%	51.00%	51.00%
Multimodal Participações			2,186,474,844						100.00%			100.00%

							Parent Company						
		Subsidiaries/Affiliated Companies			Equity Accounting		Value of Investments			Goodwill			
		Shareholders' Equity	Income for the year	Distributed Dividends	12/31/2010	12/31/2009	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09	Dividends Received
Direct Subsidiaries													
ALL Argentina	(i)	24,237	(7,622)		(6,935)	(25,635)	31,919	38,835	89,032				
ALL Centro-Oeste	(ii)	206	(247)		(247)	(3)	206	453					
ALL Equipamentos	(ii)	25,245	20,320	20,320	20,318	2,716	25,242	25,242					20,320
ALL Intermodal		138,793	(5,944)		(5,944)	(4,928)	138,793	122,637	127,566				
ALL Malha Norte		772,847	341,489		334,478	208,137	761,621	423,220		2,032,965	2,049,116		
ALL Malha Oeste		100,429	(16,176)		(16,176)	(5,826)	100,429	112,470	6,441	117,842	123,557		
ALL Malha Paulista		107,995	85,963		85,963	(2,435)	107,995	17,861		344,979	355,336		
ALL Malha Sul		296,074	(96,064)		(96,064)	(209,300)	296,074	73,190	113,485				
ALL Overseas		4,817				(6)	4,817	5,033	6,763				
ALL Rail Management		20	373	373	187		10						186
ALL Serviços	(ii)	100	3,824	3,826	3,824	172	100	1					3,824
ALL Sisa		6					3	4	6				
Boswells		11,728	(693)		(693)	(11,648)	11,728	12,344	21,805				
Brado Holding		1											
Multimodal Partic.	(iii)					226,637			1,999,602				
Rail Tec		627	(30)		(15)	330	320	335	1				
Santa Fé Vagões		12,412	(4,147)		(4,147)		12,412			250	300	350	
Logispar												105,939	
					314,549	178,211	1,491,669	831,625	2,364,701	2,496,036	2,528,309	106,289	

(In thousands of R$, except as otherwise indicated)

The Parent Company records the goodwill on the expectation of future profitability in the Investments sub-group and, in the consolidated balance sheet, in the Intangible Assets sub-group, as stated in Note 13.

(i) ALL Argentina has an Advance for Future Capital Increase (AFAC) recorded in its Shareholders' Equity, at the amount of R$109,200 (R$119,170 on December 31, 2009) carried out by ALL Holding, which fully recognizes the AFAC in its investment until it is paid-up.

(ii) In November 2009, these companies were sold by Multimodal to ALL, prior to its split-off.

(iii) On December 30, 2009, the full split-off of Multimodal was conducted with the merging of the split portions into ALL Malha Norte, ALL Malha Paulista and ALL Malha Oeste, as described in Note 1c.

(iv) ALL Malha Norte has an Advance for Future Capital Increase (AFAC) recorded in its Shareholders' Equity in the amount of R$194,153, made by ALL Holding, which fully recognizes the AFAC in its investment until it is paid up.

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 non-current liabilities group in the balance sheet and it was estimated as follows:

	Subsidiaries		Parent Company				
			Breakdown of provision for unsecured liabilities in the period		Provision for unsecured liability		
	Unsecured Liabilities	Income for the period	12/31/2010	12/31/2009	12/31/2010	12/31/2009	01/01/09
Direct Subsidiaries							
ALL Participações	(7.661)	(687)	(687)	(2.544)	7.661	7.965	8.663
Santa Fé				(9.328)		13.741	173
			(687)	(11.872)	7.661	21.706	8.836

c) Investment gains

Gain of R$418 registered by increased interest in subsidiary ALL Malha Norte from 97.96% to 98.06%.

d) Investments in the consolidated balance sheet

Appraised by the equity accounting method	Book value of investments	
	12/31/2010	12/31/2009
Rhall Terminais	1,994	1,615
TGG	5,489	3,651
	7,483	5,266

13. Intangible assets – consolidated

(In thousands of R$, except as otherwise indicated)

		12/31/2010			12/31/2009	01/01/09	% Annual
		Cost	Accumulated Depreciation	Net	Net	Net	Average Rate of Amortizations
Goodwill in investment acquisition							
ALL Argentina	(ii)	45,830	(31,030)	14,800	17,434	27,702	6.81%
ALL Malha Oeste	(i)	124,339	(6,497)	117,842	123,557	128,247	3.54%
ALL Malha Paulista	(i)	355,873	(10,894)	344,979	355,336	50,257	1.96%
ALL Malha Norte	(i)	2,054,448	(21,483)	2,032,965	2,049,116	2,372,303	0.53%
Santa Fé	(i)	1,155	(905)	250	477	350	10.00%
Logispar						105,939	5.94%
		2,581,645	(70,809)	2,510,836	2,545,920	2,684,798	
Granting right - Assignment agreements	(iii)						
ALL Malha Oeste		3,118	(1,520)	1,598	1,684	1,770	3.33%
ALL Malha Paulista		7,891	(3,170)	4,721	4,877	5,035	3.33%
ALL Malha Sul		10,830	(5,025)	5,805	6,012	6,222	3.33%
		21,839	(9,715)	12,124	12,573	13,027	
Application Systems – software and other		32,135	(19,995)	12,140	15,978	36,507	20.00%
		2,635,619	(100,519)	2,535,100	2,574,471	2,734,332	

The goodwill recorded in the Parent Company's Investment is classified in Intangible Assets in the consolidated financial statements.

(i) Goodwill in investment acquisition is based on the expectation of future profitability, amortized by the realization curve considering concession terms.

(ii) 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.

(iii) It refers to the granting right of concession agreements of subsidiaries ALL Malha Oeste, ALL Malha Paulista and ALL Malha Sul, amortized by the agreement maturity.

<u>Goodwill impairment test</u>

Goodwill paid in business combinations was allocated to two groups of Cash-Generating Units (CGU) for purposes of the annual impairment test, as demonstrated below:

- Malha Norte (comprising ALL Malha Paulista, ALL Malha Oeste and ALL Malha Norte); and
- Malha Argentina (comprising the companies that operate in Argentina).

Malha Norte

The recoverable amount of Malha Norte in December 2010, was determined by means of the calculation of the value in use from cash projections arising from financial budgets approved by the senior management for a five-year period extended for an equal period. The discount rate before taxes applied to cash flow projections is 10.9% and the cash flows exceeding the 10-year period are perpetuated using a growth rate of 1.0%, which the Company considers conservative in relation to the projected growth for Brazil. As a result of this analysis, the Management did not identify a need to record a provision for impairment loss for this UGC group to which a goodwill of R$2,495,786 (R$2,528,009 on December 31, 2009) was allocated.

(In thousands of R$, except as otherwise indicated)

Malha Argentina

In December 2009, the Company recognized the provision for loss of the full amount corresponding to goodwill of Malha Argentina, in view of the Argentinean economic situation. In December 2010, Malha Argentina's recoverable amount was also assessed by a calculation based on the value in use from cash flow projections in American dollars considering financial budgets approved by the senior management, covering a five-year period extended by an equal period. The discount rate before taxes applied to cash flow projections is 11.89% p.a. (in USD). As a result of this analysis, the Management did not consider necessary to record a provision for impairment of goodwill balance allocated to UGC, in the amount of R$14,800 on December 31, 2010 (R$17,434 in 2009).

14. Fixed assets – consolidated

	12/31/2010			12/31/2009	01/01/09	Depreciation annual average rates (%)
	Cost	Accumulated Depreciation	Net	Net	Net	
Improvements in third parties' assets						
Locomotives	949,302	(301,420)	647,882	550,314	489,911	4.00%
Railcars	578,926	(172,134)	406,792	286,604	249,221	3.33%
Track	1,732,439	(301,945)	1,430,494	1,141,574	854,805	4.29%
Other	210,092	(63,852)	146,240	105,263	115,368	5.34%
	3,470,759	(839,351)	2,631,408	2,083,755	1,709,305	
Own fixed assets in use						
Locomotives	573,280	(133,280)	440,000	444,659	895,185	4.00%
Railcars	347,342	(95,606)	251,736	242,250	504,785	3.33%
Track	1,018,685	(134,628)	884,057	894,134	249,710	0.91%
Assets in use supplies	99,569		99,569	110,804	45,174	
Land	31,206		31,206	19,921	19,921	
Buildings	62,425	(23,557)	38,868	39,917	41,578	5.20%
Furniture and fixtures	14,029	(10,729)	3,300	4,034	3,039	10.00%
Road vehicles	43,230	(24,904)	18,326	19,020	27,097	14.54%
Data processing equipment	83,784	(53,337)	30,447	25,004	8,754	19.71%
Telecommunications and signaling equipment	49,097	(34,076)	15,021	17,897	21,247	9.70%
Equipment for track maintenance and rail transportation	119,652	(48,105)	71,547	90,641	95,055	9.94%
Aircraft	11,752	(1,368)	10,384	12,475	11,479	10.00%
Machinery and equipment	1,375	(1,302)	73	2,104	1,236	10.00%
Other	104,584	(34,535)	70,049	58,544	124,412	10.00%
	2,560,010	(595,427)	1,964,583	1,981,404	2,048,672	
Leasing						
Locomotives	263,437	(59,419)	204,018	178,875	660,302	4.00%
Railcars	791,034	(221,134)	569,900	680,212	91,299	3.33%
Trucks	3,146	(1,348)	1,798	2,473		21.43%
Civil Work	19,503	(3,186)	16,317	16,120		9.09%
Equipment	17,290	(2,974)	14,316	16,041		10.00%
	1,094,410	(288,061)	806,349	893,721	751,601	
Fixed Assets in course						
Locomotives	145,225		145,225	51,129	92,753	
Railcars	134,072		134,072	60,433	34,765	
Permanent Track	191,802		191,802	100,525	76,411	
Road vehicles	51		51	15	488	
Other	138,465		138,465	80,219	12,663	
	609,615		609,615	292,321	217,080	
	7,734,794	(1,722,839)	6,011,955	5,251,201	4,726,658	

(In thousands of R$, except as otherwise indicated)

Summary of Fixed Assets operations:

Fixed Assets Classes	12/31/2009	Acquisitions	Write-offs	Interest on works in progress	Depreciation	12/31/2010
Locomotives	994,973	133,045			(40,136)	1,087,882
Railcars	528,854	152,999	(4,191)		(19,134)	658,528
Track	2,035,708	426,189	(66,952)		(80,394)	2,314,551
Leasing	893,721	54,517			(141,889)	806,349
Fixed Assets in course and in construction	292,321	264,845		52,449		609,615
Other	505,624	95,847	(4,104)		(62,337)	535,030
TOTAL	**5,251,201**	**1,127,442**	**(75,247)**	**52,449**	**(343,890)**	**6,011,955**

In the year ended December 31, 2010, the amount of R$52,449 (R$20,099 on December 31, 2009) was capitalized as fixed assets in progress related to financial charges created by loans that financed such fixed assets. This transaction does not affect the cash flow.

Based on CPC 27 – Fixed Assets, the Company revised the working life of its fixed asset and defined a new estimate for the working life for the 2010 financial year, as detailed below:

Class of Fixed Assets	Previous Depreciation	Current Depreciation
Locomotives	5.84% to 11.95%	4%
Railcars	6.96 % to14.28%	3.33%

The Company's evaluation is that the useful working life of the other fixed assets is adequate, and, therefore, remained unaltered.

The alteration in the new rates for useful economic life and the alteration in depreciable value of goods based on their residual value generated a positive effect in the result of R$79,583.

Financial leasing and assets under constructions

The book value of fixed assets maintained as commitments for financial leasing agreements as of December 31, 2010 was R$ 1,094,410 (R$ 1,027,488 in 2009). There were additions to fixed assets during the financial period valued at R$ 202,255 (R$ 297,263 in 2009) of items under leasing commitments, guaranteed by the goods named in the contracts. These additions do not affect the cash flow.

As described in note 17.1, financial leasing was classified under fixed assets and has been, in a consistent manner, depreciated according to criteria applicable to other fixed assets.

(In thousands of R$, except as otherwise indicated)

15. Loans and financing

	Annual Charges	Effective rate	Maturity	12/31/2010	12/31/2009	01/01/09
Parent Company						
in domestic currency						
Commercial Banks	107% of CDI	11.44%	July 2015	209,416	207,368	211,846
Investments BNDES	TJLP+1.8%	7.80%	Quarterly/Monthly until June 2017	62,872	62,820	62,887
In foreign currency (exchange variation linked to the US$, with swap to CDI)						
Swap transactions				(6,782)	(1,575)	(94)
Total Parent Company				**265,506**	**268,613**	**274,639**
Subsidiaries						
In domestic currency						
ALL Malha Sul				**1,477,480**	**1,308,169**	**1,287,350**
CCB	108% of CDI		July 2010		114,372	116,569
	CDI + 1.25%	12.02%	September 2015	329,173	326,971	328,429
	CDI + 1.23%	12.00%	October 2014	106,488	95,670	85,800
Investments						
BNDES	TJLP + 6.63%	13.37%	Quarterly/Monthly until April 2010			66,641
	TJLP + 5.25%	11.25%	Quarterly/Monthly until April 2010		6,980	27,770
	TJLP + 2.5%	8.50%	Quarterly/Monthly until June 2017	272,127	271,901	326,521
	TJLP + 1.4%	7.40%	Quarterly/Monthly until June 2022	257,077	80,254	
	TJLP + 1.5%	7.50%	Quarterly/Monthly until June 2022	8,051	8,051	8,041
	TJLP + 1.8%	7.80%	Quarterly/Monthly until June 2017	138,007	138,007	58,207
NCC	105.9% of CDI	11.27%	July 2015	56,260	61,345	62,388
	107.0 % of CDI	11.38%	March 2013	204,683	203,206	205,374
FINAME	102.0% of CDI	10.85%	July 2013	73,920		
	101.0% of CDI	10.76%	July 2013	30,481		
	TJLP + 3.75%	9.75%	January 2017	1,213	1,412	1,610
ALL Intermodal						
Investments BNDES FINAME				**15,145**	**23,512**	**32,477**
	TJLP + 3.6%	9.60%	Quarterly/Annualy until December 2013	15,145	23,512	32,477
ALL Malha Paulista						
Investments BNDES				**304,377**	**259,454**	**284,168**
	TJLP + 1.4% a.a.	7.40%	Quarterly/Monthly until June 2020	172,129	126,942	151,777
	TJLP + 1.5%	7.50%	Quarterly/Monthly until October 2022	4,961	4,951	4,933
CG	TJLP + 2.5%	8.50%	Quarterly/Monthly until October 2017	107,024	108,698	108,379
	IGP-M	IGP-M	January 2023	20,263	18,863	19,079
ALL Malha Norte						
Investments BNDES				**831,964**	**880,202**	**920,878**
	TJLP + 1.5% a.a.	7.50%	Quarterly/Annualy until September 2016	460,775	569,261	676,940
	TJLP + 3%	9.00%	Quarterly/Annualy until January 2016	160,037	191,519	222,735
	TJLP + 2.71%	8.71%	Quarterly/Annualy until January 2029	162,474	80,281	
Leasing	TJLP +1.4%	7.40%	Quarterly/Annualy until January 2020	46,672	29,630	4,801
	CDI + 1.5%	12.30%	March 2011	2,006	9,511	16,402

(In thousands of R$, except as otherwise indicated)

Continued **ALL Malha Oeste**	**Annual Charges**	**Effective rate**	**Maturity**	**12/31/2010**	**12/31/2009**	**01/01/09**
Investments BNDES				**52,388**	**36,656**	**-**
	TJLP + 1.4%	7.40%	Quarterly/Annualy until June 2020	52,388	36,656	
Terminal XXXIX						
Investments BNDES				**1,272**	**2,544**	**3,887**
	TJLP + 4.5%	10.50%	Quarterly/Annualy until December 2011	1,272	2,544	3,887
Santa Fé Vagões						
Commercial Banks					**1,141**	**6,057**
					1,141	6,057
				2,682,626	**2,511,678**	**2,534,817**
In foreign currency (exchange variation linked to the US$, with swap to CDI)						
ALL Malha Sul						
Swap transactions				605	2,735	(7,431)
ALL Malha Norte						
Swap transactions				7,537	9,033	3,826
ALL Intermodal						
Swap transactions					57	(52)
ALL Malha Paulista						
Swap transactions				386		
Boswels						
Swap transactions						4,887
				8,528	**11,825**	**1,230**
In domestic currency						
ALL Malha Sul						
Swap transactions				6,638	1,902	
				6,638	**1,902**	**-**
In foreign currency (exchange variation linked to Argentine Peso- P$)						
ALL Argentina				**75,752**	**80,783**	**82,800**
Commercial Banks	17.00%	17.00%	January 2011	1,394	12,888	17,587
Mortgaged - Debt 4	6.30%	6.30%	October 2011	5,017	16,813	8,249
Itaú Argentina - Debt 6	18.75%	18.75%	January 2011	29,632	41,238	51,456
Patagonia - Debt 5	14.80%	14.80%	July 2011	6,372		
Santander - Debt 1	15.20%	15.20%	November 2011	12,708		
Citibank - Debt 3	16.25%	16.25%	July 2011	15,518		
Working Capital	16.50%	16.50%	January 2011	5,111	9,844	5,508
Total subsidiaries				**2,773,544**	**2,606,188**	**2,618,847**
Total consolidated				**3,039,050**	**2,874,801**	**2,893,486**
Portion in the current liabilities				(385,523)	(418,934)	(375,200)
Portion in the long-term liabilities				2,653,527	2,455,867	2,518,286

(In thousands of R$, except as otherwise indicated)

Breakdown by maturity year of long-term liabilities:

	12/31/2010
2012	333,340
2013	751,095
2014	589,456
2015	386,478
2016	169,115
As of 2017	424,043
Total	2,653,527

Abbreviations:

BNDES - Brazilian Development Bank
CDI - Interbank Deposit Certificate
FINAME - Financing Fund to Acquire Machines and Industrial Equipment
TJLP - Long-Term Interest Rate
CCB - Banking Deposit Certificate
NCC - Commercial Credit Note
CG - Working Capital
IGP-M - General Market Price Index

Loans, financing and debenture balances are stated at their net value, i.e., recognized as transactions initial expenses.

Loans and financings are guaranteed by promissory notes for the total financed amount considering the same agreed terms and conditions, except in the case of the financing of locomotives and railcars, which guarantee the financing.

The financing agreements with BNDES, allocated to investments are guaranteed pursuant to each contract, by bank surety, with a cost between 1.0% and 2.0% p.a. or by real guarantees (assets) and an escrow account.

When the Company contracts foreign currency loans, swap transactions are contracted for protecting the Brazilian real against the US dollar.

Some agreements have covenants establishing financial limits to the company. These limits are determined quarterly on the date of publication of the Quarterly Information based on consolidated data.

The covenant Net Debt/EBITDA is calculated based on the consolidated net indebtedness (loans, financings and debentures deducted from cash and cash equivalents), divided by the consolidated EBITDA of the last four quarters. The amounts below are the covenant's maximum limit for the period:

Year	2010	2011	2012	2013	2014
Consolidated net debt/ Consolidated EBITDA	3.0	3.0	3.0	2.5	2.5

(In thousands of R$, except as otherwise indicated)

The covenant EBITDA/Financial Income is calculated based on the consolidated EBITDA of the last four quarters, divided by the Consolidated Financial Income. For purposes of determining the financial income in this covenant, only interest on debentures, loans/financings, hedge operations and exchange rate variation of its subsidiary abroad "ALL Argentina" are considered. The amounts below are the covenant's minimum limits for the period:

Year	**2010**	**2011**	**2012**	**2013**	**2014**
EBITDA/Consolidated financial income	2.00	2.00	2.00	2.00	2.00

16. Debentures - consolidated

The issuance of the debentures from the parent company and its subsidiaries present the following balances:

						12/31/2010		12/31/2009		01/01/09	
Tranche	**Date**	**Amount**	**Final Maturity**	**Annual Yield**	**Effective Rate**	**Current liabilities**	**Long-term liabilities**	**Current liabilities**	**Long-term liabilities**	**Current liabilities**	**Long-term liabilities**
Parent Company											
4th issue	10/1/2004	135.000	10/1/2009	110% of CDI	15,24%					137.912	
5th issue	9/1/2005	199.050	9/1/2014	CDI + 2.40%	13,89%	7.333	198.501	6.236	197.550	9.861	197.192
6th issue	7/1/2006	550.570	7/1/2014	CDI + 2.40%	13,71%	171.145	406.810	25.903	544.385	51.801	700.000
7th issue - (i)	11/17/2009	5	10/2/2012	IPCA + 3%	8,79%		6		5		
Direct Subsidiaries						178.478	605.317	32.139	741.940	199.574	897.192
Controladas Diretas											
ALL Malha Sul											
3rd issue	9/8/2008	166.666	7/31/2018	108% CDI	12,09%	16.420	158.571	2.197	162.397	6.917	161.834
ALL Malha Norte											
1st issue	7/1/1997	100.000	6/30/2016	TJLP + 1.5%	7,50%	34.221	224.085	9.324	248.982	9.312	248.683
2nd issue	4/10/2000	60.000	5/1/2015	TJLP + 4%	10,00%	10.781	43.121	9.766	48.829	9.652	46.796
3rd issue	1/14/2002	40.000	5/4/2015	TJLP + 4%	10,00%	6.911	27.644	6.261	31.303	34.496	
5th issue	12/3/2003	60.000	12/3/2009	CDI + 1.50%						2.706	
6th issue	9/8/2008	166.666	7/31/2018	108% of CDI	12,11%	7.192	162.960	5.755	162.397	6.917	161.834
Debentures	7/1/1997	100.000	6/30/2016	% RL			80.961		95.661	15.058	71.863
						59.105	538.771	31.106	587.172	78.141	529.176
ALL Malha Paulista											
1st issue	9/10/2008	166.666	7/31/2018	108% of CDI	12,11%	7.192	162.960	5.755	162.397	6.736	161.834
						7.192	162.960	5.755	162.397	6.736	161.834
Consolidated						261.195	1.465.619	71.197	1.653.906	291.368	1.750.036

(i) At the Extraordinary General Meeting held on October 2, 2009, the Company's shareholders approved the 7th private issue of 10,750,000 subordinated debentures convertible into shares in the amount of up to R$1,300,750 on the issue date, with the assurance that there might be a partial placement of debentures in case the amount subscribed and paid up were at least R$350,000, according to the terms and conditions set forth in the Minutes to the Extraordinary General Meeting.

As per the Material Fact disclosed on November 17, 2009, 10,682,093 debentures were subscribed and paid up, with proceeds in the amount of R$1,292,533.

At the Board of Directors' meeting held on November 17, 2009, the directors ratified the increase in the Company's capital stock in the amount of R$1,292,528, by converting 10,682,050 debentures referring to the 7th issue, as detailed in Note 25. Out of this operation, forty-three debentures were not converted into shares and remain recorded in the liabilities.

(In thousands of R$, except as otherwise indicated)

17. Leasing – consolidated

17.1 Financial leasing

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

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

The balance of liabilities related to financial leasing contracts is:

	12/31/2010		12/31/2009		01/01/09	
Assets	**Current Liabilities**	**Long-term Liabilities**	**Current Liabilities**	**Long-term Liabilities**	**Current Liabilities**	**Long-term Liabilities**
ALL Malha Sul						
Rail Cars	67,358	336,980	72,017	387,395	60,062	426,348
ALL Malha Norte						
Locomotives and rail cars	72,584	414,899	60,216	418,505	68,098	323,819
ALL Malha Paulista						
Locomotives	99,412	104,868	11,031	125,447	657	657
	239,354	856,747	143,264	931,347	128,817	750,824

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

The future minimum lease payments in the terms of the financial leases and lease commitments, together with the present value of the minimum lease payments, are as below:

	Total future payments		
Assets	**Up to 1**	**1 - 5**	**Above 5**
ALL Malha Sul			
Rail Cars	106,455	387,589	120,183
ALL Malha Norte			
Locomotives and rail cars	160,190	591,130	379,573
ALL Malha Paulista			
Locomotives and rail cars	32,587	148,544	470,740
	299,232	1,127,263	970,496

17.2 Operating leasing

Payment of operating leasing (rentals) installments was recognized as expenses on a straight-line basis corresponding to the term of the respective contracts. These are vehicle rental contracts, application systems (software), railcars and properties. The Company and its subsidiaries do not have any contingent payment or sublease of the contracts executed.

(In thousands of R$, except as otherwise indicated)

The Company and its subsidiaries were counterparties in lease operations, for the following amounts in terms of minimum payments:

		Total future minimum payments		
Assets		**Up to 1**	**1 - 5**	**Above 5**
Vehicles	(i)	2,438	813	None
Application systems	(ii)	1,461		None
Properties	(iii)	916		None
		4,815	813	

(i) Vehicle rental contracts are over a period of two years (beginning on 01/04/2010) and can be renewed for a similar period in accordance with the interests of the parties involved. The prices are readjusted annually based on the variation of the IGP-M, from April2011.
(ii) Contracts for the use of applicative systems are valid for an undetermined period, and can be renewed and corrected (for monetary restatement) annually.
(iii) The property contracts are for a period of one year. The prices are readjusted annually according to the variation in the IGP-M.

18. Leasing and concessions - Consolidated

The Company and its subsidiaries record their Leasing agreements liabilities on a straight-line basis according to their maturity. The long-term amounts refer to amounts not paid due to discussions regarding the contract conditions and/or installments allocated during their grace period.

Balance payable of concessions is equivalent to the restated amount of the grantings, net of payment made up to the balance sheet date.

	12/31/2010		12/31/2009		01/01/09	
	Current Liabilities	**Long-term Liabilities**	**Current Liabilities**	**Long-term Liabilities**	**Current Liabilities**	**Long-term Liabilities**
Leasing						
ALL Malha Sul	12,105	36,237	10,930	36,040	11,126	40,061
ALL Argentina	14,972		13,120		13,543	
ALL Malha Paulista		549,415		500,933		450,698
ALL Malha Oeste		435,403		374,690		322,365
Concession						
ALL Malha Sul	3,954	18,965	1,096	19,791	1,580	20,000
ALL Malha Paulista	2,806	44,123	896	41,625	795	39,426
ALL Malha Oeste	1,445	30,666	512	27,537	487	25,036
	35,282	1,114,809	26,554	1,000,616	27,531	897,586

(In thousands of R$, except as otherwise indicated)

The conditions for the leasing and concession agreements are the following:

	Leasing and concession agreements						
	Term (years)	Amount of agreement	Paid on demand	Balance	Quarterly installments	Beginning of payment	Restatement index
Leasing							
ALL Malha Oeste	30	56,440	4,969	51,471	112	1/15/1998	IGP-DI + Interest 12% p.a.
ALL Malha Paulista	30	230,160	52,793	177,367	112	12/15/2000	IGP-DI + Interest 12% p.a.
ALL Malha Sul	30	202,112	82,032	120,080	112	1/15/1999	IGP-DI + Interest 12% p.a.
Concession							
ALL Malha Oeste	30	3,118	409	2,709	112	1/15/1998	IGP-DI + Interest 12% p.a.
ALL Malha Paulista	30	12,252	2,917	9,335	112	12/15/2000	IGP-DI + Interest 12% p.a.
ALL Malha Sul	30	10,830	4,510	6,320	112	1/15/1999	IGP-DI + Interest 12% p.a.

ALL Malha Sul - Lease amounts of the subsidiary ALL Malha Sul are appropriated on a straight-line basis under liabilities and results over the period of the respective agreement, 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 Malha Paulista - On August 29, 2005, a partial spin-off between ALL – Malha Paulista and Ferrovia Centro Atlântica S.A. (FCA) was carried out, and FCA started being responsible for 35.6% of the total concession and lease amounts.

The subsidiary ALL Malha Paulista suspended the payment of the values related to its lease contract to RFFSA in 2005 –in liquidation, based on a legal injunction to make judicial deposits in the government's name. With the legal authorization obtained in 2007, these judicial deposits were called in and the Company has taken out bank guarantees to back the payment of the installments. For more details please see explanatory note 19.

Considering that ALL Malha Norte depends on ALL Malha Paulista's lines to continue its transportation operations, started in the states of Mato Grosso and Mato Grosso do Sul and ended in Santos (São Paulo state). ALL Malha Norte entered with ALL Malha Paulista, 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$111,943 (R$115,629 on December 31, 2009).

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.

ALL Malha Norte - On May 19, 1989, the direct 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 (Mato Grosso state) and: a) Uberaba/Uberlândia (Minas Gerais state), b) Santa Fé do Sul (São Paulo State), c) Porto Velho (Rondônia state) and d) Santarém (Pará state). 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 for 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.

(In thousands of R$, except as otherwise indicated)

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, preceded by 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 direct subsidiary cancelled the concession and lease payment. The quarterly installments are guaranteed by bank surety at their maturity date.

19. Court deposits and provision for lawsuits – consolidated

				Contingencies					
	Court deposits			Probable			Possible and remote		
	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09
Labor claims									
In Brazil	203,049	154,903	130,154	143,202	147,988	198,926	871,067	886,140	917,397
Civil, regulatory and environmental claims									
In Brazil	135,205	134,515	133,468	23,776	23,776	23,003	516,008	319,200	398,065
In Argentina				5,800	6,138	8,824			-
Tax claims									
In Brazil	9,761	4,968	4,968	30,526	30,674	67,211	1,006,060	232,382	217,316
	348,015	294,386	268,590	203,304	208,576	297,964	2,393,135	1,437,722	1,532,778

	12/31/2009	**Additions**	**Write-offs**	**Reversals**	**12/31/2010**
Labor claims	147,988	114,676	(103,027)	(16,435)	143,202
Civil, regulatory and environmental claims	29,914			(338)	29,576
Tax claims	30,674	22,049	(4,189)	(18,008)	30,526
Total	**208,576**	**136,725**	**(107,216)**	**(34,781)**	**203,304**

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

a) Labor contingencies

The subsidiaries discuss several labor claims, and on December 31, 2010 the Company recorded a provision of R$143,202 (R$147,988 on December 31, 2009), in the consolidated, to deal with those cases which its attorneys deem as probable losses. The provisioned amount reduction, in relation to previous period, was basically due to the agreements executed by the Company.

From the lawsuits in progress, major claims refer to overtime, recognition of nonstop work shift, standby hours, salary differences, differences in FGTS 40% fine deriving from understated inflation, risk premium, health hazard allowance, allowance for relocation, differences of variable compensation, additional payment of retirement and others.

b) Civil, regulatory and environmental lawsuits

Civil

The subsidiaries are parties to 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 advisors and the courts standing, they keep records for the probable losses.

Regulatory

Among the relevant lawsuits, 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, which are under RFFSA's responsibility.

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 the final 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.

ALL Malha Oeste, it is claiming the reestablishment of the economic-financial balance, lost due to the cancellation of transportation agreements at the time of privatization. The proceeding is in progress in the 16th Federal District Court of Rio de Janeiro. The amount related to installments due 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 19.

Environmental

Such values result from notices from IAP (Paraná state), CETESB (São Paulo state), 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 cases, measures are being adopted to reduce the existing liabilities, as well to remedy and prevent damages to the environment. The environmental area provision is accounted for along with the civil provision of concessionaires.

c) Tax contingencies

The main discussions involving the tax area refer to "ICMS Exportação" (value-added tax on sales and services (ICMS) levied on the transportation of goods to be exported), different ICMS rates on interstate transportation and the levy PIS/COFINS on mutual traffic operations.

No provision was established for tax lawsuits whose chances of losses are deemed as possible or remote. For those considered as probable losses, a provision at the amount of R$30,526 (R$30,674 on December 31, 2009) was recorded.

ICMS Exportation - The State Treasury Department of São Paulo drawn up notices of infractions against ALL Malha Sul, current amounts of which total approximately R$48,845, 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. In 2Q10, the first favorable decision was issued by the Court of Taxes and Charges of the State of São Paulo, in order to annul the requirement that ICMS be assessed on export operations. In the fourth quarter of 2010, one of the discussions shifted from the administrative area to the judicial, with the presentation of fiscal Motions to Stay Fiscal that preceded the offer of for a letter of surteyship to serve as a guarantee for the court.

ALL Malha Oeste received a tax deficiency notice referring to the same issue in the amount of approximately R$21,955. All the tax deficiency notices are currently under administrative discussion in the State of São Paulo. It is worth pointing out that the superior courts (STJ) have already established that ICMS tax should not be levied on the transportation of goods to be exported, pursuant to the provision in Article 155 of the Federal Constitution.

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$14,817. In the last quarter of 2010, the State Tribunal of Mato Grosso confirmed the first instance decision annulling the record of infraction entirely, and this decision led to a favorable ruling for ALL Malha Norte in December 2010. The High Court Judges understand that ICMS is not due on the transport of goods destined for export after delivery at ports, which reduced the contingency by R$ 14,817.

ICMS on fixed assets credit – In April 2005, ALL Malha Sul obtained a favorable decision in the State Court of Rio Grande do Sul regarding the tax deficiency notice issued by the Rio Grande do Sul State Department against the Company for its benefiting from ICMS credit on acquisition of goods and equipment intended for recovery and renovation of fixed assets. The Rio Grande do Sul state filed an Extraordinary Appeal against this decision, which is awaiting a decision from the Supreme Court. The amount of the tax deficiency notice is approximately R$20,017, of which ALL has already paid to the Rio Grande do Sul public treasury the amount of R$11,192 and has suspended the payment of the outstanding balance of R$8,825 as a result of the aforementioned favorable decision of the State Court of Rio Grande do Sul, which has already been ratified by the Superior Courts. Additionally, Supplementary Law 87/96 has authorized the full benefit from the credit when acquiring fixed assets.

Isolated Fee COFINS – ALL Malha Sul received a tax assessment notice in the amount of R$64,000, for COFINS offset arising from credits calculated based on a final and unappealable legal decision in favor of ALL Malha Sul (in the scope of lawsuit 1999,61,00024508-0/SP). As the Federal Government filed a motion for relief against the aforementioned lawsuit, the Federal Revenue Service ignored the final and unappealable decision and considered the offsets as non-declared, claiming a violation of paragraph 12, article 74 of Law 9,430/96. In the trial court, a Federal Revenue Office annulled the fee charged, clarifying that at the time of the respective offsets, ALL Malha Sul had a final and unappealable decision without any legal impediments that prevented the respective offsets; the Federal Revenue Service itself allowed, upon decisional order, the administrative proof of claim.

PIS/COFINS – Mutual Traffic – ALL Malha Paulista was notified for not paying PIS and COFINS in relation to the mutual traffic and right of way revenues, and is challenging in court the amount of R$50,100, 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. Decisions issued up to the present date have already reduced the number of notices in approximately R$17,000.

IRPJ/CSL, PIS and COFINS – ALL Malha Sul was charged R$620,383 for excluding interest on financial investments made in Austria and Spain, and for loan expenses considered non-deductible, from their calculations. Tax authorities also issued tax assessment notices for PIS and COFINS taxes on hedge operations intended to guarantee foreign loans. The Company believes that the probability of loss is remote since these financial investments were made in countries with which Brazil has signed treaties to ensure that taxes are indeed levied on such operations; in addition, the PIS and COFINS taxes on swap operations were not levied pursuant to Decree No. 5442/2005.

IPTU – ALL Malha Sul and ALL Malha Paulista have approximately R$4,798 thousand related to IPTU levied on the Federal Government’s properties, which, due to the concession granted, are held thereby with the purpose of providing railroad transportation public services. However, the Federal Constitution sets forth that there is no tax levy on Federal Government's assets and the Company already has several favorable decisions. In the first quarter, a favorable decision was achieved in relation to notices to the City of São Vicente and Colina, reducing the liabilities in approximately R$8,500.

ISS – Portofer received two tax deficiency notices in the amount of R$2,644, in view that the city of Santos disregarded the judicial figure of Portofer (special purpose company with the purpose of apportioning expenses among the concessionaires) and issued a notice to the Company as municipal service provider. The company considers the possibility of losing as remote, as it is a matter upon which a favorable decision has already been issued by the Supreme Court of the state of São Paulo in similar cases concerning the city of Guarujá, to determine the annulment of tax assessment notices, since Portofer is a non-profit organization but it conducts the expenses apportionment.

IRPJ/CSLL –ALL Intermodal received a tax deficiency notice, in November 2010, by the Federal Revenue in the amount of R$52,772 referring to Corporate Tax Income and Social Contribution Tax. This amount was obtained from the disallowance of expenses as a result of the payment of variable installments of the lease agreement of property, equipment, machines and vehicles that ALL Intermodal entered into. These expenses were not considered as tax deductible and for that reason they were not disallowed by the Revenue. The Company considered the risk of this tax deficiency notice as remote, since the lease agreement was necessary and usual to ALL Intermodal’s activities.

(In thousands of R$, except as otherwise indicated)

20. Related-Party Transactions

Companies considered related parties are disclosed in note 2.1.

	Parent Company									
	Long-term assets			Long-term liabilities			Revenues		Expenses/Costs	
	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Subsidiaries										
ALL Argentina	43,941	685	854	5,299	4,991	6,023	38,198			
ALL Armazéns Gerais	257	6,445		14,546	22,489	31,802				
ALL Centro-Oeste				359	453	1,933				
ALL Equipamentos		133				10,366		35,018		
ALL Intermodal		26,904		4		32,126			13	
ALL Malha Norte		3	27,515	5,994	373,231					
ALL Malha Oeste				357	4,537	42,076				
ALL Malha Paulista		124,547	142,338	4		21,767	44,119	40,974	9	
ALL Malha Sul		162,349	84,125	67			94			424,907
ALL Overseas	175	182	245							
ALL Participações				6						
ALL Rail Tec					555					
ALL Serviços					1,459			118		400
Santa Fé	1,953	26,146	2,904							
Associated companies										
PGT				77	79	690				
Portofer		25,689	9,084							
	46,326	373,083	267,065	26,713	407,794	146,783	82,411	76,110	22	425,307

a) Credits and debits with associated companies

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.

b) Terms and conditions for related-party transactions

The Company's transactions with related parties are of an operational and financial nature, arising from renting terminals, rolling stock (locomotives and railcars), machinery and equipment, warehouses, freight pallets, as well as financial resources, necessary to maintain the Company's operations.

The outstanding balances at the end of the financial period are free of interest and some transactions have no expiry date, and the liquidation made within the financial year is always in cash or through account balancing.

There is no insurance cover for transactions with related parties.

In the financial period ending on December 31, 2010, there were no contingencies for receivables related to debits with related parties. This evaluation is made every period, examining the financial position of the related parties and the operating market of each.

(In thousands of R$, except as otherwise indicated)

The contracts with related parties are listed below:

Related party	Relation with Issuer	Date of Transaction	Object Contracted	Total Transaction (Thousand R$)	Amount 31.12.10 (Thousand R$)	Maturity	Rescission
From Parent Company with Subsidiaries:							
América Latina Logística Mesopotâmica S.A.	Subsidiary	11/11/09	Freight sharing	1.124	unearned	20/12/11	Total or partial default
América Latina Logística Mesopotâmica S.A.	Subsidiary	11/11/09	Freight sharing	5.106	unearned	20/12/11	Total or partial default
América Latina Logística Argentina S.A.	Subsidiary	9/26/1983	Mutual traffic operations	unearned	unearned	Undetermined	Breach of contract
América Latina Logística Central S.A.	Indirect Subsidiary	11/11/09	Freight sharing	5.114	unearned	20/12/11	Total or partial default
América Latina Logística Central S.A.	Indirect Subsidiary		Right of way	1.000	unearned	01/01/23	Breach of contract
América Latina Logística Malha Paulista S.A	Subsidiary	3/1/2008	Rent of locomotives	102.900	55.165	5/1/2014	Breach of contract, bankrupcy, winding-up or court recovery
América Latina Logística Malha Paulista S.A	Subsidiary	3/1/2008	Rent of railcars	61.440	31.744	5/1/2014	Breach of contract, bankrupcy, winding-up or court recovery
América Latina Logística Malha Sul S.A	Subsidiary	8/12/2005	Assignment of facilities and equipment in Santa Maria	unearned	unearned	3/1/2027	End of concession or undue use of property
América Latina Logística Malha Sul S.A	Subsidiary	9/16/10	Rent of locomotives	1.132.578	1.075.949	9/16/15	Breach of contract, bankrupcy, winding-up or court recovery
América Latina Logística Mesopotâmica S.A.	Indirect Subsidiary	11/11/09	Freight sharing	1.185	unearned	20/12/11	Total or partial delinquency
América Latina Logística Mesopotâmica S.A.	Indirect Subsidiary		Right of way	1.000		01/01/23	Breach of contract
América Latina Logística Mesopotâmica S.A.	Indirect Subsidiary	2010	International Agreement - Financial Support	9.660	9.815	Diversas	Total or partial default
América Latina Logística Central S.A.	Indirect Subsidiary	2010	International Agreement - Financial Support	24.360	28.040	Diversas	Total or partial default
Among Subsidiaries:							
América Latina Logística Malha Paulista S.A and others	Subsidiary	01/01/08	Sharing of assets and use of railroad infrastructure	unearned	unearned	12/31/2028	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Norte S.A and others	Subsidiary	01/01/08	Sharing of assets and use of railroad infrastructure	unearned	unearned	5/31/1979	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Oeste S.A and others	Subsidiary	01/01/08	Sharing of assets and use of railroad infrastructure	unearned	unearned	6/30/2026	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Sul S.A and others	Subsidiary	01/01/08	Sharing of assets and use of railroad infrastructure	unearned	unearned	2/28/2027	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Paulista S.A and América Latina Malha Sul S.A,	Subsidiary	01/01/09	Right of way and Mutual traffic	697	unearned	Effectiveness of Concession Agreement	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Paulista S.A and América Latina Logística Malha Oeste S.A.	Subsidiary	01/01/09	Right of way and Mutual traffic	174	unearned	Effectiveness of Concession Agreement	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Norte S.A and América Latina Logística Malha Paulista S.A.	Subsidiary	01/01/09	Right of way and Mutual traffic	538.988	unearned	Effectiveness of Concession Agreement	Breach of crontract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Sul S.A and América Latina Logística Malha Oeste S.A.	Subsidiary	01/01/09	Right of way and Mutual traffic	1.424	unearned	Effectiveness of Concession Agreement	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
ALL América Latina Logística Serviços Ltda. with others	Subsidiary	15/09/10	Administrative Service Support	unearned	unearned	15/10/11	Breach of contract, bankrupcy, winding-up, court recovery, total or partial default
Brado Logistica e Participações S.A. with others	Indirect Subsidiary	20/12/10	railway transportation service and investments	unearned	unearned	Vigência dos Contratos de Concessão	Breach of contract, bankrupcy, winding-up, court recovery, total or partial default
Brado Logistica e Participações S.A. with others	Indirect Subsidiary	20/12/10	Assignment of terminals for containner service	unearned	unearned	Vigência dos Contratos de Concessão	Breach of contract, bankrupcy, winding-up, court recovery, total or partial default
From Subsidiaries with Associated Companies:							
América Latina Logística Malha Norte S.A							
Boswels S.A.	Company under Common Control	12/22/2009	Aircraft operating leasing agreement	972	486	12/22/2011	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Malha Paulista S.A							
Santa Fé Vagões	Company under Common Control	11/1/2006	Cooperation term of the 18,784.90 m^2 area - Campinas-SP	unearned	unearned	Effectiveness of Concession Agreement	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties
América Latina Logística Sul S.A							
Boswels S.A.	Company under Common Control	11/7/2007	Aircraft operating leasing agreement	1.554	777	11/7/2011	Breach of contract, bankrupcy, winding-up, court recovery, court and/or administrative order and change of share control of the parties

(In thousands of R$, except as otherwise indicated)

There are some guarantees provided or received between related parties, creditor or debtor as follows:

	Secured					
	ALL S.A.	Sul	Intermodal	Paulista	Norte	Total
Guaranteeing parties						
ALL S.A. (Parent Company)						
Debentures		174,421		174,421	174,421	523,263
BNDES		418,466		114,480	620,812	1,153,758
CCB		805,939				805,939
Other			2,952		88,457	91,409
		1,398,826	2,952	288,901	883,690	2,574,369
ALL Malha Sul						
Debentures	793,548					793,548
ALL Intermodal						
Debentures	793,548					793,548
CCB		331,954				331,954
	793,548	331,954				1,125,502
Total	1,587,096	1,730,780	2,952	288,901	883,690	4,493,419

c) Transactions with other related parties

Remuneration of management

In the minutes of the of the General Shareholders' meeting held on April 30, 2010, the global figure for remuneration of members of the Fiscal Council was determined at R$ 648, and a global annual total for managers of R$ 25,000, with these figures being valid until the next Ordinary General Meeting.

The following table shows the breakdown of remuneration:

	2010	2009
Compensations	7,850	25,042
Share-based compensatio (i)	14,537	13,360
	22,387	38,402

(i) The conditions are described in explanatory note 26.

No guarantees or given or received for the remuneration of management.

The Company has made no provision for doubtful debt on the existing outstanding balances.

The Company adopts practices of corporate governance recommended and/or required by the applicable legislation, including as defined in the Regulation for Differentiated Practices of Corporate Governance – New Market (Novo Mercado), instituted by BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros.

The decision about all the Company's operations is submitted to Management, the Board or Fiscal Council, depending on the job descriptions defined in the Company's bylaws. As such, all operations, particularly those with related parties, were duly submitted to the Company decision makers and were subordinated, as per the existing rules. Furthermore, in accordance with Law 6,404/76, any member of the Company's Board of

(In thousands of R$, except as otherwise indicated)

Management is prohibited from voting at any meeting, or taking part in any business operation in which there may be conflicts of interest with those of the Company.

21. Provision for unrealized profit

On December 31, 2001, the parent company sold to the subsidiary ALL Malha Sul 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, 2010 the amount of R$6,695 (R$5,951 up to December 31, 2009 and R$5,207 on January 1, 2009) was realized.

22. Advances on real estate credits (CRI) - consolidated

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

		12/31/2010		12/31/2009		01/01/09	
		Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
ALL S.A. (Parent Company)	(i)	29,968	73,374	10,950	106,812	14,420	117,761
ALL Malha Norte	(ii)	121,643	393,026	162,234	392,460	49,413	440,948
		151,611	466,400	173,184	499,272	63,833	558,709

The balance is composed of two CRI operations:

(i) CRI I: On February 29, 2008 the Parent Company entered into a credit assignment agreement resulting from rental of Terminal Intermodal de Tatuí. CIBRASEC, on 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 matured in March 2009, and the last one matures in 2018. The operation’s financial charges are being apportioned monthly to income.

(ii) CRI II: On November 28, 2008, ALL Malha Norte entered into an agreement with CIBRASEC assigning credits deriving from the lease of Alto Araguaia Terminal– Mato Grosso state. CISBRASEC, on its turn, issued Real Estate Receivable Certificates (CRIs) which will bear compensatory interests based on CDI + 2.6% 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 matured in November 2009 and the last one will mature in 2018. Financial charges of the operation are monthly appropriated to income.

(In thousands of R$, except as otherwise indicated)

23. Deferred income - Consolidated

		12/31/2010		12/31/2009		01/01/09	
		Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Subsidiaries							
ALL Intermodal	(i)	34	471	34	505	34	539
ALL Malha Norte	(ii)	1,528	12,834	1,242	9,938		
ALL Malha Paulista	(iii)	858	14,212	789	14,005	2,169	25,836
ALL Malha Sul	(iii)	191	2,777				
		2,611	30,294	2,065	24,448	2,203	26,375

(i) This refers to the deferred income originated in the capital stock payment by means of land granted under loan for use (up to 2025) by ALL Intermodal to Rhall Terminais Ltda., appropriated on a straight-line basis over the remaining concession period.

(ii) It comes from the earned revenue on the sale of 28 locomotives, with subsequent celebration of a lease-back agreement with Itaú Bank, expiring in 2018.

(iii) 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.

24. Tax and Social Security Installments - Consolidated

	12/31/2010		12/31/2009		01/01/09	
	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities	Current liabilities	Non-current liabilities
Law 11,941/09	14,256	181,766	62,653	118,263		
Senai	146		544		520	455
Sesi	184		300	50	618	338
Financial education	231		188	63	421	229
ISS	1,776	2,000	548	1,766	531	2,231
INSS	1,092				3,235	6,241
ICMS/IVA		4,806		4,806		6,059
PIS/COFINS					9,595	62,088
PAES					3,744	31,546
IRPJ/CSLL					180	254
	17,685	188,572	64,233	124,948	18,844	109,441

Aiming to reduce their tax exposure, the Company and its subsidiaries joined the Debt Installment Program of the Office of the National Treasury Attorney-General and Federal Revenue Service set forth by Law 11,941/09 in the 4th quarter of 2009.

(In thousands of R$, except as otherwise indicated)

Description	Parent company	Consolidated
Total Debits	5.088	304.173
Fines	4.758	54.049
Interests	1.946	174.165
Other charges		9.398
Debits total	11.792	541.785
Fines reduction according law 11941/09	(3.316)	(166.205)
Deduction -financial losses	(3.336)	(134.634)
Law 11941/09 - initial amount	5.140	240.946
Atualização	637	24.760
Amortization	(1)	(53.275)
Compensation - financial losses		(16.407)
Total	**5.776**	**196.024**
Others tax payment agreements		
INSS		1.652
ISS		3.775
ICMS		4.806
	5.776	**206.257**
Short term	420	17.685
Long term	5.356	188.572

The subsidiaries Malha Norte, Malha Oeste and Malha Paulista filed a request to give up the Special Installment Program (PAES) and the Exceptional Installment Program (PAEX) and requested to pay the outstanding balance in installments, including amounts not reviewed, with reduced interest and fines.

ALL Malha Sul and ALL Intermodal, in turn, had several federal tax debits offset by IPI credit premium acquired from third parties between 2000 and 2005. These offsets were disallowed by the tax authorities and were being discussed in court. The offset taxes were restated and included in the Refis program. With the offset reversal, the active credit premium originally used to offset was recovered, as disclosed in Note 9.

In addition to the taxes offset by IPI credit premium, ALL Malha Sul included other debits, previously recorded as tax obligations.

25. Shareholders' equity

a) Capital stock

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

(In thousands of R$, except as otherwise indicated)

		Converted	Stated
	12/31/2010	**12/31/2009**	**12/31/2009**
Common	689,122,312	687,502,312	1,268,741,120
Preferred			2,168,770,440
	689,122,312	687,502,312	3,437,511,560

The Company is authorized to increase its share capital, independent of statutory reform, up to a limit of 820,000,000 ordinary shares (common stock).

In an Extraordinary General Meeting held on September 9, 2010, shareholders in the Company, with the authorization of ANTT as stated in Resolution 3,563, of August 12, 2010, approved the Company's classification in the special segment in the BM&F Bovespa stock exchange, called the Novo Mercado. As a result of this decision and the rules established for inclusion in the Novo Mercado, share capital can only consist of one class of share (ordinary), at a ratio of 1 (one) preference share to 1 (one) ordinary share, including the preference shares in certificates of deposits for shares issued by the Company – *Units* – which were thus cancelled. After this share conversion, an additional conversion of 5 (five) ordinary shares for 1 (one) ordinary share was implemented. The Company's share capital now consists of 687,502,312 ordinary shares.

On December 22, 2010, a share capital increase of R$ 24,170 was ratified at a Management Board meeting, through the issuance of 1,620,000 ordinary shares.

b) Shares held in Treasury

As described in the previous item, shares in the *Units* were converted into ordinary shares.

A total of 1,753,788 shares (22,081 on December 31, 2009) were used in 2010 to liquidate the stock options exercised in the period. The transfers were registered at the average weighted cost of the shares held in treasury (R$ 18.20).

The Company repurchased 64,560 shares at a total cost of R$ 358 during 2010.

After the conversion, on December 31, 2010, the Company held 883.587 ordinary shares in Treasury.

c) Distribution of dividends and interest on own capital

Shareholders are assured a minimum mandatory dividend of 25% on the adjusted net income in accordance with Article 202 of Law 6,404/76, amended and revoked by Law 11,638 as of December 28, 2007 and by Law 11,941 as of May 27, 2009.

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.

The amount of Dividends on December,31 2010 and December,31 2009 was calculated on the following basis:

(In thousands of R$, except as otherwise indicated)

Dividends - Calculation:

	12/31/2010	12/31/2009
Net Income for the year (*)	239.878.543	30.274.610
Legal Reserve	(11.993.927)	(1.513.731)
Amount	**227.884.616**	**28.760.880**
Accrued Dividends (25%)	56.971.154	7.190.220
Dividends	56.971.154	7.190.220

	12/31/10	1/0/00	
Quantity of shares (excluding Treasury shares)		Converted	Staded
Common	688.238.725	687.050.898	1.268.289.706
Preffered			2.166.964.782
Juros sobre capital próprio - em Reais			
Dividends per share (DPS)			
Common	0,08278	0,01047	0,00209
Preffered			0,00209

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 by 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 26, are presented in a Shareholders' Equity account.

f) Tax incentives – SUDAM

On September 26, 2007, ALL - Malha Norte filed with the Superintendence for the Development of the Amazon – SUDAM a lawsuit claiming the right to reduce the corporate income tax – IRPJ and non-refundable surcharges verified over the exploration income, since it is located in the area which comprises the Legal Amazon and its transportation sector considered as a priority for the regional development according to Item I, article 2 of Decree 4,212 of April 26, 2002.

The benefit was granted by the Internal Revenue Service through Executive Declaratory Act 504 of November 28, 2008, after SUDAM having issued the report 135/2008, in which ALL Malha Norte was granted the tax benefit of 75% reduction over IRPJ and non-refundable surcharges over the exploration income for a 10-year term, as of 2008 and expiring in 2017.

The legal basis for the recognition of the benefit was enacted by Provisional Measure 2,199-14 in its article 1, of August 24, 2001 and wording set forth in Law 11,196 of November 21, 2005. The effect of the 75% reduction over IRPJ and non-refundable surcharges calculated over the exploration income was R$50,274 (R$28,090 on

December 31, 2009), accounted as write-down to Income Tax and Social Contribution expenses of subsidiary ALL Malha Norte according to CPC 07 of the Accounting Pronouncements Committee approved by CVM Resolution 555 of November 12, 2008.

The tax incentive is tied to the Company's objective to increase and sustain investments in the region of the Amazon, encouraging the development of the region, providing increased levels of employment, income and output and contributing, even with the growth in tax collection in the spheres City, State and Federal.

The breach on the part of the beneficiary, the project objectives and constraints of clauses, which characterizes deviation of the implementation of Fund resources, will result in the cancellation by the Council's deliberative SUDAM, incentives approved, and in the collection by the beneficiary, to the operator bank, of the amount received, by the same index rate adopted for federal taxes, from the date of receipt, plus 10% penalty and interest of 1% per month, deducted in case of application of resources in the form of debentures, the shares have been written off (Law No. 8.167/91, Article 12, § 1, section I and section II, this wording given by the Provisional Measure No.1740-31 of 05/06/1999) .

The Company advises that conditions relating to grants are being carried out properly and there are no other contingencies related to this incentive.

26. Share-based compensation

Expenses from services received from employees in the periods, arising from share-based payments to be settled upon the delivery of equity instruments were R$22,247 on December 31, 2010 (R$20,290 on December 31, 2009).

Stock option plan:

At an Extraordinary General Meeting held on April 1, 1999, the shareholders approved the Company’s Stock Option Plan (“Plan”), targeted at the management, 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 5% of the shares representing the Company’s capital stock existing on the date of approval of each Program.

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

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

Agreements B is different from Agreement A mainly in the following aspect:

(i) 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

(In thousands of R$, except as otherwise indicated)

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 Agreement A.

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

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

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

	2010		2009 - Converted		2009 - Stated	
	No.	MPPE	No.	MPPE	No.	MPPE
Initial balance	11,946,564	11.10	15,005,712	12.80	75,028,560	2.56
New grants			1,370,161	11.00	6,850,805	2.20
Lost	(186,600)	12.75	(2,708,069)	23.55	(13,540,346)	4.71
Exercised [1]	(1,633,789)	11.05	(1,721,240)	6.45	(8,606,200)	1.29
Closing balance	**10,126,175**	12.55	**11,946,564**	11.10	**59,732,819**	2.22

[1] The weighted average price of shares on the options exercise date was R$16.30 in the year of 2010 (R$13.00 in 2009).

On August 3, 2009, the Stock Option Committee cancelled both 2007 and 2008 Programs, swapping the options which had not been exercised by the beneficiaries from these plans to a new 2009 Program, at the ratio of 9 to 5. Thus, for each 9 options of the cancelled tranches (2007 and 2008 Programs) the beneficiaries who had been affected received 5 options of the same type and class in the scope of the 2009 Program, originated on the same date, with the following features: (i) number of shares: 6,850,805 shares, from which 1.350.000 are common and 5,400,000 are preferred shares; (ii) price per share: R$ 2.20, equivalent to R$11.00 per Unit; (iii) acquiring the right to purchase shares restarts from zero (the terms related to the 2007 and 2008 programs are not taken into consideration); and (iv) 5-year period for acquiring the right to make contributions for purchasing shares, 20% p.a.

On December 31, 2010, the weighted average of remaining contractual term of remaining stock options is 6.92. On December 31, 2010, the maximum and minimum strike prices of these options are R$14.57 and R$4.31 respectively.

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

The chart below shows the assumptions included in the model used to estimate the additional fair value of the last granted options:

(In thousands of R$, except as otherwise indicated)

	2010
Expected volatility (%)	36.4%
Risk-free interest rate (%)	6% + IGPM
Expected life term of option (years)	5.5
Average weighted price of shares (R$)	11.00
Pricing model used	Black & Scholes

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

Restricted Share Options Program

At a meeting held on September 1, 2010, the Management Committee for Stock Option Plans approved the “restricted share options” program, which consists of the granting of options, equivalent to 3,000,000 shares, to a determined group of employees and Company management, on a non-transferable basis, the exercising of which is conditional cumulatively to maintaining the work relationship with the Company through to December 31, 2012, meeting individual operating targets and the success of the Company in reaching its EBITDA targets.

The options have no rights to dividends before they are exercised. The exercise term is six months from the acquisition period ending on 31/12/2012, at a price of R$0.01 per share. As the exercise price is close to zero, the fair value of the option is equivalent to the market value of the share on the date the program was authorized (R$16.50).

There were no further movements during the 2010 financial year in terms of the “restricted share options” program.

27. Net financial Income

	Parent Company		**Consolidated**	
	12/31/2010	**12/31/2009**	**12/31/2010**	**12/31/2009**
Interest on indebtedness /debentures/guarantees	(122,058)	(158,156)	(634,219)	(716,324)
Fines/tax interets/suppliers/locomotives	(21,129)	(24,084)	(159,013)	(165,912)
Interest on leasing and concession			(207,979)	(175,658)
Clients/AVP/Others	(675)	(1,414)	(30,775)	(38,049)
Total financial expense	(143,862)	(183,654)	(1,031,986)	(1,095,943)
Financial investmet income	71,683	59,645	214,897	244,187
Debentures' Remuneration	36,153	13,754		
AVP/Others	253	1,375	3,838	5,539
Total financial income	108,089	74,774	218,735	249,726
Net financial income	(35,773)	(108,880)	(813,251)	(846,217)

28. Full Financial Statements

In accordance with CPC 26 – Presentation of Accounting Statements, the Company provides the following results for the financial periods ending on December 31, 2009 and 2010.

	Parent Company		Consolidated	
	12/31/2010	**12/31/2009**	**12/31/2010**	**12/31/2009**
Net income for the year	239,879	34,748	239,879	34,748
Exchange variation on investments abroad	8,309	(32,915)	8,309	(32,915)
Mark-to-market on financial investments	(4,299)	(12,719)	(4,299)	(12,719)
Mark-to-market deferred effect on hedge instruments	(5,139)	7,167	(5,139)	7,167
Total comprehensive income	**238,750**	**(3,719)**	**238,750**	**(3,719)**
Attributable to:				
Company's shareholders	244,732	1,683	244,732	1,683
Minority interest	(5,982)	(5,402)	(5,982)	(5,402)
	238,750	**(3,719)**	**238,750**	**(3,719)**

29. Earnings per Share

The following table establishes the calculation of earnings per share (in thousands, except values per share:

	Parent Company		Consolidated	
	2010	**2009**	**2010**	**2009**
Basic income per share				
Numerator				
Net income for the year attributed to Company's shareholders				
Per common share	239,879	34,748	239,879	34,748
Denominator (thousands of shares)				
Weighted average of number of common shares	676,843	674,849	676,843	674,849
Basic income:				
Per common share	0.3544	0.0515	0.3544	0.0515
Diluted income per share				
Numerator				
Net income for the year attributed to Company's shareholders				
Per common share	239,879	34,748	239,879	34,748
Denominator (thousands of shares)				
Weighted average of number of common shares	676,843	674,849	676,843	674,849
Effect of dilution				
Share options	13,126		13,126	
Weighted average of number of common shares restated by dilution effect	689,969	674,849	689,969	674,849
Diluted income:				
Per common share	0.3477	0.0515	0.3477	0.0515

The variations seen between 2009 and 2010 are detailed in explanatory note 26.

(In thousands of R$, except as otherwise indicated)

30. Information per reporting segment

The information per business segment corresponding to the 2010 financial year is as follows:

Description	Financial Income per Business Unit											
	Agricultural Commodities		Manufactured Products		Highway Services		Argentine		Other		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Gross revenue	2,077,031	1,806,818	806,749	729,927	106,568	97,487	163,830	141,092	63	39,478	3,154,241	2,814,802
Net revenue	1,825,445	1,604,620	674,756	611,371	93,636	85,319	159,639	137,532	55	32,821	2,753,531	2,471,663
Cost of services rendered	(941,458)	(974,314)	(369,177)	(361,887)	(83,411)	(81,468)	(139,564)	(137,933)	(3,561)	(37,011)	(1,537,171)	(1,592,613)
Gross profit	883,987	630,306	305,579	249,484	10,225	3,851	20,075	(401)	(3,506)	(4,190)	1,216,360	879,050
Earnings before Interest and Taxes (EBIT)	772,775	501,796	245,876	149,382	5,437	5,413	1,696	(18,209)	(3,872)	(6,882)	1,021,911	631,499

The Company is organized into business units, based on the main market sectors in which it operates. The Company's operations are divided into five business units, four for Brazilian operations and another responsible for Argentine operations. The three business units in Brazil are:

(i) agricultural commodities, comprising of the transport of products such as soybeans, soy meal, fertilizers, sugar, corn, wheat, rice, among others.

(ii) industrial products (rail and intermodal transport) refers to transport of steel products, wood, paper, pulp, food, containers, fuels, vegetal oil, products for civil construction, among others.

(iii) the highway transport unit includes products with *high* maltose, gases and auto parts.

"Other segments" mainly refer to the result of the direct subsidiary Santa Fé Vagões.

The performance in the different segments is evaluated based on the operating margin, which as shown in the table above differs from the figure presented in the consolidated financial statements.

The Company's financing and financial applications (including financial revenues and expenses) and taxes on income are managed on a consolidated basis, and not allocated to different operating segments.

31. Other revenues / expenses and adjustments

31.1. Other operational expenses

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Sale of fixed assets	12,446		13,357	8,095
Sale of unworthy			5,663	9,200
Other	1,065	1,276	1,699	276
Total	**13,511**	**1,276**	**20,719**	**17,571**

(In thousands of R$, except as otherwise indicated)

31.2. Other operating expenses

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Customs taxes	15	40	1,482	1,236
Fuel not consumed in the operation			846	75
Deductible donations	47		1,161	446
Other			575	615
Total	**62**	**40**	**4,064**	**2,372**

31.3. Depreciation, amortization, maintenance, fuels and leasing and concessions included in the consolidated financial statements

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Fuel			519,409	505,968
Outsourced services	2,009	3,234	116,934	131,821
Depreciation	2,867	8,633	340,148	388,258
Goodwill amortization	32,272	107,888	41,356	130,296

31.4. Expenses on employee benefits

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Compensations	2,602		190,715	144,146
Social charges	637		39,178	33,913
Expenses with share-based payments	5,562	5,073	22,247	20,290
Total	**8,801**	**5,073**	**252,140**	**198,349**

31.5. Net Revenue

	Parent Company		Consolidated	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Gross revenue	62,161	611,388	3,154,241	2,814,802
(-) Deductions (taxes, discounts and cancellations)	(5,674)	(72,588)	(400,710)	(343,139)
Net revenue	**56,487**	**538,800**	**2,753,531**	**2,471,663**

(In thousands of R$, except as otherwise indicated)

32. Insurance – consolidated

On December 31, 2010, 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	R$	60,000	08/01/2010 to 08/01/2011
Civil liability - rail operations	Operations, pollution, employer, vehicles (contingencies) and port	R$	10,000	04/30/2010 to 04/30/2011
Seguro de carga ferroviária	Civil liability of the rail freight carrier (RCTF-C); rail risk (RF) – per shipment	R$	2,200	06/30/2010 to 06/30/2011
Civil liability - trucks	Damages to third parties on domestic routes	R$	300	11/13/2010 to 11/13/2011
	Damages to third parties on international routes	R$	120	03/31/2010 to 03/31/2011
Insurance for road freight	Civil liability of the road freight carrier (RCTR-C) – accidents and (RCF-DC) theft; international road transportation	RCTR-C R$ 2,200 RCT-VI R$ 2,200 RCFD-C R$ 2,200		06/30/2010 to 06/30/2011

33. Financial instruments

On December 31, 2010, the Company and its subsidiaries had the following financial instruments:

	Book value			Fair value		
	12/31/2010	12/31/2009	01/01/09	12/31/2010	12/31/2009	01/01/09
Financial assets						
Trade accounts receivable	231,383	186,418	154,347	231,383	186,418	154,347
Credits with congeneres	1,344	409	2,537	1,344	409	2,537
Advances and other accounts receivable	95,200	77,938	36,135	95,200	77,938	36,135
Credits receivable from related companies		783	5,644		783	5,644
Recoverable deposits and amounts pegged	348,015	294,386	268,590	348,015	294,386	268,590
Cash and cash equivalents	1,974,560	2,573,725	2,642,731	1,974,560	2,573,725	2,642,731
Total	**2,650,502**	**3,133,659**	**3,109,984**	**2,650,502**	**3,133,659**	**3,109,984**
Financial liabilities						
Debentures	1,726,814	1,725,103	2,041,404	1,726,814	1,725,103	2,041,404
Debit with congeneres	3,304	2,875	11,469	3,304	2,875	11,469
Advances from clients	69,452	68,750	89,812	69,452	68,750	89,812
Financial leasing	1,096,101	1,074,611	879,641	1,096,101	1,074,611	879,641
Loans and financing	3,039,050	2,874,801	2,893,486	3,038,195	2,874,801	2,893,486
Advance of real estate credit	618,011	672,456		618,011	672,456	
Accounts payable to suppliers	345,352	552,290	986,844	345,352	552,290	986,844
Total	**6,898,084**	**6,970,886**	**6,902,656**	**6,897,229**	**6,970,886**	**6,902,656**

The fair value of the financial assets and liabilities is included in the value for which the instrument could be exchanged in a current transaction between parties willing to negotiate, and not through a sale, forced or otherwise. The following methods and premises were used to estimate the fair value.

- Cash and cash equivalents, client receivables, accounts payable to suppliers and other short-term obligations approach their respective book values largely due to the short-term maturities of these instruments.

- The fair value of the tradable securities and debentures is based on the price quotes on the date of the financial statements. The fair value of the non-tradable instruments, bank loans and other financial debts, capital lease obligations, as well as other non-current financial liabilities, is equivalent to the book value, which translates into the cost of liquidation of the same.

- The fair value of financial assets available for sale is obtained using the market prices quoted in active markets, if these exist.

- The Company contracts derivative financial instruments together with various counterparties, mainly financial institutions with investment grade credit ratings. The derivatives are valued using evaluation techniques based on proven market data, and refer mainly to interest rate and foreign currency swaps. The evaluation techniques applied the most include pricing models for term contracts and swaps, calculated at present value. The models incorporate diverse data, including the quality of credit of counterparts, the spot and term exchange rates and interest rate curves.

The Company does not use derivative financial instruments for speculative purposes.

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

a) Credit risk

The Company and its subsidiaries are potentially subject to credit risks arising from their trade accounts receivable or credits held with financial institutions generated by financial investments. The procedures adopted to minimize commercial risks include the selection of customers through adequate credit analyses, the definition of sales limits and short-term maturity of trade notes. Estimated losses with these debtors are fully provisioned. Regarding financial investments, the Company and its subsidiaries have as policy only to realize investments in institutions with low credit risk, pursuant to the risk rating assigned by first-class rating agencies. The Management establishes a maximum investment limit according to Shareholders' Equity and to each institution's risk rating.

b) Interest rate risk

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

In order to avoid a rate mismatch between financial assets and liabilities, "Pre-DI" Swap agreements are used to pre-fix the interest rate of part of the debt previously indexed to the CDI rate. The CDI-indexed net exposure was hedged, i.e., the balance of the debt exceeding the cash invested in the CDI. The 3rd issue of Malha Sul debentures, CCB maturing in 2014, part of the flow of the 5th debenture issue and the NCE with maturity date in October 2012 and June 2013 are now restated according to the pre-fixed interest rate. These Swaps ensure that the indices between assets and liabilities remain equal, thus mitigating the interest rate effect on the Company's income. These instruments are recorded as hedge.

Below is the interest rate risk sensitivity analysis, showing the estimated effects of change in income scenarios in the next 12 months, for swaps and their respective underlying assets for which the projections were made. The Management considered the CDI projected for 2011 a probable scenario, according to banking projections:

(In thousands of R$, except as otherwise indicated)

Interest Rate Appreciation Risk

Operation	Risk	Notional Value	Fair Value on 12/31/2010	Probable Scenario	+25%	+50%
FINANCIAL ASSETS AND LIABILITIES						
Debentures 3rd issue	CDI	166,666	4,840	23,114	28,892	34,670
Swap Long Position- Counterparty HSBC	CDI	(166,666)	(4,840)	(23,114)	(28,892)	(34,670)
Debentures 5th issue (33.33%)	CDI	66,667	669	10,345	12,516	14,687
Swap Long Position - Counterparty Standard	CDI	(66,667)	(669)	(10,365)	(12,540)	(14,716)
CCB	CDI	90,489	5,645	14,609	17,932	21,255
Swap Long Position - Counterparty Santander	CDI	(90,489)	(5,645)	(14,603)	(17,924)	(21,246)
NCE	CDI	100,000	993	12,393	12,393	12,393
Swap Long Position - Counterparty Banco do Brasil and HSBC	CDI	(100,000)	(993)	(12,400)	(12,400)	(12,400)
Taxes paid in installments	CDI		(206,256)	(25,308)	(31,634)	(37,961)
References						
Average CDI (p.a.)				12.27%	15.34%	18.41%

Probable scenario for the next 12 months based on banks' macroeconomic projections.

The effect of the exposure to the remaining interest rate variation is presented in item d) below.

c) Foreign currency risk

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

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

(In thousands of R$, except as otherwise indicated)

Below is the exchange rate risk sensitivity analysis, showing the estimated effects of change in income scenarios for the next 12 months. The Management considered the exchange rate projected for 2011 a probable scenario, according to macroeconomic projections:

Foreign Currency Appreciation Risk

Operation	Risk	Notional Value	Fair Value on 12/31/2010	Probable Scenario	+25%	+50%
FINANCIAL ASSETS AND LIABILITIES						
Foreign currency appreciation risk – Effect on investments:						
Investments	USD	6,492	10,786	704	3,577	6,450
Net effect on investments		**6,492**	**10,786**	**704**	**3,577**	**6,450**
Foreign currency appreciation risk – Effect on suppliers/imports:						
Long-term suppliers	USD	(54,120)	5,847	(9,785)	(49,689)	(89,594)
Swap Long Position per Counterparty:						
Counterparty Santander	USD	7,844	(1,197)	1,418	7,201	12,985
Counterparty HSBC	USD	46,279	(4,650)	8,367	42,488	76,610
Net Effect on suppliers/imports		**3**	**-**	**0**	**0**	**1**
References						
Dollar USD/R$				1.77	2.21	2.66

Probable scenario for the next 12 months based on banks' macroeconomic projections.

d) Financial charge deterioration risk from net debt

This risk derives from the possibility that the Company incur in losses due to interest rates fluctuation or other indexes of its loans and financing that increase its financial expenses or decrease the financial revenues deriving from investments. In the Company, this risk impacts the net debt indexed in CDI (total debt indexed in CDI – financial investments indexed in CDI). In order to partially cover this exposure, the Management chose to contract "Pre-DI" swap operations as mentioned in item "b" of the table "Interest Rates Risks' ".The company continuously monitors these indexes to evaluate the eventual need to contract derivatives to mitigate these rates variation risk.

Below is the financial charges deterioration sensitivity analysis, showing the estimated effects of change in income scenarios for the next 12 months, considering as probable scenario the projected rates for the year 2010. Rates increases were simulated as alternative scenarios, considering that the Company has a net debt position:

(In thousands of R$, except as otherwise indicated)

Debt charges deterioration risk

Operation	Risk	Probable Scenario	+25%	+50%
FINANCIAL ASSETS AND LIABILITIES				
CASH				
Investments indexed to CDI	CDI	195.893	244.866	293.839
Pre-fixed investments	PRÉ	38.604	38.604	38.604
Loand and Financing				
Financing indexed to TJLP	TJLP	153.975	183.333	212.690
Financing indexed to CDI	CDI	145.503	180.505	215.507
Financing: Pre/Post-Fixed via swap (see item b)	PRÉ/PÓS	27.753	31.005	34.256
Short Position - Swaps USD X %CDI	CDI	9.785	49.689	89.594
Debentures indexed to CDI	CDI	183.007	222.610	262.212
Pre-fixed Debentures (see item b)	PRÉ	32.686	32.686	32.686
Financings in subsidiaries abroad	PRÉ	22.029	22.029	22.029
Financings indexed to IGPM	IGPM	28.634	35.253	41.873
Other Liabilities				
Advances of real estate credits indexed to CDI	CDI	94.133	114.255	134.376
References				
Average CDI (p.a.)		12,27%	15,34%	18,41%
TJLP		6,00%	7,50%	9,00%
IGPM		11,32%	14,15%	16,98%

(In thousands of R$, except as otherwise indicated)

e) CVM Rule 475

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

Fair value of derivative operations by maturity

DESCRIPTION	REFERENCE VALUE (NOTIONAL)		FAIR VALUE		ACCUMULATED EFFECT (CURRENT)	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	AMOUNT RECEIVABLE / RECEIVED	AMOUNT PAYABLE / PAID
SWAP CONTRACTS:						
NET POSITION						
FOREIGN CURRENCY RISK	USD	USD	R$	R$	R$	R$
MATURITIES USD x %CDI:						
1Q10		10,699		(6,775)		
2Q10		10,140		(1,831)		
3Q10		27,449		(3,186)		
4Q10		11,891		(27)		
1Q11	39,036		(6,422)			(6,422)
2Q11	14,545		(2,107)			(2,107)
INTEREST RATE RISKS	R$	R$	R$	R$	R$	R$
MATURITIES PRE X POST RATES:						
3Q12*	66,667		669		669	(1,868)
4Q12*	30,000	66,667	(137)	(56)		(137)
2Q13*	70,000		(856)			(856)
3Q14*		75,000		(1,902)		
4Q14*	75,000		(5,645)			(5,645)
1Q18*	150,000	150,000	6,782	1,909	6,782	
3Q18*	166,666	166,666	(4,840)	3,973		(11,875)
TOTAL			**(12,556)**	**(7,895)**	**7,451**	**(28,910)**

** Derivative operations classified as hedge ("hedge documentation")*

The fair value of derivatives is recorded in the account Loans and Financings (Current and Non-Current) in Liabilities in contra-account to: i) income, for derivatives for which there is not hedge documentation and ii) Assets Adjustments (Shareholders' Equity), for those derivatives where there is hedge documentation, the effect of the fair value is recorded in the account Loans and Financings in Current Liabilities. All derivatives are used as hedge (asset protection), therefore, at maturity, the negative or positive effects of such operations are offset by the effect contrary to the asset or liability whose risk is being mitigated.

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

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

The fair value of the derivatives was calculated based on exchange curves and current BM&F interest rates on December 31, 2010 for future value projection, as well as DI future rate of BM&F to carry these flows to present value. There is no margin deposit or guarantees of any type or amount, for none of the derivatives under consideration.

On December 31, 2010, the effect on the Company's results of the hedge operations is a debit balance of R$13,478 (also a debit balance of R$77,942 on December 31, 2009). Gains and losses from hedging swaps recorded under shareholder equity amounted to a debit balance of R$1,368 on December 31, 2010 (a credit balance of R$7,167 on December 31, 2009).

(In thousands of R$, except as otherwise indicated)

34. Private social security

The direct subsidiary ALL Malha Oeste sponsors Benefits Plan, together with a multi-sponsor fund, 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 death, disability and retirement process, calculated according to formulas and conditions established in the plan's regulation.

The contributions are made on average, in the proportion of 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, and restated on a yearly basis, through actuarial evaluations.

The plan is evaluated annually, by an independent actuary, and the last actuarial evaluation of the Plan was concluded on December 31, 2010. The reference date used in the evaluation was October 2010.

	12/31/2010	12/31/2009
Participants	47	106
Net assets	9,043	8,715
Sponsor contribution (% payroll)	0.16%	0.53%
Participation payroll	772	1,478

The plan also has a defined benefit portion in the concession phase, whose actuarial liability refers to monthly life annuities granted to its participants. The present value of the actuarial liability of Sponsored Participants was calculated based on the mortality table AT-83 and on a financial discount rate of 7.16% per year; on October 31, 2010, it amounts to R$5,651 and is totally covered by the Plan's Net Assets.

In addition to the total financial coverage of actuarial liabilities, the plan has a surplus with which a pension fund that amounts to R$3,260 on December 31, 2010 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.

35. Reconciliation of adjusted quarterly information for the effects of adopting the new accounting pronouncements

In January 2011, the Brazilian Securities Exchange (CVM) determined that publicly listed companies that, to the date of presenting financial statements for the financial period beginning in January 2010, and that did not represent their ITR for 2010, should include an explanatory note in these annual statements showing, for each quarter in 2010 and 2009, the effects on the result and net equity arising from the full adoption of the 2010 standards. The effects resulting from adopting the CPCs are as shown below:

(In thousands of R$, except as otherwise indicated)

Parent Company

	3/31/2009	6/30/2009	9/30/2009	3/31/2010	6/30/2010	9/30/2010
Result according to prior accounting practices	(22,994)	36,789	94,339	17,151	153,192	222,025
Registry of granting right - Concession Agreements	228	456	684	(1,264)	(2,528)	(3,792)
Deferred - write-off	891	1,782	2,673	904	1,808	2,712
Depreciation				18,159	37,509	57,559
Income calculated pursuant to new accounting practices	**(21,875)**	**39,027**	**97,696**	**34,950**	**189,981**	**278,504**

	31/03/09	30/06/09	30/09/09	31/03/10	30/06/10	30/09/10
Shareholders' equity according to prior accounting practices	2,521,385	2,564,933	2,603,371	3,850,325	3,988,992	4,057,650
Registry of granting right - Concession Agreements	(35,135)	(34,907)	(34,679)	(35,715)	(36,979)	(38,243)
Deferred - write-off effects	(211,282)	(208,418)	(205,554)	(201,788)	(200,884)	(199,980)
Depreciação				18,159	37,509	57,559
Shareholders' equity calculated pursuant to new accounting practices	**2,274,968**	**2,321,608**	**2,363,138**	**3,630,981**	**3,788,638**	**3,876,986**

Consolidated

	31/03/09	30/06/09	30/09/09	31/03/10	30/06/10	30/09/10
Result according to prior accounting practices	(22,649)	37,478	95,374	17,496	153,881	223,060
Registry of granting right - Concession Agreements	228	456	684	(1,264)	(2,528)	(3,792)
Deferred - write-off	891	1,782	2,673	904	1,808	2,712
Depreciation				18,159	37,509	57,559
Other	(345)	(690)	(1,035)	(345)	(689)	(1,034)
Income calculated pursuant to new accounting practices	**(21,875)**	**39,026**	**97,696**	**34,950**	**189,981**	**278,505**

	31/03/09	30/06/09	30/09/09	31/03/10	30/06/10	30/09/10
Shareholders' equity according to prior accounting practices	2,519,317	2,563,210	2,601,993	3,849,636	3,988,647	4,057,650
Registry of granting right - Concession Agreements	(35,135)	(34,907)	(34,679)	(35,714)	(36,978)	(38,242)
Deferred - write-off effects	(211,282)	(208,418)	(205,554)	(201,788)	(200,884)	(199,980)
Depreciation				18,159	37,509	57,559
Other	2,068	1,723	1,378	688	344	(1)
Shareholders' equity calculated pursuant to new accounting practices	**2,274,968**	**2,321,608**	**2,363,138**	**3,630,981**	**3,788,638**	**3,876,986**

This quarterly information was subject to the procedures of special revision applied by the Company's independent auditors in accordance with CVM requirements for Quarterly Information (NPA 06 issued by IBRACON), including the adjustments arising from the adoption of the new accounting practices, but that were not subject to the auditing procedures.

* * *

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

MANAGEMENT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

(In thousands of Reais, except when stated otherwise)

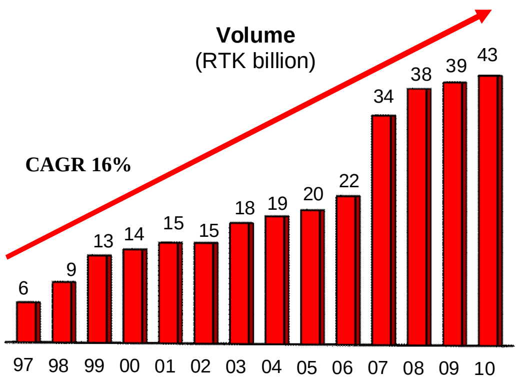
The purpose of América Latina Logística S.A. (Holding) is to hold interest in other companies as a shareholder or partner, and to develop, through its subsidiaries, activities related to the transportation of cargo and logistics. Its main subsidiaries are ALL Malha Sul, a rail concession of the south portion of Brazilian rail network and part of the south of São Paulo´s rail network; ALL Malha Norte, a rail concession in the state of Mato Grosso do Sul and south of Mato Grosso; ALL Malha Paulista another rail concession in the state of São Paulo; ALL Malha Oeste a rail concession covering the state of Mato Grosso do Sul and part of São Paulo´s rail network; 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 2009. 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 2009 Results may differ from numbers previously released. Consolidated results, unless otherwise stated, exclude the results originating from Santa Fé Vagões.

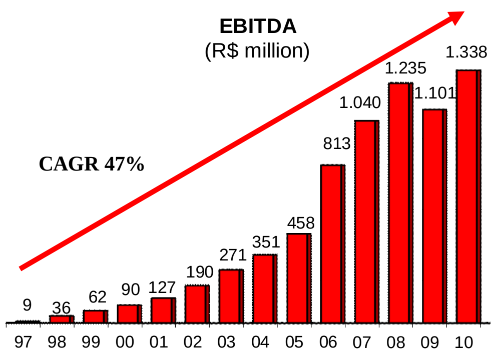
OPERATING AND FINANCIAL HIGHLIGHTS

The year of 2010 was marked by a completely different market scenario than we faced in 2009, with a strong expansion in agricultural exports and a good recovery in industrial production. In this way, the company grew materially in volumes and profitability, reinforcing the fundamentals of our business.

In December, we announced the creation of Brado Logística, which we expect to be an important player in container logistics. The new company will invest in terminals and in the expansion of rail capacity in order to replicate in Brazil a model that has proven to be successful in other countries, where market share of the railways in the container segment is above 50%. Brado intends to invest R$1 billion over the next 5 years to reach a total market share of approximately 12% of the container volume handled in the ports of ALL's covered area. Furthermore, we are very positive about our other strategic expansion projects. Rondonópolis construction continues under schedule and Rumo's additional fleet is being completed this year, supporting the project´s first stage of expansion. Additionally, we continue working on infrastructural projects in terminals and mining segments.

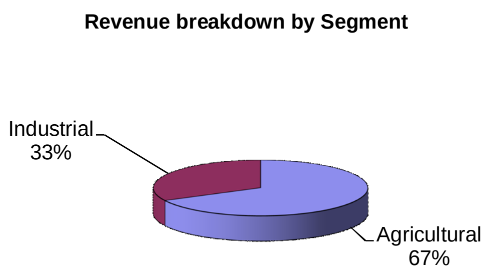
Consolidated Results

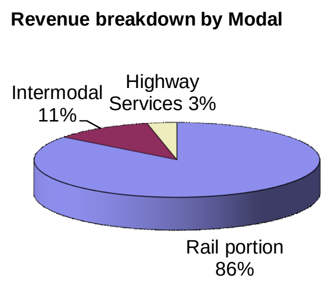




ALL's volume increased 10.8% from 38,935 million RTK to 43,138 million RTK in 2010, driven by the favorable agricultural export market in Brazil, mainly in corn and sugar, and the consistent expansion in the intermodal industrial flows. Volumes increased 13.1% in agricultural commodities, 7.4% in industrial products, 9.1% in highway services and 3.6% in Argentina. In Brazil, volumes increased 11.5% and consolidated gross revenues rose 13.7% from R$2.775 million in 2009 to R$3.154 million in 2010.

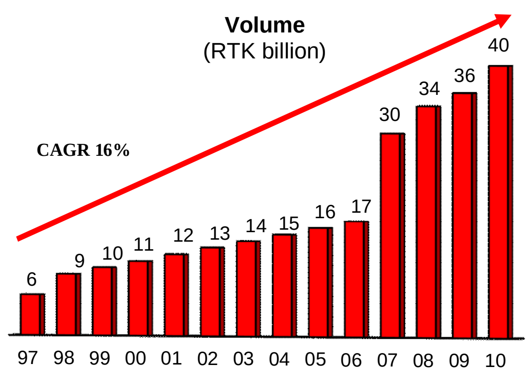
EBITDA grew 21.6% from R$1,101.0 million in 2009 to R$1,338.4 in 2010, reflecting the stronger volumes and margins in Brazil and the better performance in Argentina. EBITDA margin reached 48.6%, with an increase of 3.5 percentage points.

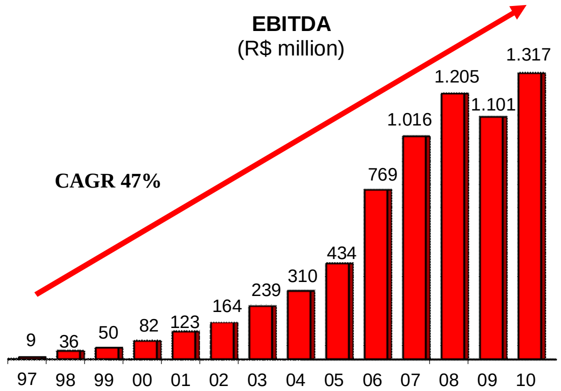




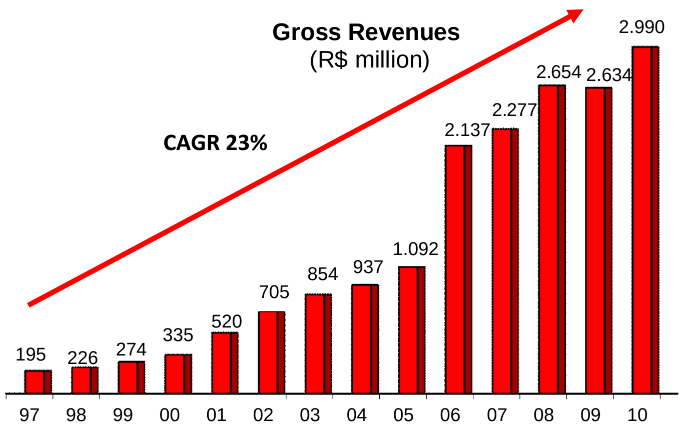
ALL's consolidated net income grew 454% to R$244.0 million in 2010, driven by the EBITDA growth and lower financial expenses. Including the result coming from Santa Fé Vagões, net income increased 591% to R$239.9 million in 2010 from an income of R$34.7 million in 2009.

ALL BRASIL





Brazilian operation's gross revenues increased 13.5%, mainly driven by the volume growth of 11.5% and the 2.0% increment in yields.



(In thousands of Reais, except when stated otherwise)

We present below the 2010 results by business unit.

AGRICULTURAL COMMODITIES BUSINESS UNIT

Agricultural commodities volumes increased 13.1%, from 25,136 million RTK in 2009 to 28,440 million RTK in 2010, mainly driven by a favorable agricultural export market, especially in corn and sugar. In these commodities, ALL's volumes increased 42.1% and 56.9%, respectively.

Agricultural Commodities (million RTK)	2010	2009	% Change
Soja	8.955,7	9.964,7	-10,1%
Farelo de Soja	3.970,0	3.695,2	7,4%
Fertilizantes	2.218,3	2.086,2	6,3%
Açúcar	4.502,0	2.869,2	56,9%
Milho	7.582,4	5.336,9	42,1%
Trigo	767,8	710,3	8,1%
Arroz	407,8	443,1	-8,0%
Outros	35,9	30,3	18,3%
Total	**28.439,8**	**25135,9**	**13%**

Agricultural commodities gross revenue grew 15.0% in 2010, driven by the 13.1% increase in transported volumes and, the 1.6% yield improvement in the period. EBITDA rose 20.6%, from R$817.3 million in 2009 to R$986.1 million, and the EBITDA margin grew 3.1 percentage points from 50.9% in 2009 to 54.0% in 2010.

INDUSTRIAL PRODUCTS BUSINESS UNIT

In the industrial business unit, volumes increased 7.4% from 10,495 million RTK in 2009 to 11,275 million RTK in 2010, pushed by the 18.6% growth in intermodal flows, which should represent an increasingly larger portion of total industrial segment.

Intermodal Industrial Products (million RTK)	2010	2009	% Change
Steel Products	1,200.4	942.2	27.4%
Wood Products	1,106.2	857.9	28.9%
Food Products	670.3	654.3	2.4%
Containers	1,130.9	1,050.3	7.7%
Others	870.8	691.4	25.9%
Total	**4,978.6**	**4,196.1**	**18.6%**

Pure Rail Industrial Products (million RTK)	2010	2009	% Change
Fuel Products	4,549.4	4,532.4	0.4%
Vegetal Oil	242.1	297.8	-18.7%
Construction	1,504.9	1,468.6	2.5%
Total	**6,296.3**	**6,298.8**	**0.0%**

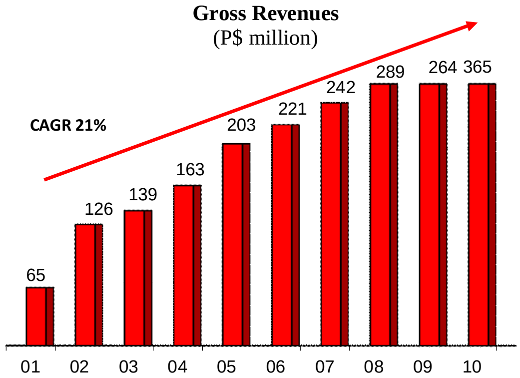
Gross revenues from industrial products grew 10.5%, due to the 7.4% growth in transported volumes and the 2.9% increase in the average yield.

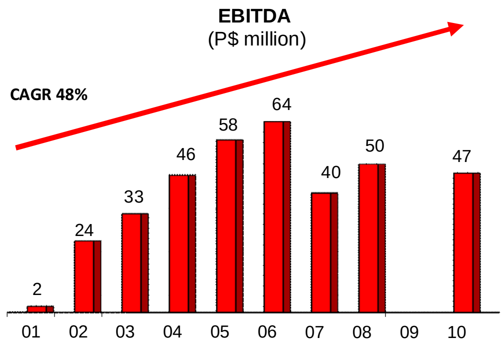
Industrial products EBITDA rose 15.5%, from R$275.8 million in 2009 to R$318.5 million, and the EBITDA margin grew 2.1 percentage points from 45.1% in 2009 to 47.2% in 2010.

HIGHWAY SERVICE BUSINESS UNIT

Highway services volumes, measured in remunerated kilometers (RK), increased 9.1% in 2010, reaching 33.5 million RK. Gross revenue rose 9.3% in 2010, from R$97.5 million to R$106.6 million, mainly due to the increase in volumes.

EBITDA from Highway services grew 62.5% from R$7.9 million in 2009 to R$12.9 million in 2010, and EBITDA margin rose 4.5 percentage points reaching 13.8%.





ARGENTINA OPERATIONS

Volumes in ALL Argentina increased

3.6% from 3,305 million RTK in 2009 to 3,424 million RTK in 2010. ALL Argentina's gross revenues increased 38% in Pesos, from P$264.4 million to P$365 million, reflecting the 3.6% growth in volume and the 33% improvement in yields measured in P$ per thousand RTK. In 2010, ALL Argentina's EBITDA increased from zero to P$46.7 million. The Argentine operation represents today 5.2% of our revenues and less than 2% of our EBITDA.

Reinvestment of profits as dividends distribution policy.

Pursuant to Article 36 of the Bylaws, except for the allocation of 5% of net income to the Company's legal reserve, equivalent to R $ 11,994 thousand, and the allocation of dividends required to be distributed to shareholders (to be proposed at the next Annual General Meeting to be held at Company headquarters on April 29, 2011), 25% of net income adjusted in accordance with Article 202 of Law 6404/76, equivalent to $ 56,972,000, the remaining amount will be allocate to profit reserves, the total of R $ 170,913 thousand, with the purpose of financing the expansion of activities of the Company and subsidiaries, including through the subscription of capital increases or creation of new enterprises

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 that there were no other services hired by the Company and provided by its independent auditor Ernst & Young ("Auditor") during the year 2010.

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.